



Weekly Market Watch

Weekly Market Watch | Georgia
July 8, 2019

Economy

Inflation was 4.3% y/y in June 2019

Annual CPI inflation was 4.3% in June 2019 down from 4.7% in May 2019, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) was 1.4% in June 2019 up from 1.1% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+6.5% y/y, +1.94ppts), alcoholic beverages and tobacco (+20.1% y/y, +1.33ppts) and transport (+3.2% y/y, +0.40ppts) categories. On a monthly basis, there was 1.0% deflation in June 2019, affected mostly by price decrease in food and non-alcoholic beverages (-3.9% m/m, -1.23ppts).

Tourist arrivals up 18.0% y/y in June 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 19.9% y/y to 0.73mn in June 2019, according to the Ministry of Internal Affairs. This growth was mostly driven by tourists arrivals (+18.0% y/y to 0.47mn trips, 64.9% of total), while same-day arrivals also increased by 23.6% y/y. Out of top countries, in June 2019, international visitors increased from Russia (+30.8% y/y), Turkey (+45.8% y/y), Azerbaijan (+8.8%), Armenia (+9.7% y/y), Israel (+4.2% y/y) and Ukraine (+24.8%). Visitors continued to decline from Iran (-54.1% y/y). Visitors from the EU were up 29.3% y/y to over 51,500 visitors, with Germany, Poland and UK driving growth. In 1H19, total international visitors stood at 3.2mn (+7.7% y/y), of which tourist arrivals reached 2.1mn (+10.0% y/y). Meanwhile, tourism revenues stood at US\$ 1.5bn (+11.4% y/y) in 1H19 by our estimates.

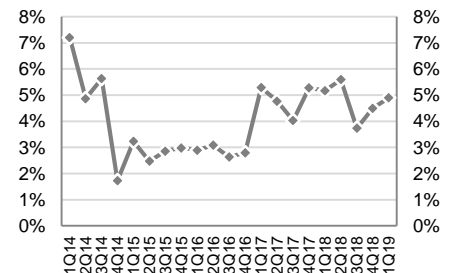
International reserves up 24.3% y/y in June 2019

Gross international reserves were up 24.3% y/y to US\$ 3.7bn in June 2019. On a monthly basis reserves were up 0.5% m/m, according to NBG. Change in reserves was attributed to NBG's FX purchases in the amount of US\$ 30mn, government and banking sector FX operations and/or asset revaluation.

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)

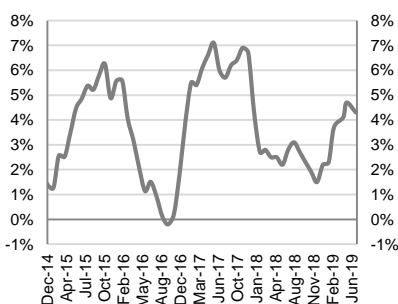
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Positive Affirmed Apr-2019	 Ba2 Stable Affirmed Mar-2019	 BB Stable Upgraded Feb-2019
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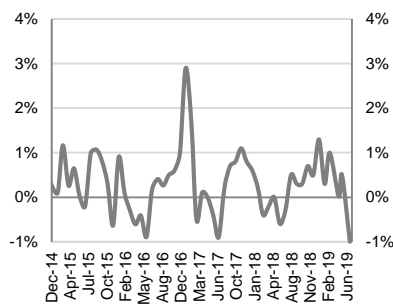
Source: Rating agencies

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1.2bn (US\$ 422.7mn).

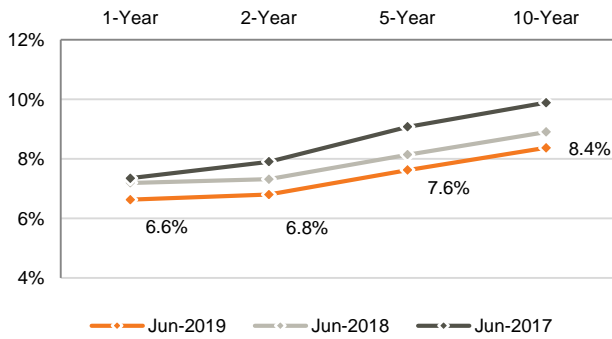
Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US\$ 14.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on July 2, 2019. The weighted average yield was fixed at 6.551%. The nearest treasury security auction is scheduled for July 9, 2019, where GEL 60mn nominal value 2- year Benchmark bonds and GEL 20mn nominal value 6-month T-bills will be sold.

