

Weekly Market Watch

Weekly Market Watch | Georgia
August 3, 2020

Economy

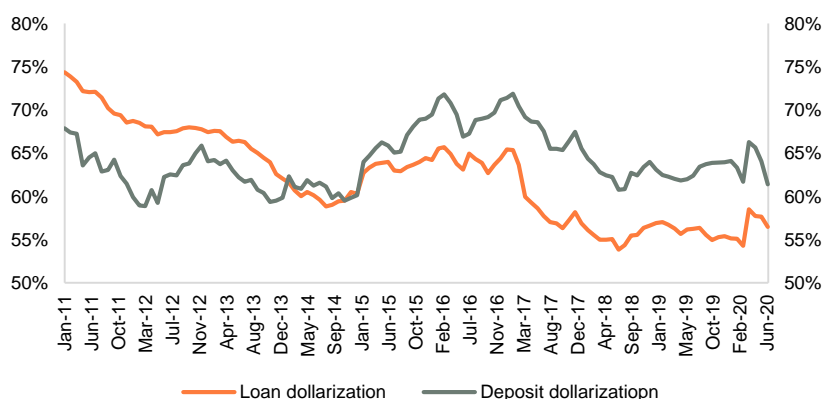
Real GDP shrinks 7.7% y/y in June 2020

Georgia's economic contraction halved to 7.7% y/y in June 2020 after falling by an average of 15.1% y/y in April-May, according to Geostat's rapid estimates. Real growth was up in mining and water supply activities. Meanwhile, negative growth was recorded in all other sectors, however, significant improvements have been demonstrated in trade, construction and real estate activities. Overall, real GDP growth was down 5.8% y/y in 1H20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.4% in June 2020

In June 2020, the banking sector loan portfolio increased by 13.9% y/y after growing 15.3% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 17.8% y/y and down 1.1% m/m to GEL 33.8bn (US\$ 11.1bn). Deposits were up 12.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 16.8% y/y and 1.9% m/m to GEL 28.8bn (US\$ 9.4bn). Loan dollarization stood at 56.5% (+0.56ppts y/y and -1.19ppts m/m) and deposit dollarization was 61.4% (-0.99ppts y/y and -2.67ppts m/m). NPLs stood at 2.4% in June 2020 (-0.48ppts y/y and flat m/m).

Loan and deposit dollarization



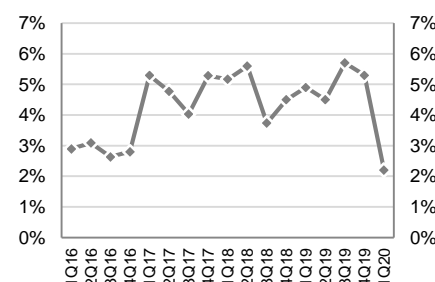
Source: NBG

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 # 12 (mostly free)
 Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB Stable Upgraded Oct-2019	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Mar-2020	FitchRatings BB Negative Affirmed Apr-2020
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 26.0mn) Benchmark Bonds were sold at the auction held at NBG on July 28, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.556%, down 0.11ppts from previous auction held in June, 2020. The nearest treasury security auction is scheduled for August 4, 2020, where GEL 20.0mn nominal value 6-month T-Bills and GEL 70.0mn nominal value 2-year Benchmark bonds will be sold.

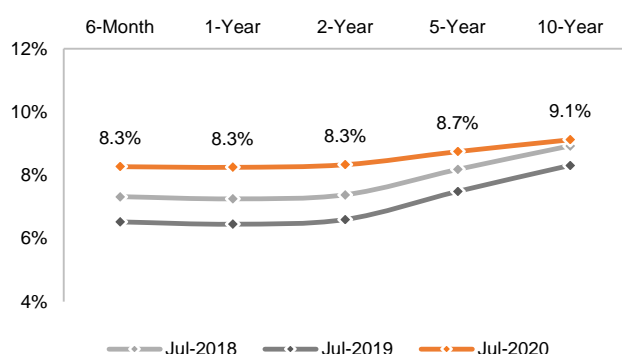
T-bills / T-notes in 2020

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	560	400	1,823
10-year	110	40	959
Total	1,820	1,140	5,021

