

Weekly Market Watch

Weekly Market Watch | Georgia
December 23, 2019

Economy

Real growth was 5.8% in 3Q19

Georgia's economy expanded 5.8% y/y in 3Q19 after growing 4.6% y/y in previous quarter, according to Geostat. Real growth was supported by solid increases in construction (+17.1% y/y), trade (+9.8% y/y), entertainment and recreation (+19.9%), manufacturing (+4.9%), and other sectors, fully offsetting downturn in mining (-2.2% y/y), financial activities (-2.2% y/y), and public administration (-4.0% y/y). Overall, real growth was 5.2% y/y in 9M19.

Exports up 25.2% y/y in November 2019

In November 2019, exports increased by 25.2% y/y to US\$ 345.9mn, imports were up 4.2% y/y to US\$ 782.7mn and the trade deficit narrowed 8.0% y/y to US\$ 436.8mn, according to Geostat. In November 2019, copper (+95.3% y/y), cars (+81.3% y/y), wine (+17.4% y/y), spirits (+65.4% y/y) and mineral waters (+19.4% y/y) were the top 5 exported commodities. A 19.5% of exports was directed to the EU (+13.8% y/y), 53.3% to the CIS (+9.4% y/y) and 27.3% to other countries (+94.3% y/y).

In November 2019, petroleum (+8.0% y/y), copper (+17.8% y/y), cars (-18.4% y/y), gases (+17.9% y/y) and pharmaceuticals (-22.2% y/y) represented the top 5 imported commodities.

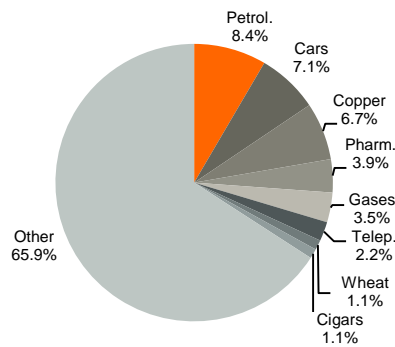
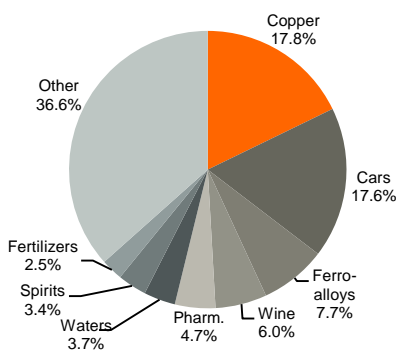
Overall, in 11M19, the trade deficit was down 10.3% y/y to US\$ 4.7bn as exports were up 11.7% y/y to US\$ 3.4bn and imports decreased by 2.3% y/y to US\$ 8.1bn.

Producer price index up 8.5% y/y in November 2019

Annual PPI for industrial goods retreated to 8.5% in November 2019 from 9.2% in previous month, according to Geostat. Rising prices in manufacturing (+8.7% y/y) and products from mining and quarrying (+16.3% y/y) contributed the most to the overall index change.

Exports by commodities, 11M19

Imports by commodities, 11M19



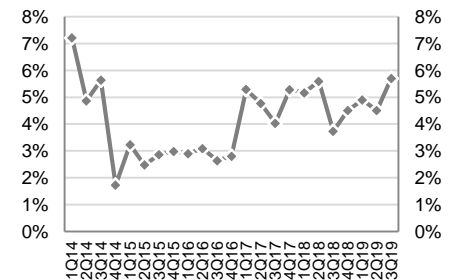
Source: Geostat

Key macro indicators

	2016	2017	2018
GDP (% change)	2.9%	4.8%	4.8%
GDP per capita (ppp)	10,511	11,485	12,417
GDP per capita (US\$)	4,062	4,359	4,722
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)	12.4%	8.1%	6.8%
Fiscal deficit (% of GDP)	2.9%	2.7%	2.3%
Total public debt (% of GDP)	40.3%	39.4%	38.9%

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

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.3bn (US\$ 791.6mn).

