



Weekly Market Watch

Weekly Market Watch | Georgia
March 9, 2020

Economy

Inflation was 6.4% y/y and 0.3% m/m in February 2020

Annual CPI inflation was 6.4% in February 2020 unchanged from previous month, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) came in at 3.8%, up from 3.4% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+12.7% y/y, +3.95ppts), restaurants and hotels (+8.7% y/y, +0.39ppts), health (+3.9% y/y, +0.32ppts) and housing, water, electricity, gas and other fuels (+3.4% y/y, +0.31ppts) categories. Meanwhile, prices were down in clothing and footwear (-1.7% y/y, -0.08ppts) and communication (-1.3% y/y, -0.05ppts) categories. On a monthly basis, there was 0.3% inflation in February 2020. Price increase in food and non-alcoholic beverages (+1.3% m/m, +0.40ppts) category was the major driver of monthly inflation dynamics.

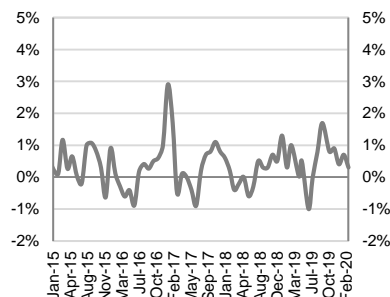
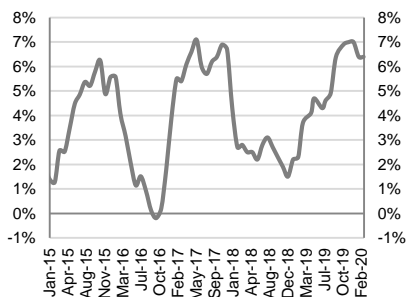
International arrivals decreased 0.6% y/y in February 2020

Total international arrivals (tourists and same-day arrivals) to Georgia decreased by 0.6% y/y to 0.39mn persons in February 2020, according to GNTA. This fall reflected reduced same-day arrivals (-8.6% y/y), as tourist arrivals were up 4.0% y/y (66.6% of total). Out of top countries, in February 2020, international visitors increased from Azerbaijan (+12.8%), Turkey (+3.8% y/y), Ukraine (+14.6% y/y) and Israel (+39.5% y/y), while visitors decreased from Armenia (-18.2% y/y), Russia (-25.0%) and Iran (-8.7% y/y). Visitors from the EU were up 42.1% y/y to over 23,400 visitors, with Poland, Germany, Estonia, Italy and UK driving the growth. In 2M20, total international arrivals stood at 0.91mn (+10.2% y/y), of which tourist arrivals reached 0.62mn (+12.2% y/y) persons. Meanwhile, we estimate tourism revenues at US\$ 365.8mn (+9.6% y/y) in 2M20.

International reserves stood at US\$ 3.4bn in February 2020

Gross international reserves were down 1.6% y/y to US\$ 3.4bn in February 2020, according to NBG. On a monthly basis, reserves were down 1.3% (-US\$ 44mn). The decline in reserves was attributed to government and banking sector FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y) Monthly CPI inflation (% change, m/m)



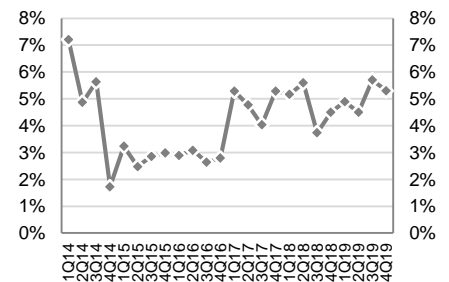
Source: Geostat

Key macro indicators

	2017	2018	2019E
GDP (% change)	4.8%	4.8%	5.2%
GDP per capita (ppp)	11,485	12,417	13,443
GDP per capita (US\$)	4,359	4,722	4,716
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%	4.0%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.4%
Total public debt (% of GDP)	39.4%	38.9%	40.3%

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

 BB Stable Upgraded Oct-2019	 Ba2 Stable Affirmed Sep-2019	 BB Stable Affirmed Feb-2020
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Source: Rating agencies