Source: MoF

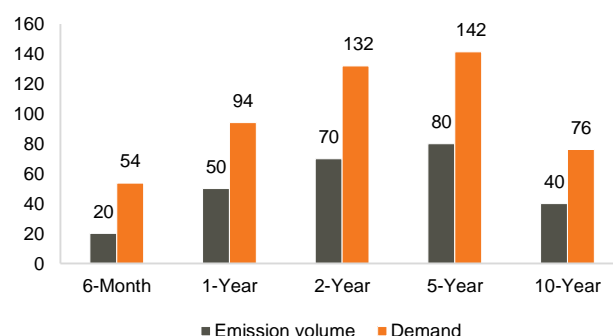
Note: * As of 30 June 2020

T-bills / T-notes, yield curve



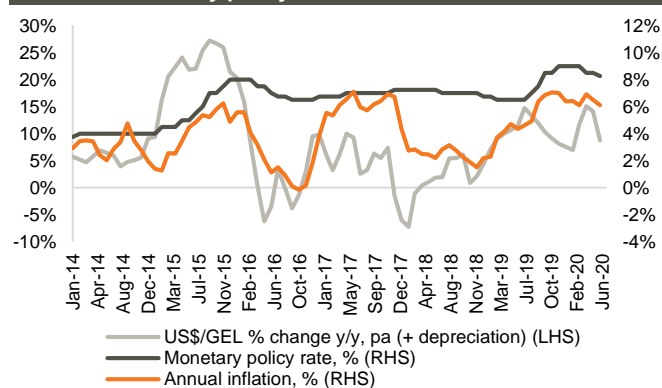
Source: NBG

Emission volume vs. demand on latest T-bill0ls / T-notes auctions, GEL mn



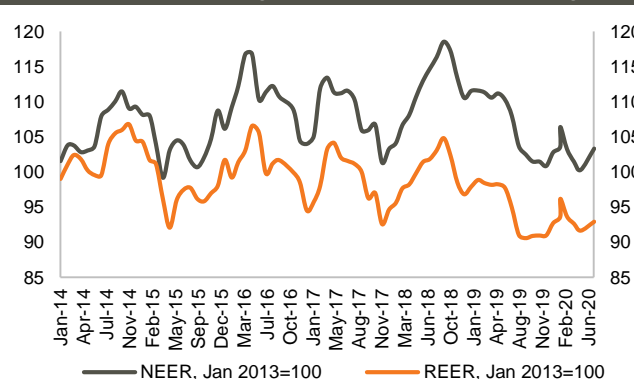
Source: NBG

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



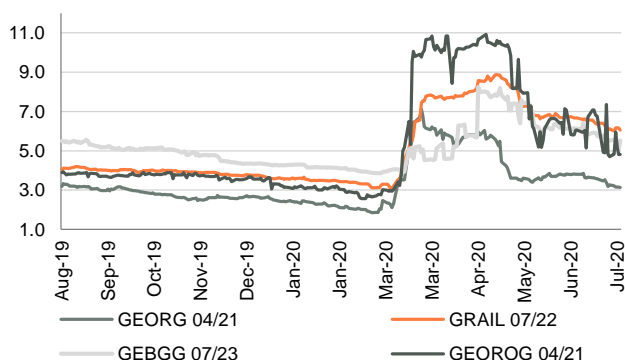
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.52% yield, trading at 101.29 (-0.04% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.72 (-0.31% w/w), yielding 8.17%.

GOGC Eurobonds (GEOROG) were trading at 101.36 (-0.10% w/w), yielding 4.81%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 103.05 (+0.10% w/w), yielding 6.05%.