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

Date	Volume, GEL mn	Maturity
9-July-19	20	6 month
9-July-19	60	2 year
16-July-19	30	10 year
23-July-19	50	5 year

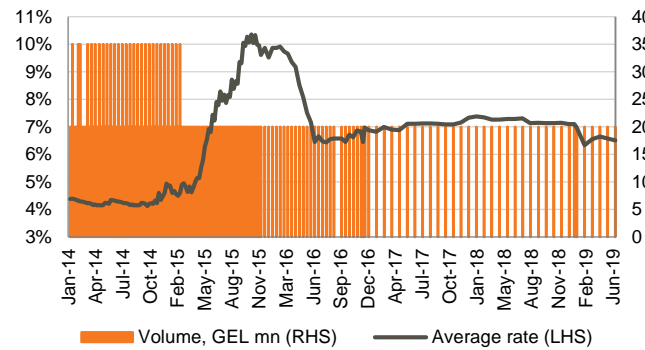
Source: MoF

T-bills / T-notes, yield curve



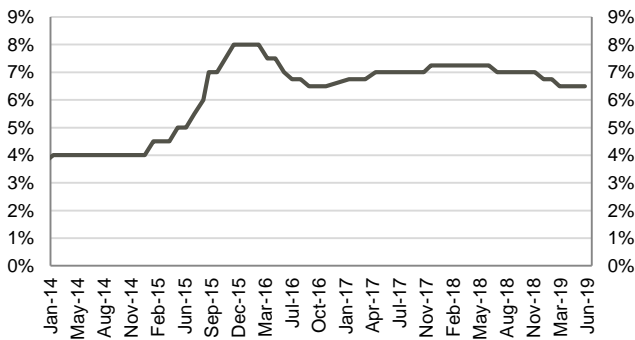
Source: NBG

Certificates of Deposits (weighted average rate)



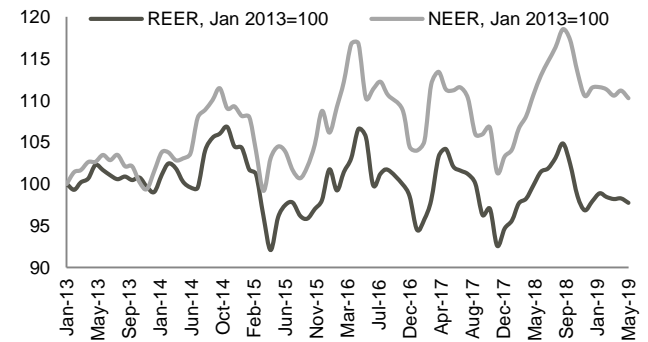
Source: NBG

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

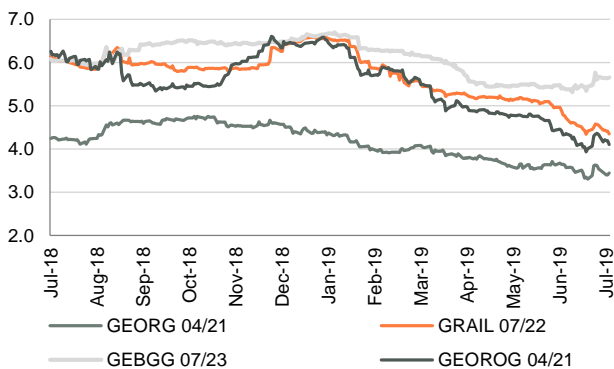
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.66% yield, trading at 101.22 (+0.06% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.69 (+0.66% w/w), yielding 7.49%.

