



Weekly Market Watch

Weekly Market Watch | Georgia
July 27, 2020

Economy

Trade deficit down 27.7% y/y in June 2020

In June 2020, exports decreased by 14.0% y/y to US\$ 266.9mn, after falling 31.3% in previous month and imports fell by 22.0% y/y to US\$ 576.3mn after a 36.8% y/y drop in previous month. As a result, trade deficit narrowed by 27.7% y/y to US\$ 309.4mn, according to Geostat.

In June 2020, copper (+62.8% y/y), cars (-46.6% y/y), wine (+24.2% y/y), spirits (+18.7% y/y) and pharmaceuticals (-38.3% y/y) were the top 5 exported commodities. A 23.4% of exports was directed to the EU (-4.3% y/y), 40.8% to the CIS (-35.7% y/y) and 35.7% to other countries (+26.6% y/y).

Cars (-54.4% y/y), petroleum (-43.4% y/y), copper (+13.4% y/y), pharmaceuticals (-13.0% y/y) and precious metals (+US\$ 17.4mn) represented the top 5 imported commodities in June 2020. Overall, in 1H20, trade deficit was down 21.3% to US\$ 2.0bn as exports reduced by 16.0% y/y to US\$ 1.5bn and imports decreased by 19.1% y/y to US\$ 3.6bn.

Producer price index up 10.1% y/y in June 2020

Annual PPI for industrial goods retreated to 10.1% y/y in June 2020, after 12.7% y/y growth in previous month, according to Geostat. Price changes in manufacturing (+9.8% y/y) and mining (+24.5% y/y) contributed the most to the overall index change.

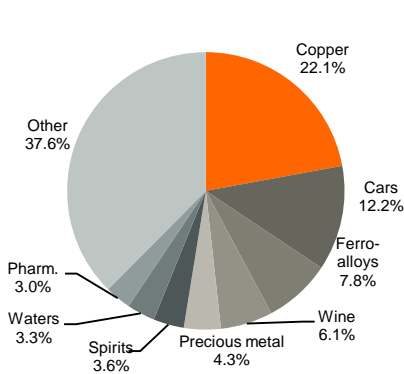
NBG sold US\$ 40mn

On 22 July 2020, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL's volatility. This was 9th FX intervention YTD for a total sale of US\$ 269.7mn through FX auctions.

GGU has issued the first-ever green bond from Georgia

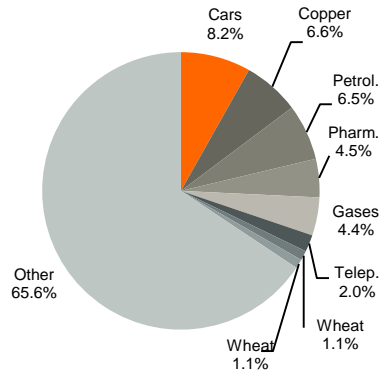
Georgia Global Utilities (GGU), water utility and renewable energy business under Georgia Capital, has successfully priced an inaugural US\$ 250mn green bond offering on 23 July 2020. The bond with a 5-year non-call 2 year bullet maturity, paying 7.75% coupon rate, is expected to settle on 30 July 2020. The bond is being issued and sold at par value. The proceeds of the bond will be used to refinance all existing loan arrangements of GGU and to finance capital expenditures in the water supply and sanitation business. The bond is expected to be listed on the Global Exchange Market of the Irish Stock Exchange and to be rated B+ (stable) by Fitch and B (positive) by S&P.