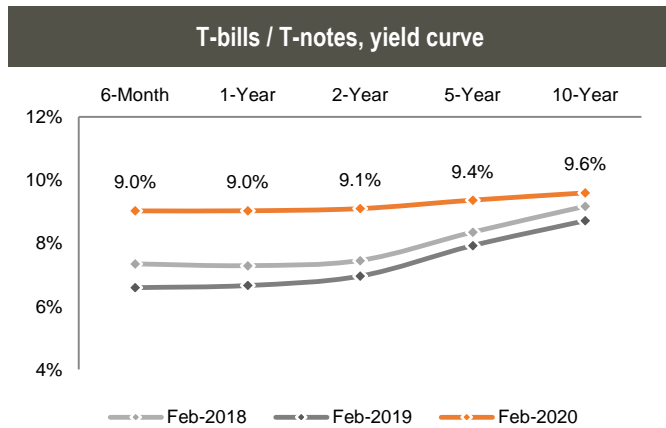
Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 25.1mn) Benchmark Bonds were sold at the auction held at NBG on March 2, 2020. Total demand was 2.3x higher and the weighted average yield was fixed at 8.839%, down 0.21ppts from previous auction held on February 4, 2020. The nearest treasury security auction is scheduled for March 10, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

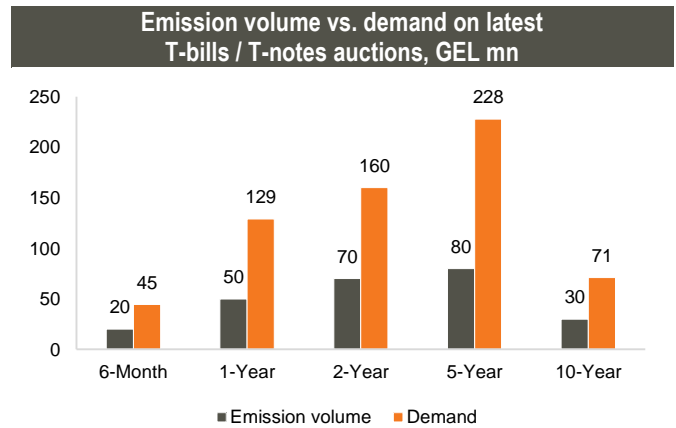
Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 7.2mn) T-Bills were sold at the auction held at NBG on March 2, 2020. Total demand was 2.3x higher and the weighted average yield was fixed at 9.014%, unchanged from previous auction held on February 4, 2020.

T-bills / T-notes in 2020		
Maturity	YTD placements, GEL mn	Remaining placements, GEL mn
6-month	110	180
1-year	100	500
2-year	210	630
5-year	160	800
10-year	30	120
Total	610	2,230

