

Weekly Market Watch

Weekly Market Watch | Georgia
March 15, 2021

Economy

FDI down 52.9% y/y in 2020

FDI decreased by 52.9% y/y to US\$ 616.9mn (3.9% of GDP) in 2020, according to Geostat's preliminary figures. The reduction in FDI reflected the ownership transfer from non-resident to the resident units in several companies, which reduced FDI by US\$ 340.5mn in 2020. The financial sector was the largest FDI recipient at US\$ 400.3mn (+47.1% y/y, 64.9% of total), followed by mining at US\$ 101.5mn (+93.8% y/y, 16.5% of total), real estate at US\$ 71.8mn (+729.0% y/y, 11.6% of total) and manufacturing at US\$ 68.1mn (-41.0 y/y, 11.0% of total). Meanwhile, there was a negative FDI in the hotel and restaurant sector (-US\$ 221.5mn) due to ownership transfer. UK topped the list of investors with US\$ 307.8mn (+30.1% y/y), followed by Netherlands at US\$ 172.1mn (+71.5% y/y), Turkey at US\$ 108.1mn (-38.3% y/y) and USA at US\$ 93.3mn (-16.3% y/y).

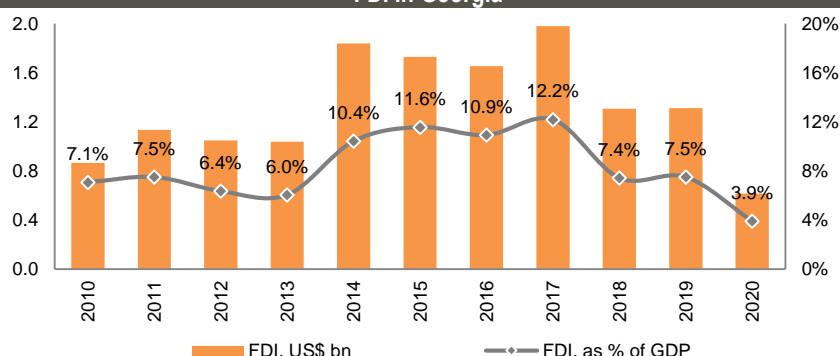
International reserves at US\$ 4.1bn in February 2021

Gross international reserves increased by 18.6% y/y to US\$ 4.1bn in February 2021 according to NBG. On a monthly basis, the reserves were slightly down (-0.6%). Changes in reserves were attributed to the disbursement of donor funds and FX sales totaling US\$ 40mn by NBG in February 2021.

International arrivals down 89.5% y/y in February 2021

Total international arrivals (tourists and same-day arrivals) to Georgia were down 89.5% y/y to 40.5k persons in February 2021, after decreasing by 93.6% y/y in previous month, according to GNTA, reflecting COVID-19 pandemic related restrictions. Overall, in 2M21, total international arrivals stood at 74.3k (-91.8% y/y) persons. Meanwhile, tourism revenues stood at US\$ 33.4mn (-90.6% y/y) in 2M21, by our estimates.

FDI in Georgia



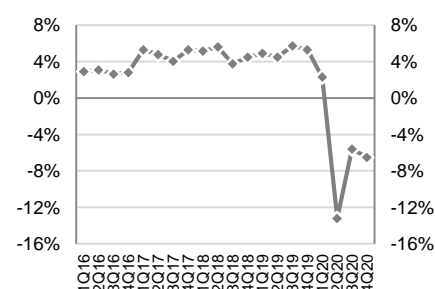
Source: Geostat

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
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%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

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 Negative Affirmed Feb-2021	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Aug-2020	FitchRatings BB Negative Affirmed Feb-2021
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Source: Rating agencies

Money market

Ministry of Finance T-Bills: 1-year GEL 15.0mn (US\$ 4.5mn) T-Bills were sold at the auction held at NBG on March 9, 2021. Total demand was 2.3x higher and the weighted average yield was fixed at 7.944%, flat from previous auction held in February, 2021. The nearest treasury security auction is scheduled for March 23, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