Exports by commodities, 1H20



Source: Geostat

Imports by commodities, 1H20

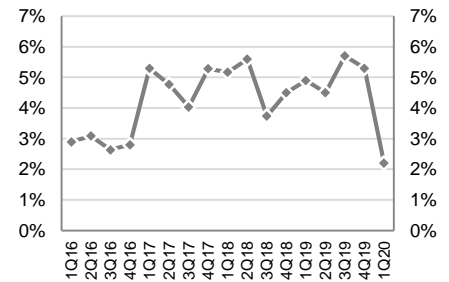


Key macro indicators

| | 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



Source: Rating agencies



Money market

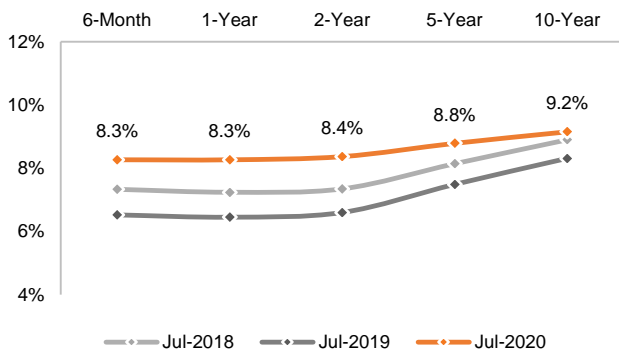
Ministry of Finance Benchmark Bonds: 10-year GEL 40.0mn (US\$ 13.0mn) Benchmark Bonds were sold at the auction held at NBG on July 21, 2020. Total demand was 1.9x higher and the weighted average yield was fixed at 9.204%, down 1.03ppts from previous auction held in April, 2020. The nearest treasury security auction is scheduled for July 28, 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 | 250 | 100 | 230 |
| 1-year | 410 | 250 | 660 |
| 2-year | 490 | 350 | 1,350 |
| 5-year | 480 | 480 | 1,823 |
| 10-year | 110 | 40 | 959 |
| Total | 1,740 | 1,220 | 5,021 |