GOGC Eurobonds (GEOROG) were trading at 104.52 (+0.34% w/w), yielding 4.11%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.47 (+0.48% w/w), yielding 4.35%.

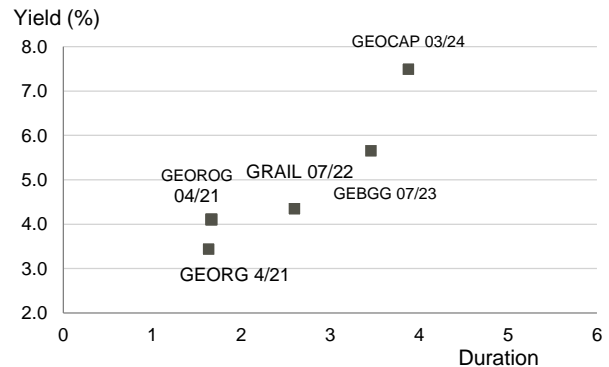
Georgian Sovereign Eurobonds (GEORG) closed at 105.80 (+0.10% w/w) at 3.45% yield to maturity.

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	105.80	3.45	152.22
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.47	4.35	253.51
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.52	4.11	219.24
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+/-	101.22	5.66	386.40
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	103.94	10.33	825.60
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.69	7.49	569.41
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	106.29	9.32	751.16
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	99.81	5.79	392.56
TBC PERP	US\$	125	10.775%	n/a	Be-/-	101.44	10.71	850.68

Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.50%	Oct-19	-/-/-	100.48	5.50	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.14	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.58	7.38	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	98.42	7.38	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/-	100.12	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/-	99.64	10.75	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-/-/-	100.00	13.00	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	105.80	3.45	152.22
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.29	3.23	120.68
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2u	98.56	3.52	164.68
Belarus	US\$	800	6.875%	Feb-23	B/B/B3u	107.24	4.68	287.84
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.14	2.62	81.13
Russia	US\$	3,500	5.000%	Apr-20	BBB-/BBB-/Baa3	101.92	2.57	41.89
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.76	4.55	262.82
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.21	5.63	375.03

Source: Bloomberg



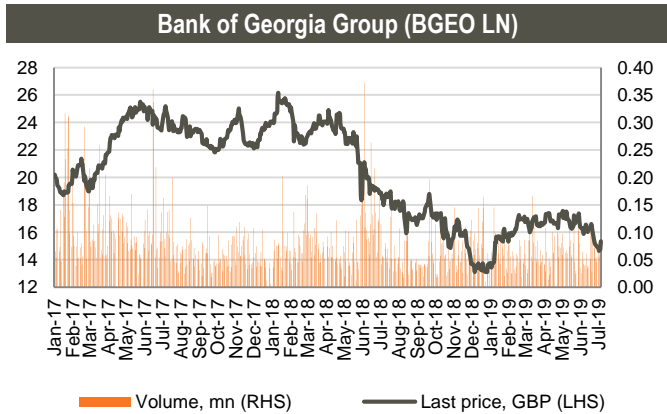
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.35/share (+2.47% w/w and -4.95% m/m). More than 318k shares traded in the range of GBP 14.56 - 15.37/share. Average daily traded volume was 60k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.99% w/w and 3.06% m/m. The volume of BGEO shares traded was at 0.65% of its capitalization.