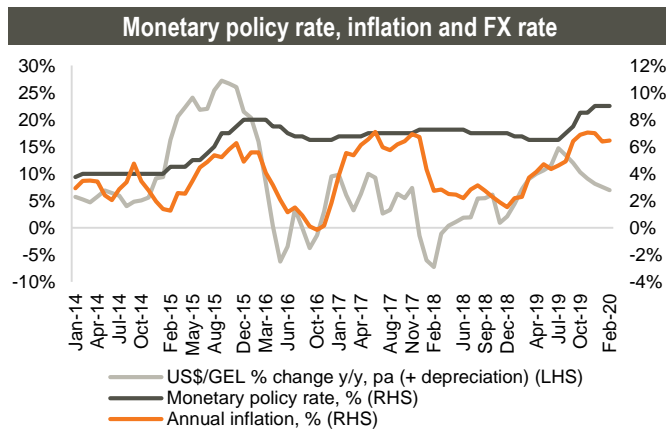
Source: MoF



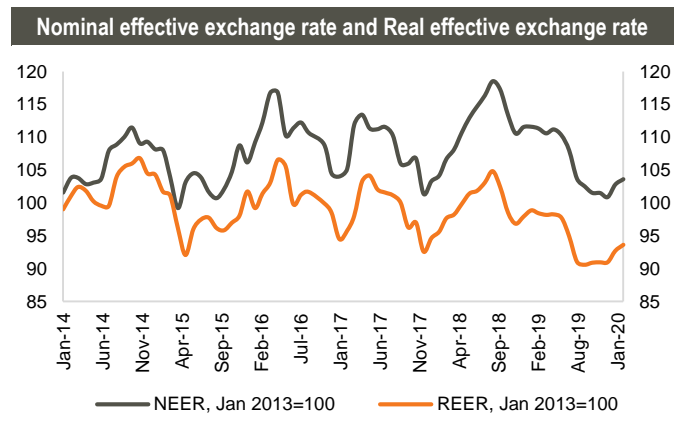
Source: NBG



Source: NBG



Source: NBG



Source: NBG

Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

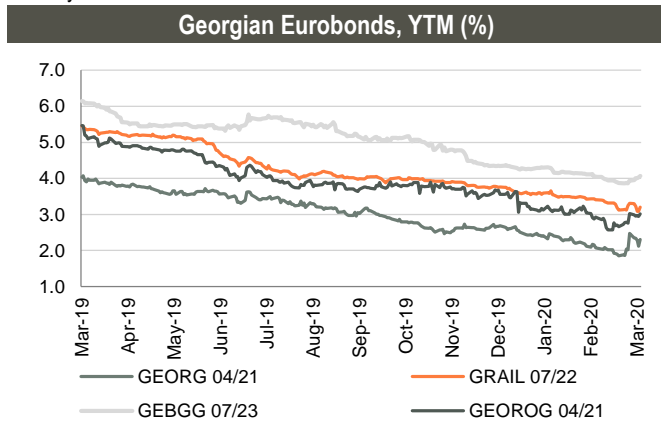


Fixed income

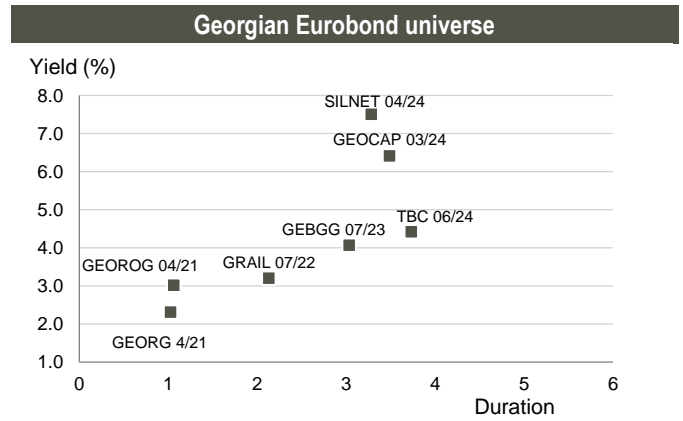
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.07% yield, trading at 106.04 (-0.45% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 99.00 (-0.56% w/w), yielding 6.41%.

GOGC Eurobonds (GEOROG) were trading at 104.10 (-0.06% w/w), yielding 3.02%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.15 (+0.15% w/w), yielding 3.20%.

Georgian Sovereign Eurobonds (GEORG) closed at 104.88 (+0.09% w/w) at 2.31% 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	104.88	2.31	174.18	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	110.15	3.20	267.43	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	104.10	3.02	231.52	
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	106.04	4.07	347.25	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-	107.23	9.20	852.13	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	99.00	6.41	588.39	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	112.02	7.51	668.00	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	105.14	4.42	387.69	
TBC PERP	US\$	125	10.775%	n/a	B-/B-	107.07	9.71	831.30	

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	12.50%	Dec-21	BB-/B/Ba2	n/a	n/a	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	102.57	6.00	n/a	
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.58	7.25	n/a	
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/B-	100.94	5.00	n/a	
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/B-	100.60	6.00	n/a	
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/B-	101.22	6.50	n/a	
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/B-	100.00	13.00	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-/B-	100.00	13.25	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	104.88	2.31	174.18
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	101.54	3.17	214.38
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.72	2.32	160.65
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.26	4.24	355.50
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	108.69	1.89	132.58
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.46	1.61	88.79
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.20	3.48	286.14
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	104.28	4.71	407.80

Source: Bloomberg

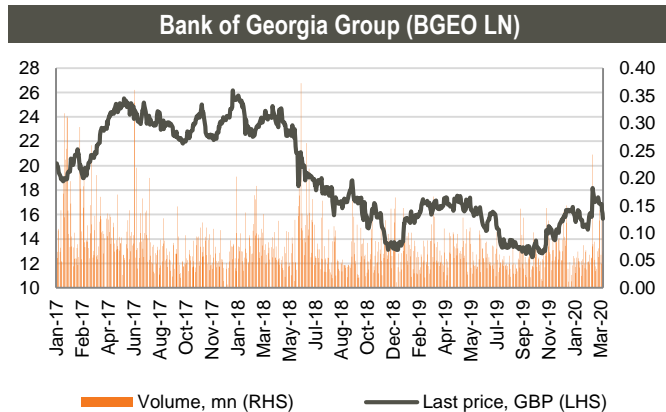
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.66/share (-7.45% w/w and -1.14% m/m). More than 362k shares traded in the range of GBP 15.51 - 17.25/share. Average daily traded volume was 78k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 3.02% w/w and 13.10% m/m. The volume of BGEO shares traded was at 0.74% of its capitalization.