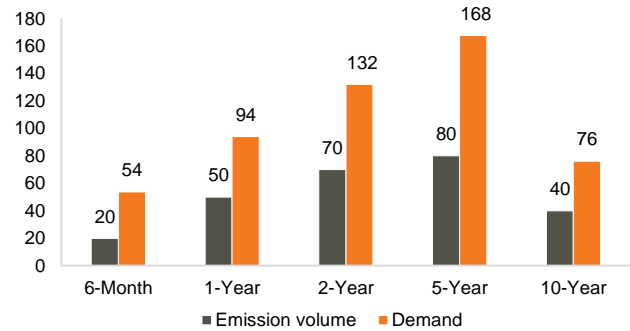
Source: MoF
Note: * As of 30 June 2020

T-bills / T-notes, yield curve



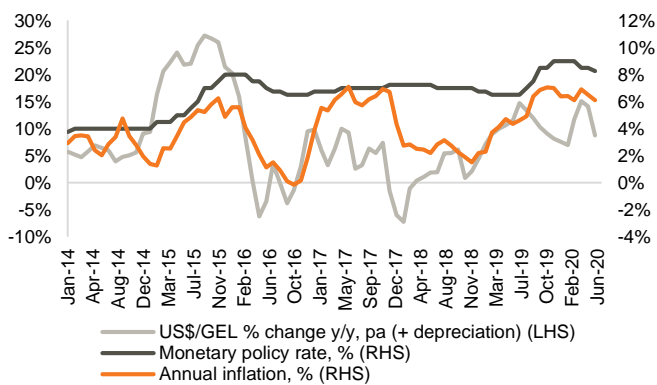
Source: NBG

Emission volume vs. demand on latest T-bill0s / T-notes auctions, GEL mn



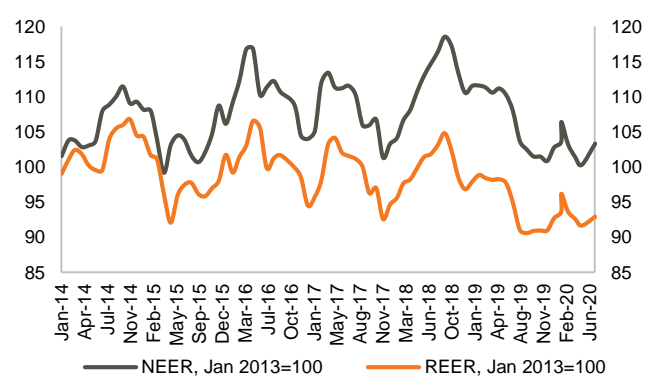
Source: NBG

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



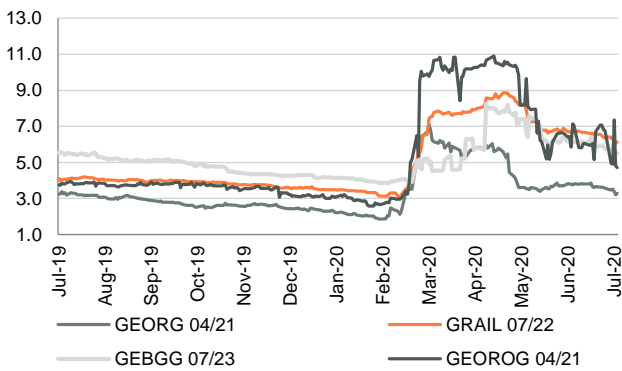
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.51% yield, trading at 101.35 (+0.59% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.01 (+1.04% w/w), yielding 8.06%.

GOGC Eurobonds (GEOROG) were trading at 101.46 (+1.13% w/w), yielding 4.71%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.94 (+0.49% w/w), yielding 6.13%.

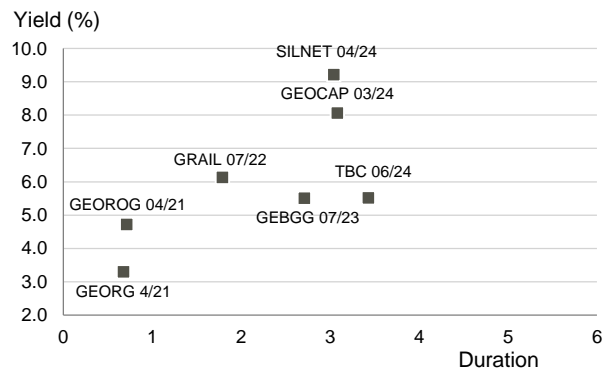
Georgian Sovereign Eurobonds (GEORG) closed at 102.47 (+0.11% w/w) at 3.30% yield to maturity.

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 | 102.47 | 3.30 | 303.64 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | Jul-22 | BB-/B+/- | 102.94 | 6.13 | 591.94 |
| GEOROG 04/21 | US\$ | 250 | 6.750% | Apr-21 | BB/BB/- | 101.46 | 4.71 | 445.80 |
| GEBGG 07/23 | US\$ | 350 | 6.000% | Jul-23 | BB-/Ba2 | 101.35 | 5.51 | 529.25 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.125% | n/a | B-/- | 98.62 | 9.81 | 1,132.78 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | Mar-24 | -/B/B2 | 94.01 | 8.06 | 783.21 |
| SILKNET 04/24 | US\$ | 200 | 11.000% | Apr-24 | B+/-/B1 | 105.45 | 9.21 | 897.84 |
| TBC 06/24 | US\$ | 300 | 5.750% | Jun-24 | BB-/Ba2 | 100.82 | 5.51 | 527.14 |
| TBC PERP | US\$ | 125 | 10.775% | n/a | B-/-/- | 96.96 | 10.18 | 1,145.48 |
| GGU 07/25 | US\$ | 250 | 7.750% | Jul-25 | -/B/- | 100.00 | 7.75 | n/a |