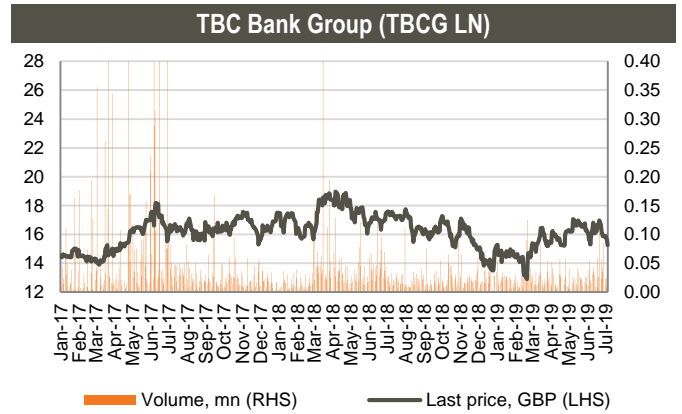
Georgia Capital (CGEO LN) shares closed at GBP 10.58/share (-2.94% w/w and +9.07% m/m). More than 304k shares traded in the range of GBP 10.58 - 10.94/share. Average daily traded volume was 74k in the last 4 weeks. The volume of CGEO shares traded was at 0.80% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.24/share (-4.03% w/w and -2.31% m/m). More than 85k shares changed hands in the range of GBP 15.24 - 16.10/share. Average daily traded volume was 35k in the last 4 weeks. The volume of TBCG shares traded was at 0.16% of its capitalization.

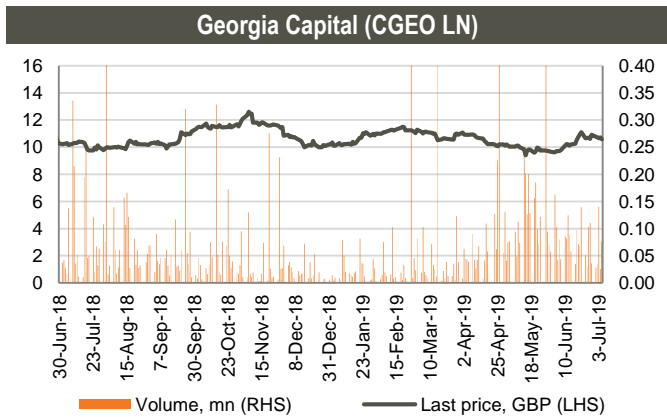
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.30/share (-4.96% w/w and -13.21% m/m). More than 53k shares were traded in the range of GBP 2.11 - 2.45/share. Average daily traded volume was 21k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



