

Weekly Market Watch

 Weekly Market Watch | Georgia
 October 19, 2020

Economy

Money transfers hit an all-time high, up 28.7% y/y in September 2020

In September 2020, money transfers increased by 28.7% y/y to US\$ 192.7mn, after growing 25.8% y/y in the previous month, according to NBG. From major remitting countries, money transfers increased strongly from Italy (+38.6% y/y, 15.2% of total), USA (+47.2% y/y, 11.8% of total) and Greece (+34.7% y/y, 11.1% of total). Meanwhile, remittances declined from Russia (-3.2% y/y, 18.2% of total). Overall, in 9M20 money transfers were up 6.2% y/y to US\$ 1.3bn.

Exports surprised on the upside, up 8.7% y/y in September 2020

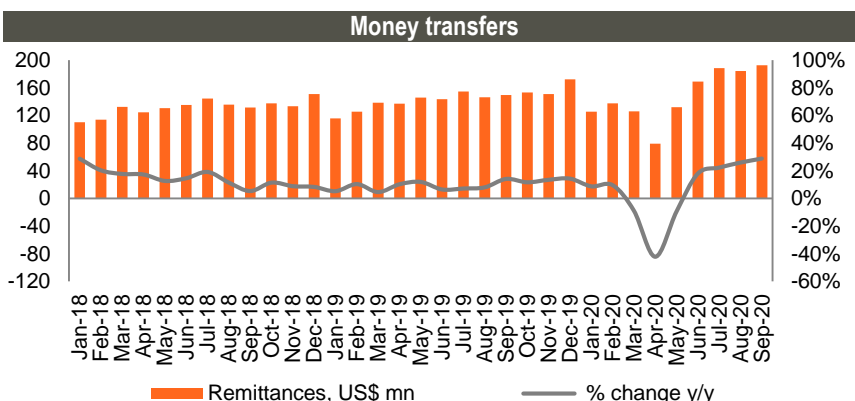
In September 2020, trade deficit narrowed by 19.8% y/y to US\$ 399.3mn according to Geostat's preliminary figures. Exports increased by 8.6% y/y to US\$ 332.0mn, posting the first expansion in 8 months. Imports reduction also slowed to 9.0% y/y to US\$ 731.3mn in September. In 9M20, trade deficit was down 18.5% y/y to US\$ 3.3bn as exports decreased by 12.1% y/y and imports were down 15.9% y/y. Detailed foreign trade statistics will be available on October 19, 2020.

International arrivals down 93.6% y/y in September 2020

Total international arrivals (tourists and same-day arrivals) to Georgia was down 93.6% y/y to c.50.5k persons in September 2020 according to GNTA, as borders remained closed for international travel due to COVID-19 pandemic. Overall, in 9M20, total international arrivals stood at 1.4mn (-77.1% y/y), of which tourist arrivals reached 0.96mn (-75.9% y/y) persons. Meanwhile, based on NBG, tourism revenues stood at US\$ 499.1mn (-80.7% y/y) in 9M20.

IMF projects growth to rebound to 5.0% in Georgia in 2021

According to the IMF's October 2020 World Economic Outlook (WEO), global growth is expected to decline by 4.4% in 2020, which is 0.5ppts upgrade from the June 2020 WEO forecasts. Global growth is projected at 5.2% in 2021, a little lower than in the June 2020 WEO update, reflecting the more moderate downturn projected for 2020 and consistent with expectations of persistent social distancing. Notably, IMF projects Georgian economy to contract by 5.0% in 2020 and rebound to 5.0% growth in 2021. Georgia's economic growth is expected to gradually accelerate to about 5.6% over 2022-2025.



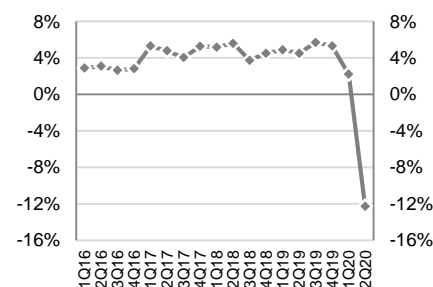
Source: NBG

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 Affirmed Aug-2020	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Mar-2020	FitchRatings BB Negative Affirmed Aug-2020
---	---	--

Source: Rating agencies

Money market

Ministry of Finance T-bills: 1-year GEL 50.0mn (US\$ 15.5mn) T-bills were sold at the auction held at NBG on October 13, 2020. Total demand was 1.6x higher and the weighted average yield was fixed at 8.123%, up by 0.029ppts from previous auction held in September, 2020. The nearest treasury security auction is scheduled for October 20, 2020, where GEL 40.0mn nominal value 10-year Benchmark Bonds will be sold.