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 | -/-/- | 98.66 | 8.50 | n/a |
| M2RE 10/22 | US\$ | 35 | 7.50% | Oct-22 | -/-/- | 98.02 | 8.50 | n/a |
| GLC 08/20 | US\$ | 10 | 7.00% | Aug-20 | -/-/- | 100.18 | 5.00 | n/a |
| GLC 06/21 | US\$ | 5 | 6.50% | Jun-21 | -/-/- | 98.27 | 8.50 | n/a |
| GLC 08/21 | US\$ | 10 | 7.50% | Aug-21 | -/-/- | 99.51 | 8.00 | 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 | 14.50 | 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 | 102.47 | 3.30 | 303.64 |
| Armenia | US\$ | 500 | 6.000% | Sep-20 | BB-/Ba3 | 99.91 | 6.39 | 620.85 |
| Azerbaijan | US\$ | 174 | 2.820% | Sep-21 | BB+/-/Ba2 | 100.57 | 2.29 | 205.55 |
| Belarus | US\$ | 800 | 6.875% | Feb-23 | B/B/B3 | 100.22 | 6.78 | 656.38 |
| Kazakhstan | US\$ | 1,500 | 3.875% | Oct-24 | BBB/BBB-/Baa3 | 109.62 | 1.51 | 125.49 |
| Turkey | US\$ | 2,000 | 5.625% | Mar-21 | BB-/B1 | 101.69 | 3.06 | 280.15 |
| Ukraine | US\$ | 1,409 | 7.750% | Sep-21 | B/B/Caa1 | 103.87 | 4.09 | 385.39 |

Source: Bloomberg

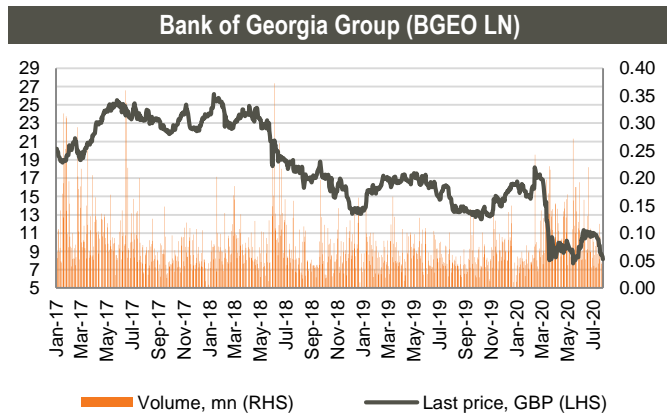
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 8.14/share (-9.15% w/w and -23.21% m/m). More than 204k shares traded in the range of GBP 8.14 - 9.00/share. Average daily traded volume was 62k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.48% w/w and gained 0.66% m/m. The volume of BGEO shares traded was at 0.42% of its capitalization.

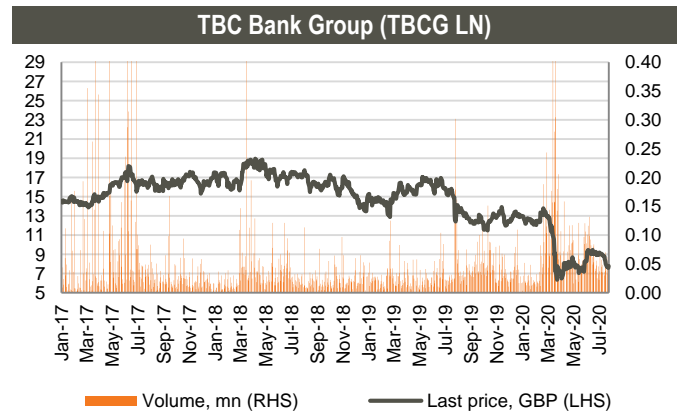
Georgia Capital (CGEO LN) shares closed at GBP 3.80/share (-7.33% w/w and -17.86% m/m). More than 282k shares traded in the range of GBP 3.75 - 4.09/share. Average daily traded volume was 56k in the last 4 weeks. The volume of CGEO shares traded was at 0.77% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 7.79/share (-2.63% w/w and -13.44% m/m). More than 406k shares changed hands in the range of GBP 7.00 - 8.18/share. Average daily traded volume was 53k in the last 4 weeks. The volume of TBCG shares traded was at 0.74% of its capitalization.