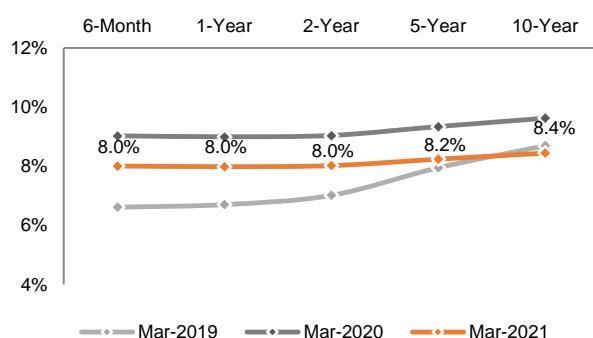
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	30	135	100
1-year	30	135	610
2-year	40	180	1,230
5-year	70	350	2,298
10-year	25	75	1,262
Total	195	875	5,500

Source: MoF

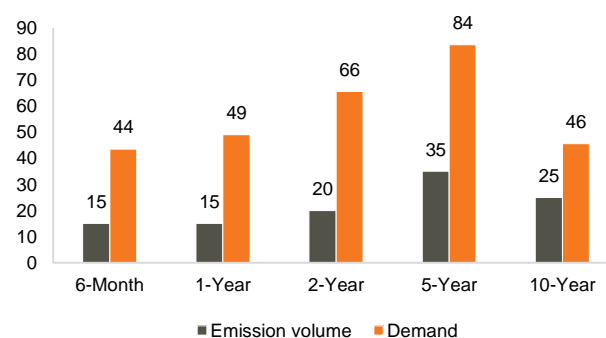
Note: * As of 31 January 2021

T-bills / T-notes, yield curve



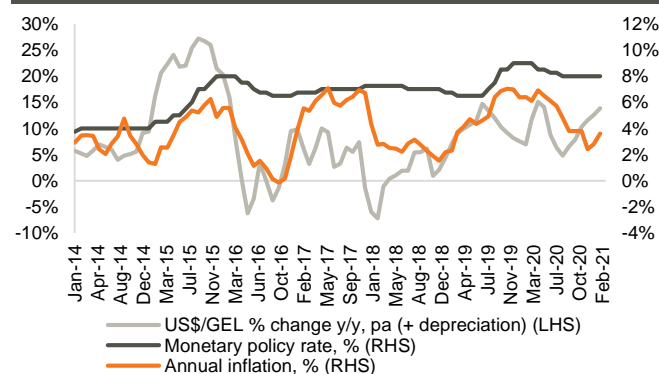
Source: NBG

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



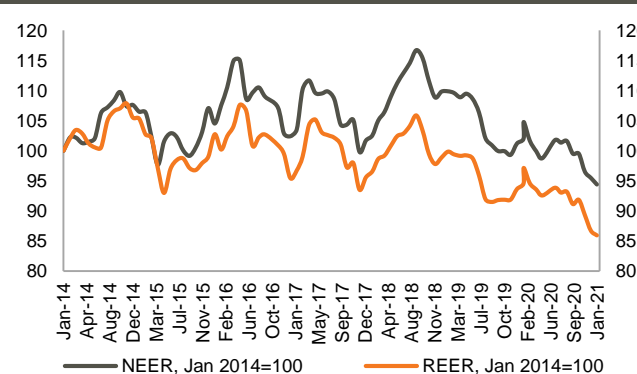
Source: NBG

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

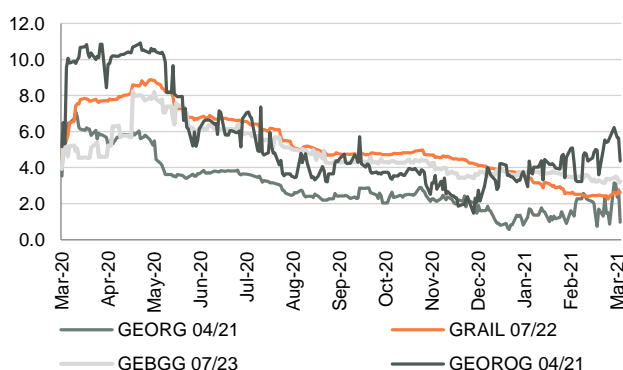
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.23% yield, trading at 106.25 (+0.20% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.76 (-0.75% w/w), yielding 5.48%.

GOGC Eurobonds (GEOROG) were trading at 100.25 (+0.13% w/w), yielding 4.37%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.60 (-0.37% w/w), yielding 2.63%.