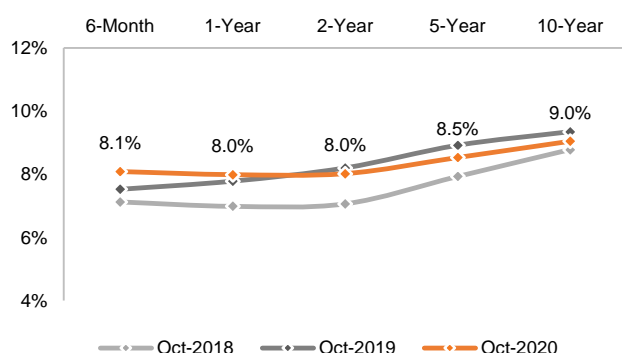
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	310	40	180
1-year	560	100	690
2-year	700	140	1,320
5-year	720	240	2,008
10-year	110	40	1,197
Total	2,400	560	5,395

Source: MoF

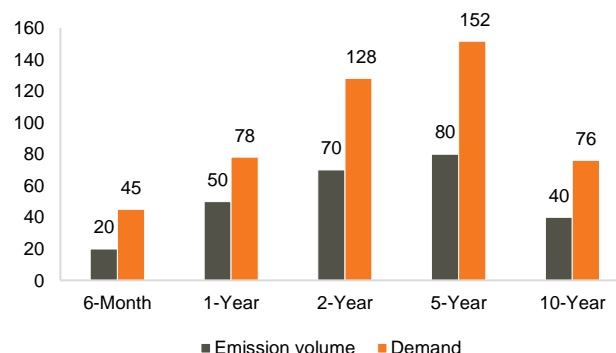
Note: * As of 30 September 2020

T-bills / T-notes, yield curve



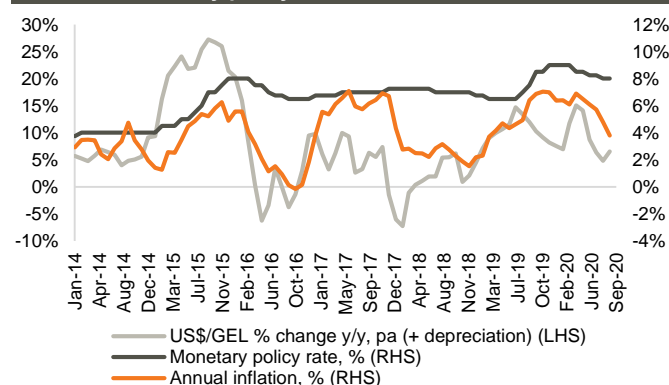
Source: NBG

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



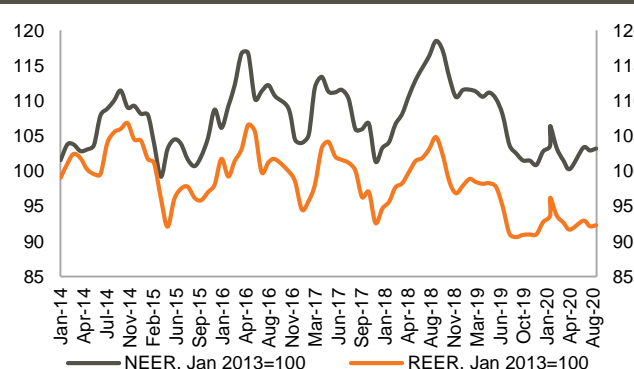
Source: NBG

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



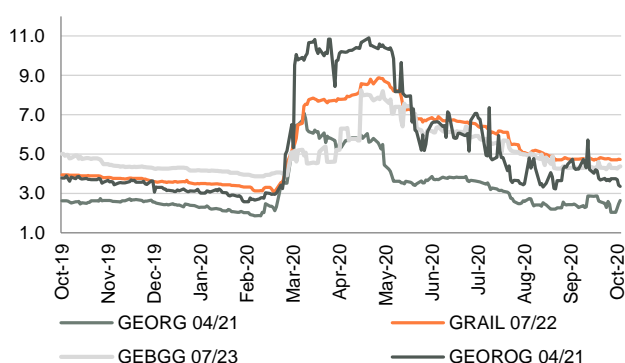
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.38% yield, trading at 104.18 (-0.22% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.45 (-0.28% w/w), yielding 6.98%.

GOGC Eurobonds (GEOROG) were trading at 101.67 (+0.10% w/w), yielding 3.46%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.97 (-0.04% w/w), yielding 4.71%.

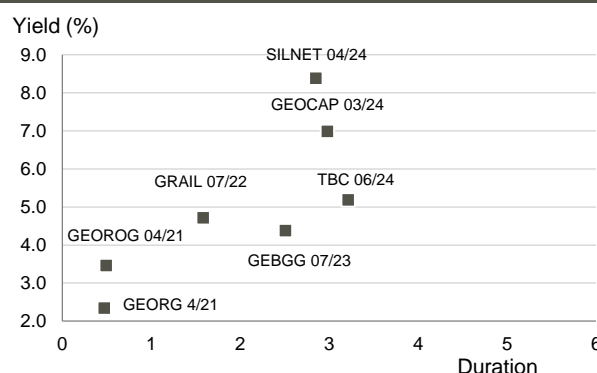
Georgian Sovereign Eurobonds (GEORG) closed at 102.14 (-0.23% w/w) at 2.34% yield to maturity.

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	102.14	2.34	211.12
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.97	4.71	448.47
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/-	101.67	3.46	322.79
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B-/Ba2	104.18	4.38	412.18
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	102.74	9.43	991.01
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	97.45	6.98	669.85
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.70	8.38	809.80