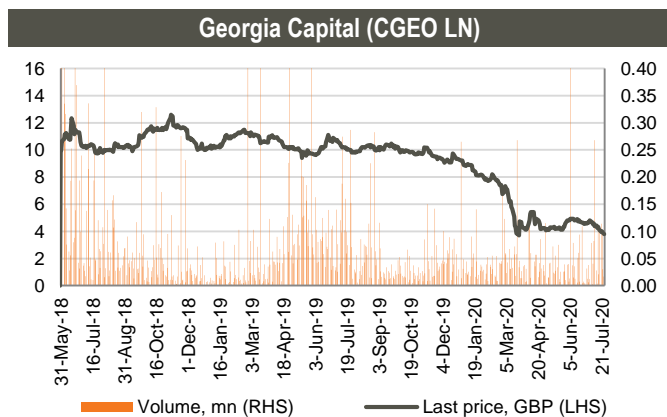
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.75/share (-15.11% w/w and -15.31% m/m). More than 37k shares were traded in the range of GBP 0.70 - 0.89/share. Average daily traded volume was 17k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



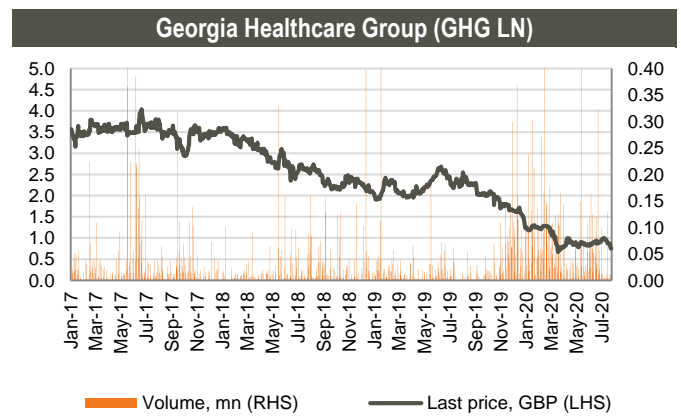
Source: Bloomberg



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 | 8.14 | 400 | -46.0% | -46.3% | -49.9% | 3.22x | 6.65x | 0.71x | 0.64x |
| TBC | TBC | GBP | 7.79 | 429 | -37.8% | -40.7% | -40.1% | 3.12x | 6.86x | 0.60x | 0.59x |
| Halyk Bank | HSBK | US\$ | 11.10 | 3,262 | -22.9% | -19.3% | -16.9% | 3.89x | 4.61x | 0.93x | 0.89x |
| VTB Bank | VTBR | US\$ | 1.01 | 6,526 | -34.4% | -25.5% | -31.2% | 2.49x | 5.21x | 0.37x | 0.36x |
| Akbank | AKBNK | TRY | 5.78 | 30,056 | -34.0% | -24.5% | -28.7% | 4.83x | 4.92x | 0.50x | 0.50x |
| Garanti | GARAN | TRY | 7.91 | 33,222 | -33.9% | -20.1% | -29.0% | 4.46x | 4.60x | 0.53x | 0.54x |
| Isbank | ISCTR | TRY | 5.29 | 23,805 | -27.8% | -17.9% | -17.5% | 3.54x | 4.08x | 0.37x | 0.38x |
| PKO | PKO | PLN | 23.10 | 28,875 | -35.3% | -45.4% | -33.0% | 6.80x | 12.69x | 0.69x | 0.66x |
| PEKAO | PEO | PLN | 54.88 | 14,404 | -45.4% | -48.1% | -45.4% | 6.53x | 13.91x | 0.62x | 0.60x |
| Millennium | MIL | PLN | 3.08 | 3,741 | -48.9% | -62.6% | -47.3% | 5.04x | 18.56x | 0.41x | 0.42x |
| Mbank | MBK | PLN | 206.00 | 8,721 | -45.6% | -44.9% | -47.1% | 6.99x | 18.63x | 0.53x | 0.52x |
| BRD | BRD | RON | 11.80 | 8,223 | -27.9% | -11.0% | -25.5% | 5.46x | 10.50x | 1.05x | 0.94x |
| Banca Transilvania | TLV | RON | 2.10 | 10,927 | -20.3% | -9.6% | -19.3% | 6.06x | 13.38x | 1.25x | 1.54x |
| OTP | OTPD | USD | 22.80 | 12,768 | 7.5% | 7.5% | 7.5% | 9.60x | 16.29x | 0.82x | 0.74x |
| Komercni | KOMB | CZK | 550.00 | 104,527 | -31.6% | -39.2% | -33.7% | 6.94x | 13.17x | 0.99x | 0.91x |
| Mean | | | | | | | | 5.27x | 10.27x | 0.69x | 0.68x |
| Median | | | | | | | | 5.04x | 10.50x | 0.62x | 0.60x |