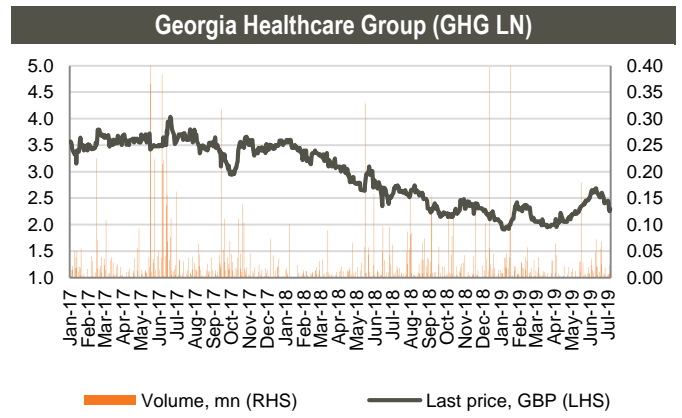
Source: Bloomberg



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	15.35	755	12.3%	-16.7%	11.5%	6.46x	5.86x	1.28x	1.08x
TBC	TBC	GBP	15.24	827	2.4%	-12.8%	0.1%	6.03x	5.35x	1.09x	0.97x
Halyk Bank	HSBK	US\$	13.45	3,952	33.2%	15.9%	30.0%	5.23x	4.88x	1.16x	1.04x
VTB Bank	VTBR	US\$	1.33	8,586	13.6%	-14.0%	19.6%	4.41x	3.21x	0.52x	0.47x
Akbank	AKBNK	TRY	7.54	39,208	29.1%	15.3%	28.1%	7.39x	5.23x	0.76x	0.68x
Garanti	GARAN	TRY	10.15	42,630	26.9%	18.2%	27.5%	6.78x	4.84x	0.81x	0.71x
Isbank	ISCTR	TRY	6.60	29,700	56.4%	13.8%	45.7%	4.94x	4.03x	0.54x	0.49x
PKO	PKO	PLN	41.90	52,375	3.6%	9.8%	6.2%	12.35x	11.74x	1.26x	1.20x
PEKAO	PEO	PLN	109.60	28,767	-1.4%	2.9%	0.6%	12.50x	10.81x	1.24x	1.18x
Millennium	MIL	PLN	9.14	11,081	3.8%	15.2%	3.0%	13.85x	11.25x	1.23x	1.12x
Mbank	MBK	PLN	411.40	17,417	-2.5%	2.1%	-3.0%	14.29x	12.59x	1.07x	1.01x
BRD	BRD	RON	13.20	9,199	11.9%	3.6%	15.8%	7.08x	10.07x	1.18x	1.18x
Banca Transilvania	TLV	RON	2.47	11,869	17.4%	16.5%	22.9%	8.00x	9.76x	1.42x	1.33x
OTP	OTPD	USD	21.20	11,872	8.2%	19.8%	8.2%	9.81x	9.36x	0.78x	0.69x
Komercni	KOMB	CZK	890.00	169,144	3.5%	-6.3%	5.1%	11.55x	11.45x	1.59x	1.50x
Mean								8.71x	8.03x	1.06x	0.98x
Median								7.39x	9.36x	1.16x	1.04x

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	10.58	402	4.5%	2.7%	3.6%	14.42x	11.31x	0.81x	0.87x
Tinc Comm	TINC	EUR	12.60	344	5.4%	4.1%	6.8%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.11	18,588	26.0%	3.1%	21.1%	4.57x	3.71x	0.57x	0.48x
Deutsche Beteiligungs	DBAN	EUR	35.65	536	1.4%	2.4%	6.3%	18.37x	11.71x	1.17x	1.09x
Eurazeo	RF	EUR	62.90	4,815	6.2%	2.9%	6.9%	16.74x	11.66x	0.90x	0.84x
Carlyle Group	CG	USD	23.66	2,578	46.0%	1.2%	50.2%	7.18x	4.25x	2.51x	1.18x
Mean								12.26x	8.53x	1.19x	0.89x
Median								14.42x	11.31x	0.90x	0.87x

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	2.30	303	20.4%	-13.9%	12.7%	20.32x	13.66x	8.71x	6.91x
Mouwasset	MOUWASAT	SAR	88.90	8,890	11.3%	-2.3%	10.4%	21.76x	19.61x	15.78x	14.27x
Fortis	FORH	INR	132.70	100,183	-5.4%	-4.8%	-5.6%	1.69x	1.58x	6.80x	6.67x
Raffles	RFMD	SGD	1.04	1,869	-4.6%	4.0%	-5.5%	31.06x	30.59x	19.91x	18.71x
IHH	IHH	MYR	5.86	51,388	7.7%	-2.7%	8.7%	47.53x	37.68x	17.63x	15.02x
Bangkok Chain	BCH	THB	16.20	40,399	4.5%	0.6%	-3.0%	32.43x	29.13x	17.71x	16.10x
Netcare	NTC	ZAR	16.84	24,453	-36.3%	-39.9%	-36.3%	11.11x	10.78x	6.83x	6.58x
Life Healthcare	LHC	ZAR	21.87	32,091	-14.3%	-13.9%	-17.2%	17.71x	13.66x	7.68x	6.92x
Mediclinic	MDC	GBP	3.21	2,364	5.4%	-40.0%	-0.6%	11.52x	12.33x	8.10x	7.84x
Apollo Hospitals	APHS	INR	1,306.65	181,788	1.1%	24.7%	3.8%	66.79x	46.61x	20.88x	17.01x
KPJ Healthcare	KPJ	MYR	0.95	4,098	-4.5%	-8.7%	-8.7%	21.55x	20.01x	10.47x	10.17x
NMC	NMC	GBP	24.74	5,151	-5.6%	-28.9%	-9.6%	19.90x	15.72x	12.04x	10.91x
Mean								25.28x	20.95x	12.71x	11.43x
Median								20.93x	17.67x	11.25x	10.54x

Source: Bloomberg, S&P Capital IQ

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