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	101.86	5.18	488.55
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	99.78	9.92	1,053.43
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-/-	101.00	7.49	713.42

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	-/-/-/-	100.57	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-/-	100.91	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-/-	100.37	7.00	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-/-	100.00	12.00	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-/-/-/-	100.00	14.25	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	102.14	2.34	211.12
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.98	1.67	145.27
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.01	7.81	756.89
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.72	1.36	104.32
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	100.69	4.02	379.47
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.37	3.74	351.76

Source: Bloomberg

Equities

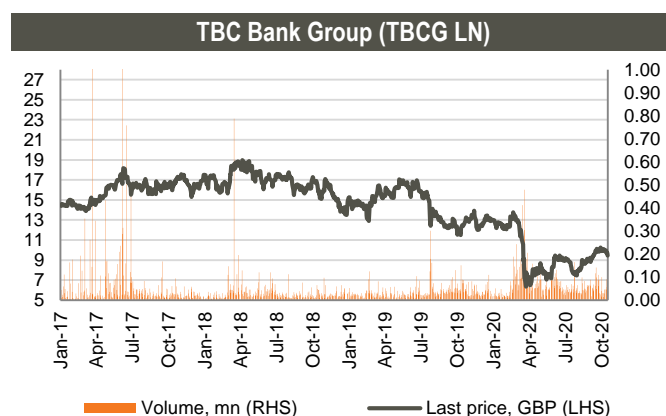
Bank of Georgia Group (BGEO LN) shares closed at GBP 8.91/share (-2.94% w/w and -5.21% m/m). More than 179k shares traded in the range of GBP 8.76 - 9.33/share. Average daily traded volume was 50k in the last 4 weeks. The volume of BGEO shares traded was at 0.37% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 4.03/share (-1.83% w/w and +10.12% m/m). More than 157k shares traded in the range of GBP 4.02 - 4.51/share. Average daily traded volume was 55k in the last 4 weeks. The volume of CGEO shares traded was at 0.43% of its capitalization.