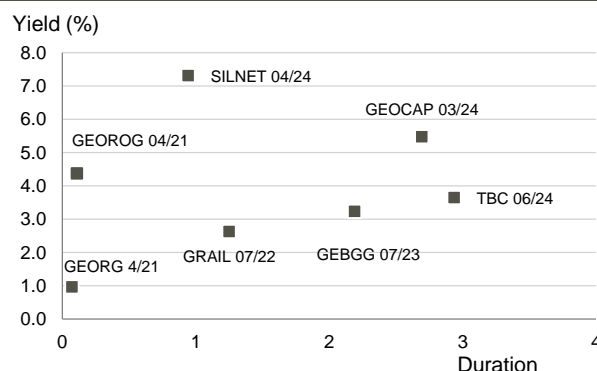
Georgian Sovereign Eurobonds (GEORG) closed at 100.42 (-0.12% w/w) at 0.97% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg
 Note: For Silknet duration calculation call date is taken as maturity.

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	100.42	0.97	76.94
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	106.60	2.63	242.52
GEOROG 04/21	US\$	250	6.750%	Apr-21	-BB-/B-	100.25	4.37	420.78
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B-/Ba2	106.25	3.23	291.08
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-	108.65	9.23	757.91
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	101.76	5.48	504.62
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	109.90	7.31	603.93
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	106.41	3.64	314.66
TBC PERP	US\$	125	10.775%	n/a	B-/B-	105.99	9.64	822.44
GGU 07/25	US\$	250	7.750%	Jul-25	B+/B/-	104.34	6.59	578.03

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B-/B-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-/-	100.00	7.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-/-	100.43	7.20	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	-/-/-/-	99.99	n/a	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-/-	n/a	n/a	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-/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/Baa2	100.42	0.97	76.94
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.51	1.70	151.57
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	102.02	5.76	551.23
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.82	1.07	49.12
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.65	0.96	61.54
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B2	100.19	0.78	59.32
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	102.08	3.15	296.56

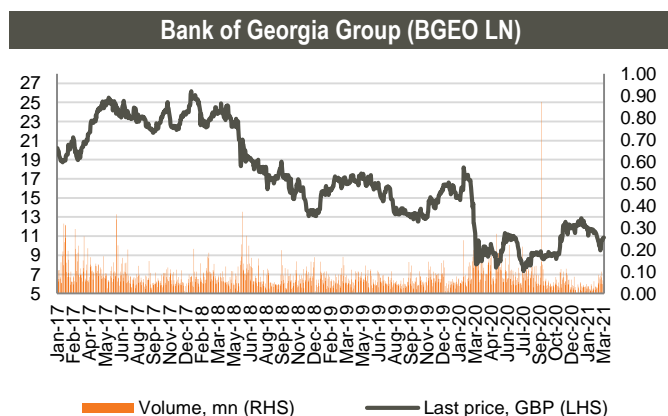
Source: Bloomberg

Equities

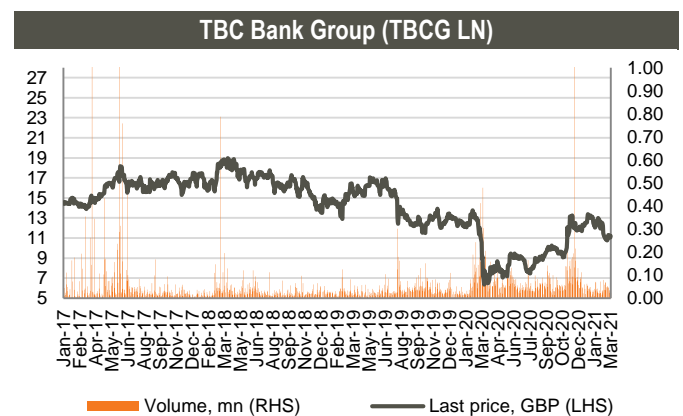
Bank of Georgia Group (BGEO LN) shares closed at GBP 10.84/share (+2.46% w/w and -5.24% m/m). More than 211k shares traded in the range of GBP 10.54 - 10.94/share. Average daily traded volume was 49k in the last 4 weeks. The volume of BGEO shares traded was at 0.43% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.30/share (+5.16% w/w and +0.57% m/m). More than 273k shares traded in the range of GBP 4.82 - 5.42/share. Average daily traded volume was 45k in the last 4 weeks. The volume of CGEO shares traded was at 0.75% of its capitalization.