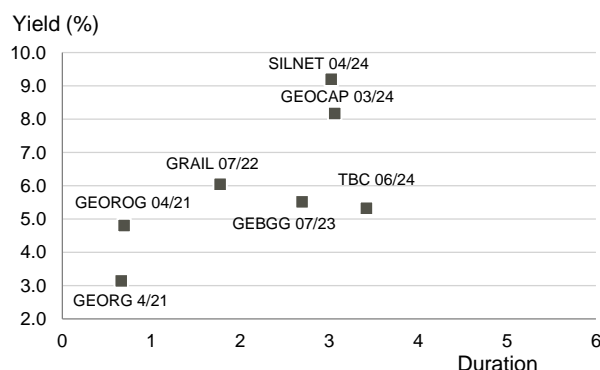
Georgian Sovereign Eurobonds (GEORG) closed at 102.52 (+0.03% w/w) at 3.14% yield to maturity.

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	102.52	3.14	290.40
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	103.05	6.05	586.31
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB/-	101.36	4.81	457.35
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	101.29	5.52	533.58
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B+/-	98.60	9.78	1,136.32
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	93.72	8.17	796.88
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.47	9.20	899.28
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	101.47	5.32	511.33
TBC PERP	US\$	125	10.775%	n/a	B+/-	97.09	10.16	1,144.99
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.05	7.49	724.70

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	99.33	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	98.03	8.50	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	100.15	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	98.51	8.25	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	100.48	7.00	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/Baa2	102.52	3.14	290.40
Armenia	US\$	500	6.000%	Sep-20	BB-/Baa3	99.94	6.29	610.15
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/Baa2	100.48	2.36	214.92
Belarus	US\$	800	6.875%	Feb-23	B/Baa3	101.36	6.29	610.32
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.82	1.45	123.04
Turkey	US\$	2,000	5.625%	Mar-21	BB-/Baa1	100.51	4.81	457.09
Ukraine	US\$	1,409	7.750%	Sep-21	B/Baa1	103.41	4.46	424.91

Source: Bloomberg

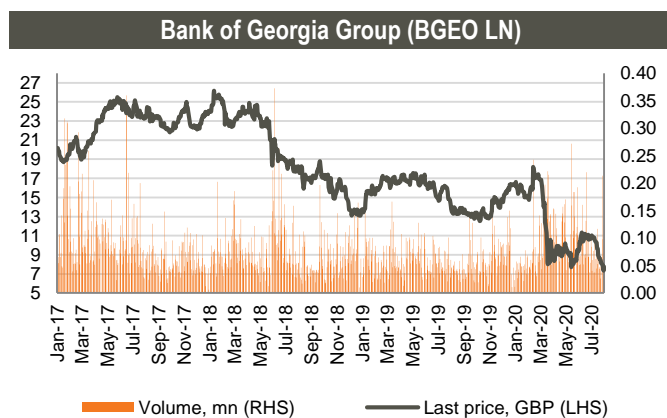
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 7.77/share (-4.55% w/w and -27.38% m/m). More than 594k shares traded in the range of GBP 7.34 - 8.28/share. Average daily traded volume was 74k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.92% w/w and 1.09% m/m. The volume of BGEO shares traded was at 1.21% of its capitalization.

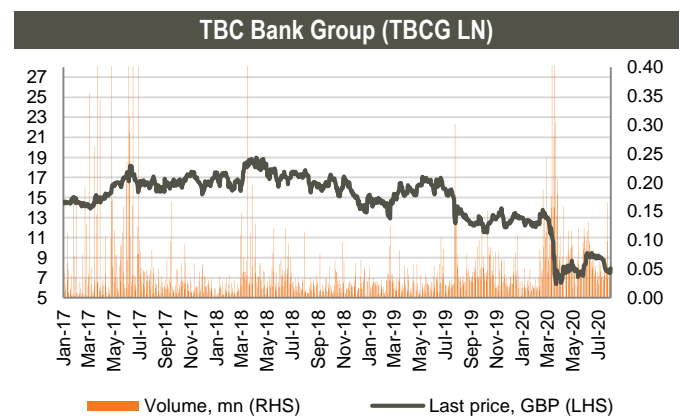
Georgia Capital (CGEO LN) shares closed at GBP 3.66/share (-3.56% w/w and -21.29% m/m). More than 177k shares traded in the range of GBP 3.60 - 3.90/share. Average daily traded volume was 60k in the last 4 weeks. The volume of CGEO shares traded was at 0.48% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 7.92/share (+1.67% w/w and -11.41% m/m). More than 235k shares changed hands in the range of GBP 7.28 - 8.03/share. Average daily traded volume was 54k in the last 4 weeks. The volume of TBCG shares traded was at 0.43% of its capitalization.

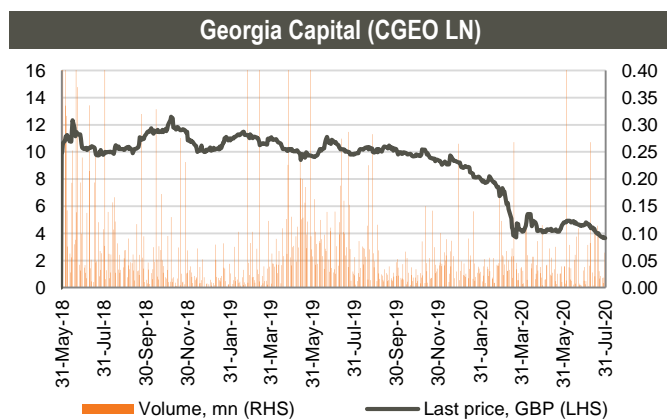
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.67/share (-10.71% w/w and -30.38% m/m). More than 231k shares were traded in the range of GBP 0.63 - 0.73/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.18% of its capitalization.



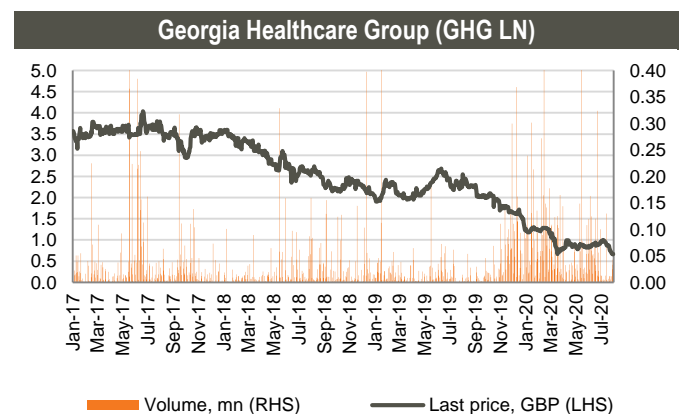
Source: Bloomberg



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	7.77	382	-48.6%	-44.7%	-52.2%	3.15x	6.60x	0.69x	0.62x
TBC	TBC	GBP	7.92	436	-36.1%	-43.9%	-39.1%	3.25x	7.18x	0.63x	0.60x
Halyk Bank	HSBK	US\$	11.10	3,262	-23.7%	-20.7%	-16.9%	3.89x	4.61x	0.93x	0.89x
VTB Bank	VTBR	US\$	0.99	6,415	-30.7%	-25.7%	-32.3%	2.45x	5.16x	0.37x	0.36x
Akbank	AKBNK	TRY	5.24	27,248	-36.6%	-30.6%	-35.4%	4.30x	4.70x	0.45x	0.45x
Garanti	GARAN	TRY	7.02	29,484	-41.0%	-28.7%	-37.0%	3.89x	4.08x	0.46x	0.48x
Isbank	ISCTR	TRY	4.80	21,600	-33.8%	-23.1%	-25.1%	3.16x	3.70x	0.33x	0.34x
PKO	PKO	PLN	21.75	27,188	-36.4%	-46.8%	-36.9%	6.50x	11.94x	0.66x	0.62x
PEKAO	PEO	PLN	50.58	13,276	-48.9%	-51.0%	-49.6%	6.11x	12.81x	0.58x	0.55x
Millennium	MIL	PLN	2.84	3,445	-52.2%	-62.5%	-51.5%	4.71x	5.36x	0.38x	0.38x
Mbank	MBK	PLN	187.40	7,934	-49.5%	-46.4%	-51.9%	6.46x	17.04x	0.49x	0.46x
BRD	BRD	RON	11.40	7,945	-29.3%	-16.5%	-28.0%	5.35x	10.14x	1.03x	0.90x
Banca Transilvania	TLV	RON	2.00	10,432	-22.6%	-16.2%	-22.9%	5.87x	12.77x	1.21x	1.47x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	15.94x	0.82x	0.72x
Komerční	KOMB	CZK	515.00	97,875	-34.3%	-42.5%	-37.9%	6.60x	11.91x	0.94x	0.86x
Mean								5.02x	8.93x	0.66x	0.65x
Median								4.71x	7.18x	0.63x	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	3.66	134	-54.5%	-62.7%	-60.3%	5.16x	n/a	0.37x	n/a