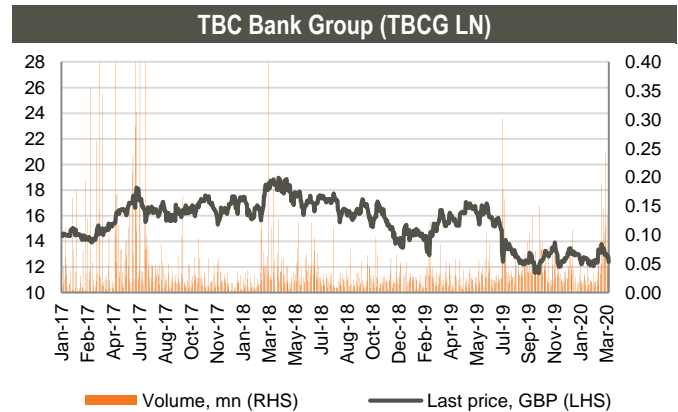
Georgia Capital (CGEO LN) shares closed at GBP 7.09/share (+5.19% w/w and -9.10% m/m). More than 306k shares traded in the range of GBP 6.66 - 7.35/share. Average daily traded volume was 47k in the last 4 weeks. The volume of CGEO shares traded was at 0.84% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.38/share (-4.33% w/w and +0.32% m/m). More than 450k shares changed hands in the range of GBP 12.14 - 13.18/share. Average daily traded volume was 87k in the last 4 weeks. The volume of TBCG shares traded was at 0.82% of its capitalization.

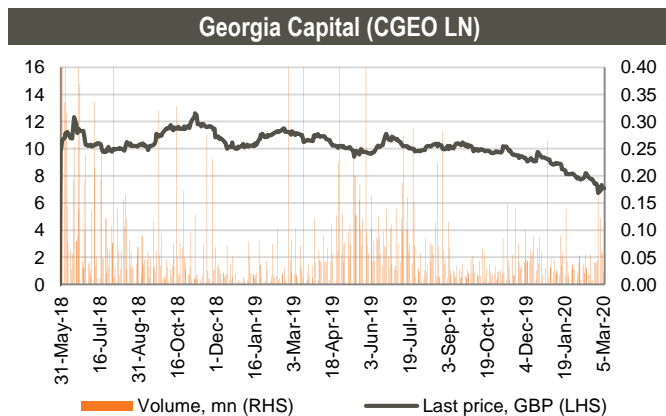
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.11/share (-4.53% w/w and -8.09% m/m). More than 343k shares were traded in the range of GBP 1.05 - 1.22/share. Average daily traded volume was 101k in the last 4 weeks. The volume of GHG shares traded was at 0.26% of its capitalization.