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 | 3.80 | 139 | -53.3% | -62.0% | -58.8% | 5.22x | n/a | 0.37x | n/a |
| Tinc Comm | TINC | EUR | 13.30 | 363 | -5.7% | 7.6% | -0.4% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 9.13 | 18,629 | -11.1% | -4.4% | -4.3% | 4.25x | 3.88x | 0.50x | 0.49x |
| Deutsche Beteiligungs | DBAN | EUR | 29.35 | 442 | -26.2% | -8.1% | -25.6% | 11.26x | nmf | 1.01x | 1.15x |
| Eurazeo | RF | EUR | 45.66 | 3,596 | -26.9% | -24.1% | -25.1% | 11.56x | 26.52x | 0.70x | 0.65x |
| Carlyle Group | CG | USD | 28.67 | 3,173 | -15.0% | 15.4% | -10.6% | 16.55x | 5.77x | 1.77x | 4.93x |
| Mean | | | | | | | | 9.77x | 12.06x | 0.87x | 1.80x |
| Median | | | | | | | | 11.26x | 5.77x | 0.70x | 0.90x |

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 | 0.75 | 98 | -40.2% | -67.3% | -39.3% | 7.94x | n/a | 4.29x | n/a |
| Mouwasset | MOUWASAT | SAR | 101.60 | 10,160 | 20.4% | 14.8% | 15.5% | 26.10x | 23.95x | 17.79x | 17.18x |
| Fortis | FORH | INR | 135.20 | 102,070 | -11.7% | 6.6% | 2.5% | 1.60x | 1.50x | 6.48x | 6.75x |
| Raffles | RFMD | SGD | 0.92 | 1,672 | -9.4% | -10.3% | -8.5% | 27.57x | 33.70x | 17.59x | 19.57x |
| IHH | IHH | MYR | 5.39 | 47,292 | -6.9% | -6.3% | -1.5% | 51.12x | 70.85x | 14.91x | 18.02x |
| Bangkok Chain | BCH | THB | 14.70 | 36,658 | -8.1% | -5.2% | -14.0% | 29.29x | 30.90x | 16.29x | 16.72x |
| Netcare | NTC | ZAR | 14.76 | 21,429 | -28.5% | -14.8% | -24.2% | 8.85x | 18.94x | 5.77x | 9.63x |
| Life Healthcare | LHC | ZAR | 18.71 | 27,454 | -26.1% | -18.9% | -24.1% | 14.30x | 40.13x | 6.42x | 9.06x |
| Mediclinic | MDC | GBP | 2.83 | 2,088 | -27.7% | -17.2% | -31.2% | 10.39x | 11.57x | 7.65x | 7.53x |
| Apollo Hospitals | APHS | INR | 1,512.05 | 210,364 | -9.4% | 13.2% | 4.9% | 70.67x | 63.46x | 21.92x | 15.71x |
| KPJ Healthcare | KPJ | MYR | 0.81 | 3,449 | -17.0% | -14.8% | -14.8% | 17.83x | 22.00x | 8.80x | 10.18x |
| NMC | NMC | GBP | 9.38 | 1,959 | -30.4% | -62.1% | -46.9% | n/a | n/a | n/a | n/a |
| Mean | | | | | | | | 24.15x | 31.70x | 11.63x | 13.04x |
| Median | | | | | | | | 17.83x | 27.43x | 8.80x | 12.94x |

Source: Bloomberg, S&P Capital IQ

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