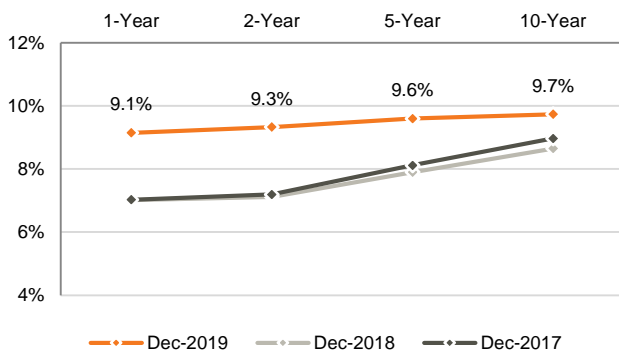
Ministry of Finance Benchmark Bonds: 10-year GEL 30.0mn (US\$ 10.4mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on December 17, 2019. The weighted average yield was fixed at 9.816%. The nearest treasury security auction is scheduled for December 24, 2019, where GEL 70.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes, Dec-19 emission calendar

Date	Volume, GEL mn	Maturity
24-Dec-19	70	5 year

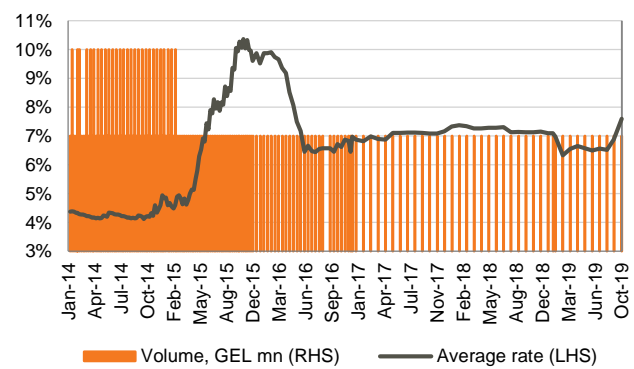
Source: MoF

T-bills / T-notes, yield curve



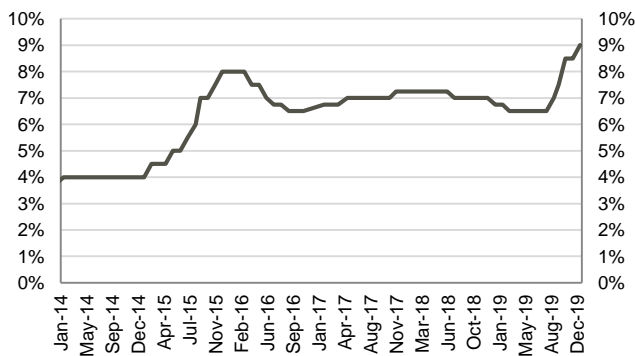
Source: NBG

Certificates of Deposits (weighted average rate)



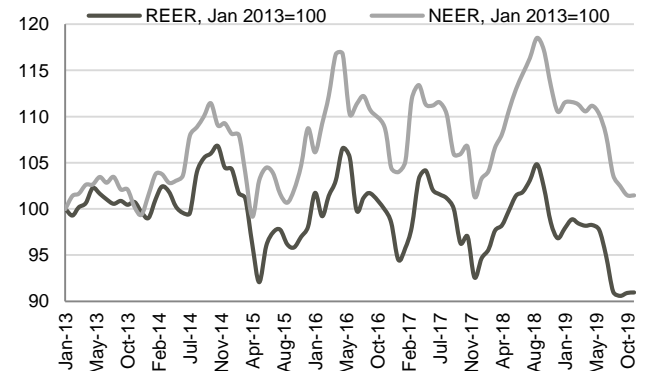
Source: NBG

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



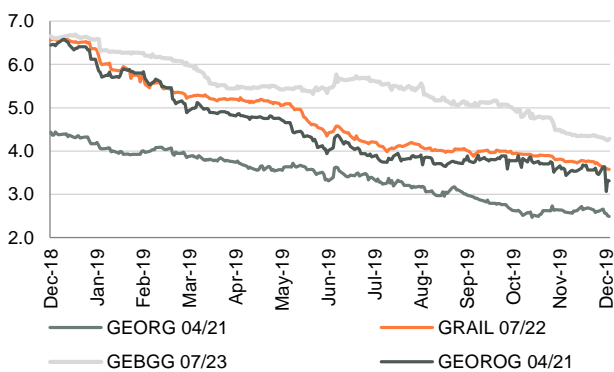
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.28% yield, trading at 105.66 (+0.13% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.52 (+0.11% w/w), yielding 6.53%.