Tinc Comm	TINC	EUR	13.25	361	-5.7%	8.5%	-0.7%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	8.38	17,099	-14.1%	-15.1%	-12.2%	3.83x	3.56x	0.45x	0.45x
Deutsche Beteiligungs	DBAN	EUR	31.65	476	-16.8%	0.2%	-19.8%	12.32x	n/mf	1.10x	1.09x
Eurazeo	RF	EUR	44.28	3,488	-31.6%	-27.0%	-27.4%	11.38x	25.67x	0.69x	0.65x
Carlyle Group	CG	USD	28.37	3,140	-12.7%	19.0%	-11.6%	16.38x	5.09x	1.75x	4.87x
Mean								9.81x	11.44x	0.87x	1.76x
Median								11.38x	5.09x	0.69x	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	
								2019	2020F	2019	2020F
GHG	GHG	GBP	0.67	88	-45.8%	-70.4%	-45.8%	7.28x	na	4.10x	na
Mouwasat	MOUWASAT	SAR	109.00	10,900	35.4%	24.6%	23.9%	28.00x	26.15x	19.02x	18.72x
Fortis	FORH	INR	138.00	104,184	-10.1%	15.0%	4.6%	1.63x	1.55x	6.49x	6.75x
Raffles	RFMD	SGD	0.88	1,599	-15.9%	-15.0%	-12.5%	26.55x	37.47x	16.98x	18.96x
IHH	IHH	MYR	5.40	47,380	-5.3%	-5.9%	-1.3%	51.51x	70.86x	15.01x	18.09x
Bangkok Chain	BCH	THB	15.00	37,406	-3.2%	-2.6%	-12.3%	30.39x	31.49x	16.83x	17.08x
Netcare	NTC	ZAR	13.60	19,745	-32.2%	-18.8%	-30.1%	8.00x	17.42x	5.35x	9.37x
Life Healthcare	LHC	ZAR	17.37	25,488	-30.6%	-23.5%	-29.5%	13.02x	37.18x	6.03x	8.68x
Mediclinic	MDC	GBP	2.69	1,980	-27.3%	-21.8%	-34.7%	10.11x	11.27x	7.54x	7.42x
Apollo Hospitals	APHS	INR	1,674.60	232,979	0.9%	23.9%	16.1%	78.29x	70.30x	23.96x	17.18x
KPJ Healthcare	KPJ	MYR	0.79	3,364	-19.9%	-16.0%	-16.9%	17.49x	21.42x	8.69x	10.01x
NMC	NMC	GBP	9.38	1,959	-27.4%	-62.1%	-46.9%	n/a	n/a	n/a	n/a
Mean								24.75x	32.51x	11.82x	13.23x
Median								17.49x	28.82x	8.69x	13.55x

Source: Bloomberg, S&P Capital IQ

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