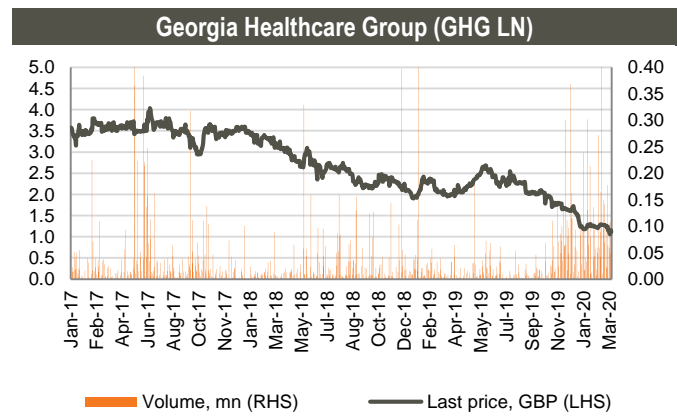
Source: Bloomberg



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	15.66	770	17.7%	-4.9%	-3.6%	6.32x	5.28x	1.39x	1.14x
TBC	TBC	GBP	12.38	681	1.5%	-17.9%	-4.8%	5.06x	4.05x	0.98x	0.81x
Halyk Bank	HSBK	US\$	13.40	3,938	0.0%	17.5%	0.4%	4.69x	4.52x	1.12x	1.00x
VTB Bank	VTBR	US\$	1.19	7,712	-7.4%	3.9%	-18.7%	2.94x	2.85x	0.44x	0.30x
Akbank	AKBNK	TRY	7.29	37,908	2.1%	8.6%	-10.1%	6.85x	4.80x	0.71x	0.62x
Garanti	GARAN	TRY	10.03	42,126	9.5%	13.6%	-10.0%	6.36x	4.50x	0.76x	0.67x
Isbank	ISCTR	TRY	5.99	26,955	2.7%	-0.5%	-6.6%	4.51x	3.34x	0.47x	0.42x
PKO	PKO	PLN	30.62	38,275	-22.6%	-19.8%	-11.1%	9.00x	8.57x	0.92x	0.89x
PEKAO	PEO	PLN	89.68	23,538	-11.5%	-19.1%	-10.7%	10.67x	9.27x	1.00x	0.97x
Millennium	MIL	PLN	4.87	5,903	-25.3%	-45.9%	-16.8%	7.96x	6.40x	0.64x	0.60x
Mbank	MBK	PLN	301.80	12,777	-2.8%	-31.4%	-22.5%	10.20x	9.15x	0.77x	0.73x
BRD	BRD	RON	14.88	10,370	10.9%	17.7%	-6.1%	6.71x	8.85x	1.30x	1.34x
Banca Transilvania	TLV	RON	2.43	12,649	2.5%	26.6%	-6.6%	6.84x	8.39x	1.41x	1.42x
OTP	OTPD	USD	22.80	12,768	7.5%	14.6%	7.5%	9.60x	9.06x	0.82x	0.71x
Komercni	KOMB	CZK	705.00	133,985	-14.1%	-26.8%	-15.0%	8.93x	9.57x	1.27x	1.21x
Mean								7.11x	6.57x	0.93x	0.85x
Median								6.84x	6.40x	0.92x	0.81x

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	7.09	260	-30.1%	-36.2%	-23.1%	9.95x	7.54x	0.71x	0.67x
Tinc Comm	TINC	EUR	13.85	378	5.1%	18.1%	3.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.26	18,894	6.7%	6.3%	-2.9%	4.84x	3.64x	0.57x	0.51x
Deutsche Beteiligungs	DBAN	EUR	31.35	472	-0.5%	-8.2%	-20.5%	11.66x	14.43x	1.04x	0.99x
Eurazeo	RF	EUR	59.10	4,655	-4.8%	-6.5%	-3.1%	14.51x	11.47x	0.87x	0.83x
Carlyle Group	CG	USD	26.37	2,919	7.5%	46.7%	-17.8%	15.22x	11.44x	1.63x	1.88x
Mean								11.24x	9.70x	0.96x	0.98x
Median								11.66x	11.44x	0.87x	0.83x

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	1.11	146	-45.7%	-46.0%	-10.0%	12.01x	8.30x	5.44x	4.65x
Mouwasset	MOUWASAT	SAR	91.50	9,150	8.9%	19.9%	4.0%	23.49x	20.73x	16.09x	14.45x
Fortis	FORH	INR	149.30	112,715	17.6%	11.4%	13.2%	1.79x	1.66x	6.54x	6.61x
Raffles	RFMD	SGD	0.99	1,800	3.1%	-11.3%	-1.5%	29.79x	30.77x	18.90x	18.25x
IHH	IHH	MYR	5.75	50,450	-0.9%	-1.5%	5.1%	55.72x	48.46x	16.18x	15.64x
Bangkok Chain	BCH	THB	13.70	34,164	-15.4%	-12.7%	-19.9%	27.54x	25.74x	15.42x	14.33x
Netcare	NTC	ZAR	19.64	28,514	19.1%	-23.4%	0.9%	12.55x	14.29x	7.59x	7.52x
Life Healthcare	LHC	ZAR	23.81	34,938	1.8%	-12.5%	-3.4%	19.39x	14.85x	7.97x	7.32x
Mediclinic	MDC	GBP	3.58	2,639	1.1%	8.8%	-13.0%	13.40x	13.89x	8.85x	7.76x
Apollo Hospitals	APHS	INR	1,688.90	234,969	12.6%	41.6%	17.1%	80.05x	67.02x	24.43x	17.52x
KPJ Healthcare	KPJ	MYR	0.97	4,156	7.8%	-6.7%	2.6%	21.95x	20.47x	10.17x	9.48x
NMC	NMC	GBP	9.38	1,959	-66.1%	-68.7%	-46.9%	8.50x	6.16x	7.63x	6.11x
Mean								25.52x	22.69x	12.10x	10.80x
Median								20.67x	17.66x	9.51x	8.62x

Source: Bloomberg, S&P Capital IQ

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