GOGC Eurobonds (GEOROG) were trading at 104.46 (+0.13% w/w), yielding 3.31%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.08 (+0.21% w/w), yielding 3.57%.

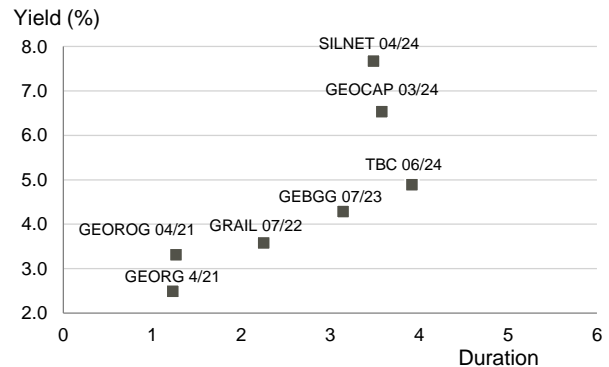
Georgian Sovereign Eurobonds (GEORG) closed at 105.57 (+0.07% w/w) at 2.49% yield to maturity.

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	105.57	2.49	71.58
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	110.08	3.57	188.34
GEORG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.46	3.31	154.78
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+2	105.66	4.28	256.43
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	105.27	10.15	794.11
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	98.52	6.53	484.38
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	111.92	7.67	577.73
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+2	103.45	4.88	320.09
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.55	10.52	834.11

Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.94	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.00	7.50	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.34	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.30	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	102.21	7.00	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/-/-	99.74	13.25	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	11.00%	Apr-24	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	14.00%	Sep-21	B-/-/-	100.75	15.50	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	105.57	2.49	71.58
Armenia	US\$	500	6.000%	Sep-20	BB-/-/Ba3	102.25	3.00	96.46
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.95	2.85	112.49
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.86	4.53	279.79
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.43	2.24	51.47
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.10	1.79	-30.21
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	103.02	3.17	143.36
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	106.06	3.99	226.74

Source: Bloomberg



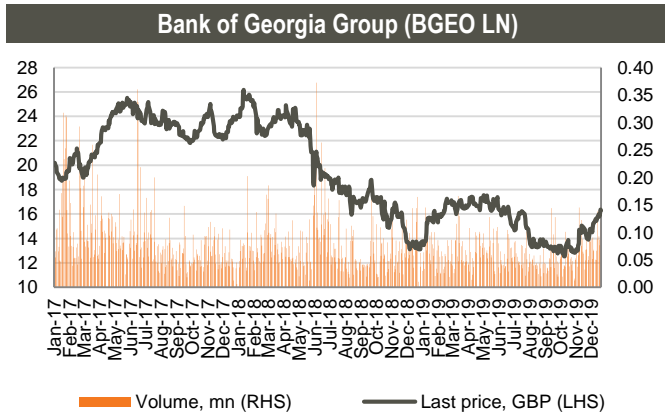
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.32/share (+3.75% w/w and +13.33% m/m). More than 523k shares traded in the range of GBP 15.41 - 16.55/share. Average daily traded volume was 82k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.77% w/w and 5.86% m/m. The volume of BGEO shares traded was at 1.06% of its capitalization.

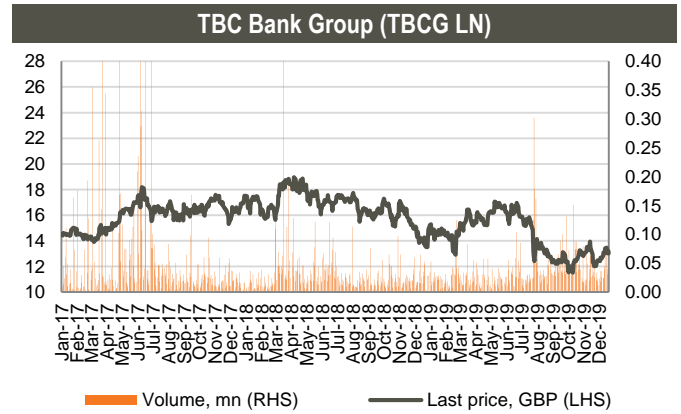
Georgia Capital (CGEO LN) shares closed at GBP 9.61/share (+5.84% w/w and +0.63% m/m). More than 228k shares traded in the range of GBP 9.00 - 9.80/share. Average daily traded volume was 51k in the last 4 weeks. The volume of CGEO shares traded was at 0.62% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.02/share (-2.84% w/w and +6.55% m/m). More than 306k shares changed hands in the range of GBP 12.60 - 13.58/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.56% of its capitalization.

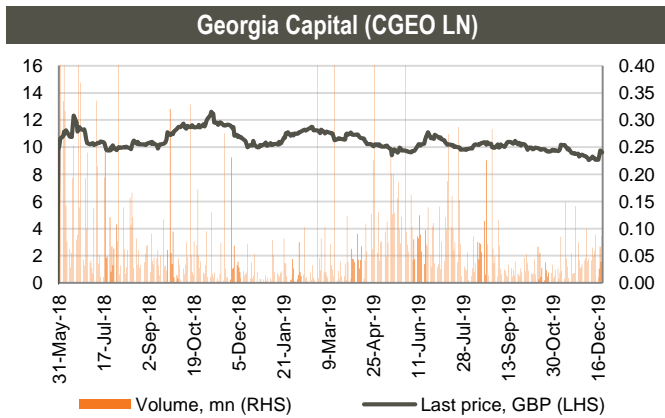
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.57/share (-6.57% w/w and -12.08% m/m). More than 197k shares were traded in the range of GBP 1.57 - 1.72/share. Average daily traded volume was 97k in the last 4 weeks. The volume of GHG shares traded was at 0.15% of its capitalization.



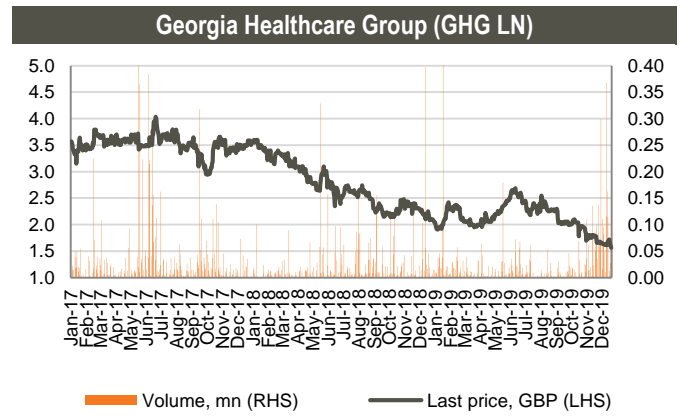
Source: Bloomberg



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	16.32	802	-0.4%	19.3%	18.5%	6.38x	6.10x	1.53x	1.21x
TBC	TBC	GBP	13.02	716	-21.9%	-8.7%	-14.5%	5.49x	5.11x	1.01x	0.89x
Halyk Bank	HSBK	US\$	13.30	3,908	13.7%	33.0%	28.5%	4.99x	4.93x	1.16x	1.04x
VTB Bank	VTBR	US\$	1.46	9,487	12.5%	24.6%	32.1%	3.79x	3.60x	0.67x	0.43x
Akbank	AKBNK	TRY	8.13	42,276	21.9%	39.8%	38.1%	7.79x	5.31x	0.81x	0.71x
Garanti	GARAN	TRY	10.84	45,528	25.8%	32.7%	36.2%	7.04x	4.87x	0.84x	0.73x
Isbank	ISCTR	TRY	6.16	27,720	11.2%	43.3%	36.0%	4.91x	3.82x	0.50x	0.44x
PKO	PKO	PLN	34.76	43,450	-19.2%	-14.4%	-11.9%	9.79x	9.41x	1.04x	1.01x
PEKAO	PEO	PLN	100.10	26,273	-12.6%	-9.1%	-8.2%	11.69x	10.05x	1.12x	1.08x
Millennium	MIL	PLN	5.80	7,030	-40.0%	-34.6%	-34.7%	9.10x	8.03x	0.77x	0.71x
Mbank	MBK	PLN	374.20	15,842	-12.1%	-11.7%	-11.8%	12.72x	11.37x	0.96x	0.91x
BRD	BRD	RON	15.60	10,872	27.9%	42.9%	36.8%	7.03x	9.20x	1.36x	1.39x
Banca Transilvania	TLV	RON	2.58	13,457	19.4%	47.1%	39.4%	7.21x	8.97x	1.50x	1.50x
OTP	OTPD	USD	21.20	11,872	0.0%	8.2%	8.2%	9.12x	8.83x	0.78x	0.69x
Komercni	KOMB	CZK	811.50	154,225	-9.7%	-7.2%	-4.2%	10.19x	10.91x	1.46x	1.40x
Mean								7.82x	7.37x	1.03x	0.94x
Median								7.21x	8.03x	1.01x	0.91x

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	9.61	353	-12.2%	-8.1%	-5.9%	13.60x	10.66x	0.97x	0.90x
Tinc Comm	TINC	EUR	13.30	363	7.6%	17.3%	16.3%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.29	18,955	11.5%	22.7%	23.5%	5.03x	4.11x	0.58x	0.49x
Deutsche Beteiligungs	DBAN	EUR	38.05	572	10.0%	10.8%	13.4%	13.90x	17.98x	1.24x	1.20x
Eurazeo	RF	EUR	61.60	4,852	-2.2%	6.8%	4.7%	14.94x	12.36x	0.91x	0.86x
Carlyle Group	CG	USD	31.22	3,455	39.4%	95.1%	98.2%	17.87x	6.84x	3.64x	2.16x
Mean								13.07x	10.39x	1.47x	1.12x
Median								13.90x	10.66x	0.97x	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		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	1.57	206	-38.9%	-27.2%	-23.3%	16.02x	11.56x	6.94x	5.99x
Mouwasset	MOUWASAT	SAR	87.20	8,720	-3.4%	8.5%	8.3%	22.40x	19.74x	15.42x	13.87x
Fortis	FORH	INR	135.30	102,146	3.2%	-0.2%	-3.7%	1.70x	1.52x	6.39x	6.49x
Raffles	RFMD	SGD	0.98	1,782	-8.0%	-11.4%	-11.4%	29.84x	29.60x	19.00x	18.19x
IHH	IHH	MYR	5.66	49,661	-1.7%	8.4%	5.0%	56.20x	42.71x	16.18x	14.57x
Bangkok Chain	BCH	THB	17.10	42,643	1.8%	-7.6%	2.4%	35.32x	31.39x	19.16x	17.52x
Netcare	NTC	ZAR	19.69	28,587	7.8%	-25.0%	-25.5%	13.84x	14.08x	8.22x	7.53x
Life Healthcare	LHC	ZAR	24.85	36,464	9.5%	-2.8%	-5.9%	22.26x	16.56x	8.84x	7.63x
Mediclinic	MDC	GBP	4.06	2,993	33.9%	28.7%	25.9%	15.14x	15.67x	9.55x	9.06x
Apollo Hospitals	APHS	INR	1,379.20	191,881	0.4%	8.8%	9.6%	67.82x	52.84x	21.15x	15.21x
KPJ Healthcare	KPJ	MYR	0.94	4,006	-2.1%	-9.2%	-10.1%	21.35x	19.75x	9.96x	9.73x
NMC	NMC	GBP	13.01	2,715	-46.6%	-51.9%	-52.5%	11.12x	8.57x	8.67x	7.29x
Mean								26.08x	22.00x	12.46x	11.09x
Median								21.80x	18.15x	9.76x	9.40x

Source: Bloomberg, S&P Capital IQ



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