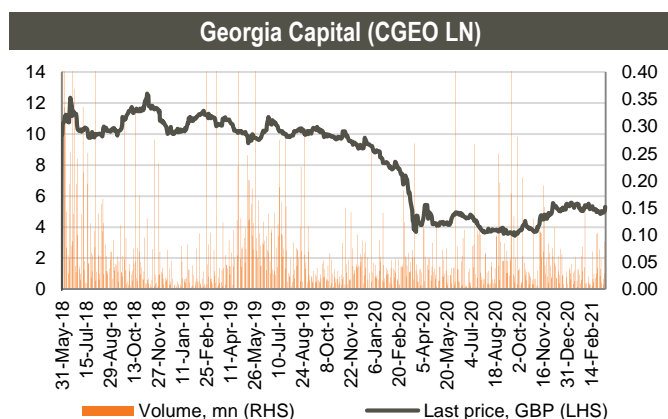
TBC Bank Group (TBCG LN) closed the week at GBP 11.20/share (-1.06% w/w and -7.59% m/m). More than 135k shares changed hands in the range of GBP 10.72 - 11.42/share. Average daily traded volume was 41k in the last 4 weeks. The volume of TBCG shares traded was at 0.25% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

								P/E		P/B	
	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	10.84	533	18.5%	-24.2%	-11.3%	7.97x	4.45x	0.96x	0.79x
TBC	TBC	GBP	11.20	616	16.8%	-7.5%	-11.2%	6.76x	4.84x	0.94x	0.81x
Halyk Bank	HSBK	US\$	13.55	3,982	15.0%	16.5%	12.0%	5.44x	5.14x	1.11x	1.03x
VTB Bank	VTBR	US\$	1.00	6,487	11.1%	-4.0%	3.6%	6.71x	2.71x	0.35x	0.32x
Akbank	AKBNK	TRY	6.13	31,876	25.8%	-9.4%	-10.5%	5.24x	3.89x	0.52x	0.45x
Garanti	GARAN	TRY	8.92	37,464	34.3%	-1.9%	-11.6%	5.49x	3.90x	0.59x	0.51x
Isbank	ISCTR	TRY	5.85	26,325	15.1%	4.8%	-16.1%	3.86x	3.20x	0.39x	0.35x
PKO	PKO	PLN	32.13	40,163	53.1%	17.2%	13.9%	13.79x	11.98x	0.88x	0.86x
PEKAO	PEO	PLN	73.44	19,276	44.4%	-7.6%	21.4%	15.78x	11.93x	0.75x	0.73x
Millennium	MIL	PLN	4.02	4,876	38.7%	-1.9%	26.0%	67.90x	19.72x	0.53x	0.52x
Mbank	MBK	PLN	235.00	9,949	29.7%	-2.3%	32.9%	39.55x	19.34x	0.57x	0.59x
BRD	BRD	RON	15.34	10,690	21.6%	10.6%	2.3%	13.28x	10.67x	1.18x	1.41x
Banca Transilvania	TLV	RON	2.36	12,310	5.9%	10.0%	2.2%	12.70x	7.60x	1.48x	1.24x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	10.47x	0.70x	0.65x
Komercni	KOMB	CZK	688.00	130,754	30.0%	3.2%	4.1%	16.00x	14.26x	1.13x	1.09x
Mean								15.53x	8.94x	0.80x	0.76x
Median								12.52x	7.60x	0.75x	0.73x

Source: Bloomberg, S&P Capital IQ

Investment management companies

								P/E		P/B	
	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.30	195	40.1%	-19.4%	-7.4%	na	na	na	na
Tinc Comm	TINC	EUR	12.50	341	-4.2%	-6.0%	-2.7%	na	na	na	na
Sabanci Holding	SAHOL	TRY	10.56	21,547	37.3%	20.4%	-5.2%	4.42x	3.75x	0.58x	0.50x
Deutsche Beteiligungs	DBAN	EUR	35.50	534	12.1%	23.4%	6.6%	na	12.46x	1.23x	1.23x
Eurazeo	RF	EUR	66.40	5,230	31.0%	17.5%	10.0%	31.49x	6.68x	0.94x	0.76x
Carlyle Group	CG	USD	36.57	4,048	43.7%	54.7%	15.6%	6.15x	5.06x	6.04x	4.58x
Mean								14.02x	6.99x	2.20x	1.77x
Median								6.15x	5.87x	1.09x	1.00x

Source: Bloomberg, S&P Capital IQ

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