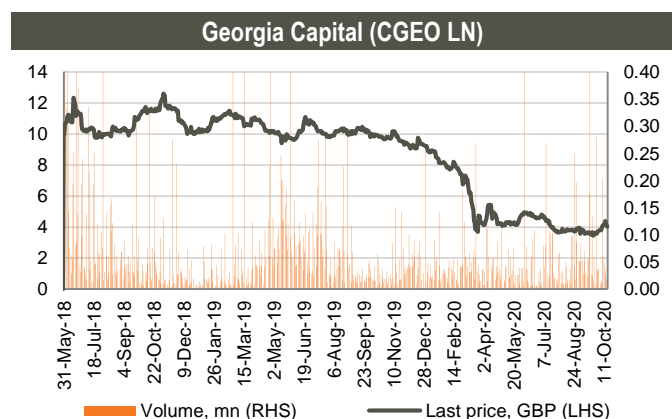
TBC Bank Group (TBCG LN) closed the week at GBP 9.46/share (-4.25% w/w and -4.92% m/m). More than 310k shares changed hands in the range of GBP 9.35 - 10.10/share. Average daily traded volume was 53k in the last 4 weeks. The volume of TBCG shares traded was at 0.56% of its capitalization.



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	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	8.91	438	-3.9%	-35.8%	-45.2%	7.42x	3.91x	0.74x	0.62x
TBC	TBC	GBP	9.46	520	24.5%	-23.7%	-27.2%	7.24x	4.46x	0.76x	0.65x
Halyk Bank	HSBK	US\$	9.94	2,921	9.0%	-22.6%	-25.5%	4.39x	3.79x	0.82x	0.75x
VTB Bank	VTBR	US\$	0.77	5,009	-15.4%	-41.2%	-47.2%	4.84x	3.13x	0.30x	0.28x
Akbank	AKBNK	TRY	5.20	27,040	-8.0%	-23.3%	-35.9%	6.88x	4.70x	0.66x	0.58x
Garanti	GARAN	TRY	7.18	30,156	-13.0%	-16.7%	-35.5%	6.53x	4.61x	0.73x	0.61x
Isbank	ISCTR	TRY	5.47	24,615	13.3%	-4.0%	-14.7%	5.90x	4.43x	0.55x	0.49x
PKO	PKO	PLN	21.01	26,263	-4.7%	-43.4%	-39.0%	10.46x	9.56x	0.60x	0.58x
PEKAO	PEO	PLN	48.27	12,669	-10.2%	-54.8%	-51.9%	12.09x	9.08x	0.52x	0.51x
Millennium	MIL	PLN	2.52	3,052	-21.7%	-58.8%	-57.0%	11.64x	7.67x	0.34x	0.35x
Mbank	MBK	PLN	148.40	6,283	-33.3%	-61.6%	-61.9%	11.03x	8.89x	0.37x	0.38x
BRD	BRD	RON	12.12	8,446	5.0%	-14.8%	-23.5%	11.38x	11.06x	0.95x	1.00x
Banca Transilvania	TLV	RON	2.08	10,849	21.2%	-3.9%	-11.8%	12.59x	10.89x	1.47x	1.42x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	14.35x	12.78x	0.75x	0.71x
Komerční	KOMB	CZK	484.00	91,984	-11.2%	-35.8%	-41.7%	12.45x	10.13x	0.83x	0.81x
Mean								9.28x	7.27x	0.69x	0.65x
Median								10.46x	7.67x	0.73x	0.61x

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	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	4.03	148	-15.8%	-59.1%	-56.3%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	13.20	360	3.1%	-1.3%	-1.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.56	17,466	12.3%	0.8%	-10.3%	5.53x	4.91x	0.68x	0.57x
Deutsche Beteiligungs	DBAN	EUR	31.55	475	16.4%	-12.2%	-20.0%	nmf	11.16x	1.04x	0.99x
Eurazeo	RF	EUR	43.98	3,464	11.1%	-36.3%	-27.9%	25.65x	7.00x	0.62x	0.58x
Carlyle Group	CG	USD	27.65	3,060	21.9%	3.9%	-13.8%	4.95x	4.19x	4.27x	5.00x
Mean								12.04x	6.82x	1.65x	1.79x
Median								5.53x	5.96x	0.86x	0.78x

Source: Bloomberg, S&P Capital IQ

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge