

# Weekly Market Watch

Weekly Market Watch | Georgia  
February 15, 2021

## Economy

### Fitch Affirms Georgia at 'BB'

On 12 February 2021, Fitch affirmed Georgia's sovereign credit rating at 'BB'. The Outlook is Negative. Based on Fitch, Georgia's ratings are supported by strong structural indicators, such as governance and business environment, relative to 'BB' category peers. A consistent and credible policy framework underpins Georgia's relative resilience to shocks. The Negative Outlook reflects the significant ongoing impact of the coronavirus pandemic on Georgia's economy. Fitch forecasts real GDP growth of 4.3% in 2021 and 5.8% in 2022, after a pandemic-driven contraction estimated at 6.1% in 2020. Fitch projects Georgia's economic recovery at a faster pace than the median growth rates of its 'BB' peers (4.0% in 2021 and 3.7% in 2022). The main downside risks to the baseline projections relate to uncertainties attached to the evolution of the pandemic and the efficacy of the vaccination rollout. Based on Fitch, GDP growth will be predominately domestic demand driven, as easing of national restrictions supports private consumption, and higher than historical public infrastructure spending drives investment despite subdued private sector recovery. Net exports of goods should benefit from increased demand from key trading partners. The recovery will remain constrained by the tourism sector: tourism revenues expected at 30% of 2019 levels in 2021, rising to 80% in 2022.

### International arrivals down 93.6% y/y in January 2021

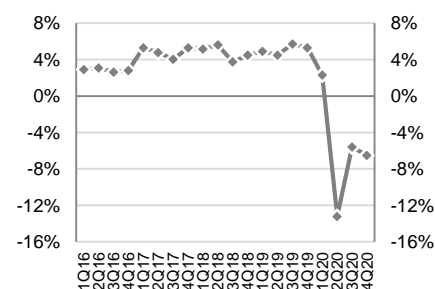
Total international arrivals (tourists and same-day arrivals) to Georgia were down 93.6% y/y to 33.8k persons, according to GNTA, as COVID-19 pandemic weighs on international travel. Meanwhile, tourism revenues stood at US\$ 14mn (-92.8% y/y) in January 2021, by our estimates.

### 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

<b>STANDARD &amp; POOR'S</b>  <b>BB</b> Stable Affirmed Aug-2020	<b>Moody's</b> INVESTORS SERVICE  <b>Ba2</b> Stable Affirmed Aug-2020	<b>FitchRatings</b>  <b>BB</b> 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 February 9, 2021. Total demand was c.4.2x higher and the weighted average yield was fixed at 7.940%, down by 0.179ppts from previous auction held in December, 2020. The nearest treasury security auction is scheduled for February 23, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

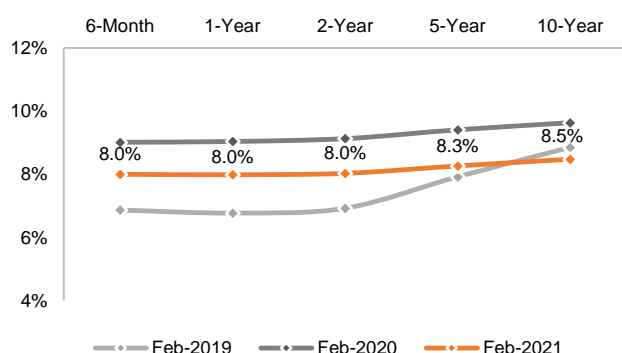
## T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	15	150	120
1-year	15	150	660
2-year	20	200	1,530
5-year	35	385	2,261
10-year	25	75	1,237
<b>Total</b>	<b>110</b>	<b>960</b>	<b>5,808</b>

Source: MoF

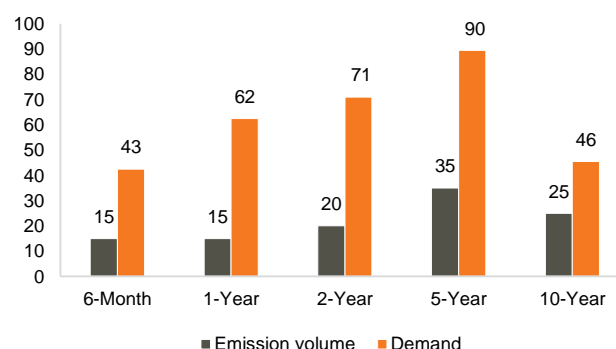
Note: \* As of 31 December 2020

## T-bills / T-notes, yield curve



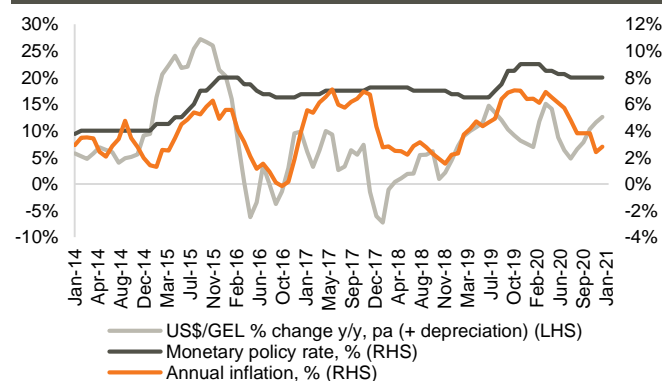
Source: NBG

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



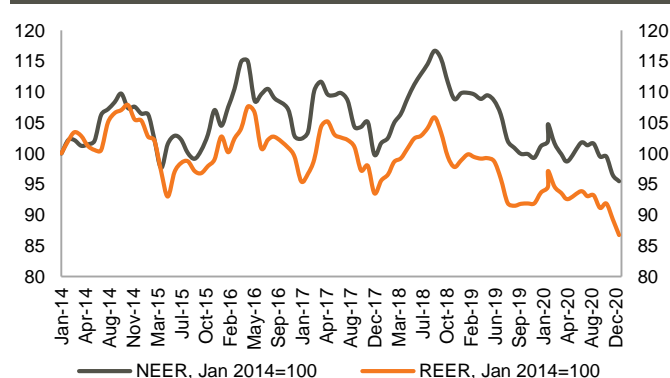
Source: NBG

## 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



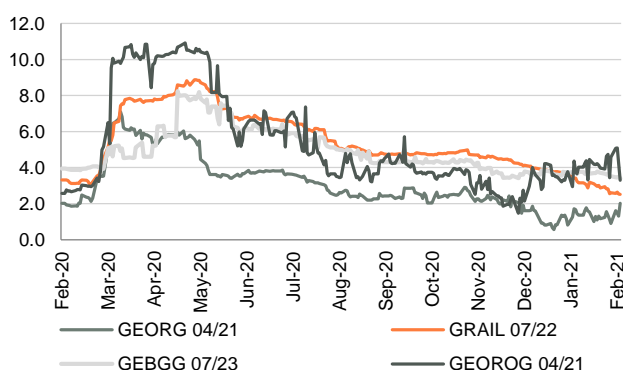
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 3.24% yield, trading at 106.42 (+0.57% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.17 (+0.65% w/w), yielding 5.35%.

GOGC Eurobonds (GEOROG) were trading at 100.56 (+0.12% w/w), yielding 3.72%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.14 (-0.01% w/w), yielding 2.53%.

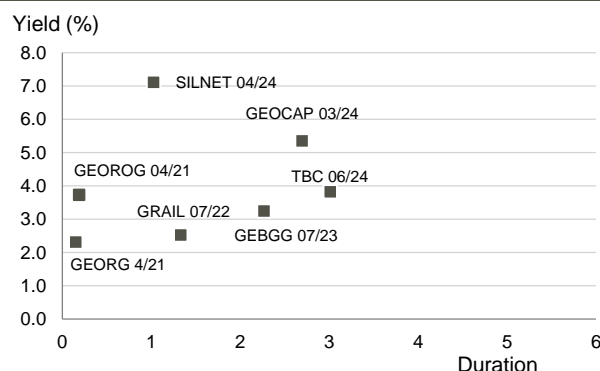
**Georgian Sovereign Eurobonds (GEORG)** closed at 100.69 (-0.35% w/w) at 2.31% yield to maturity.

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	100.69	2.31	212.57
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	107.14	2.53	234.84
GEOROG 04/21	US\$	250	6.750%	Apr-21	-BB/-	100.56	3.72	354.60
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	106.42	3.24	300.69
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	107.84	9.07	807.18
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	102.17	5.35	505.65
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	110.71	7.11	564.03
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	106.00	3.82	348.72
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	106.24	9.40	836.54
GGU 07/25	US\$	250	7.750%	Jul-25	B+/B/-	103.90	6.72	612.95

#### 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/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.42	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.37	7.25	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	-/-/-	100.00	7.50	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	100.69	2.31	212.57
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.66	1.58	141.02
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.18	4.69	449.08
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.14	0.78	40.34
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.29	0.84	58.70
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B2	100.55	0.99	80.29
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	102.80	2.49	231.97

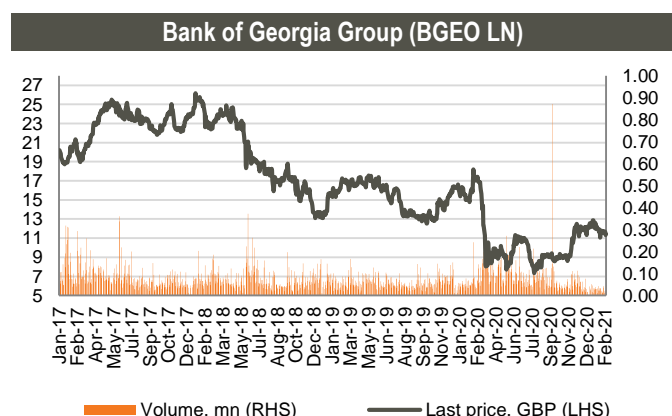
Source: Bloomberg

## Equities

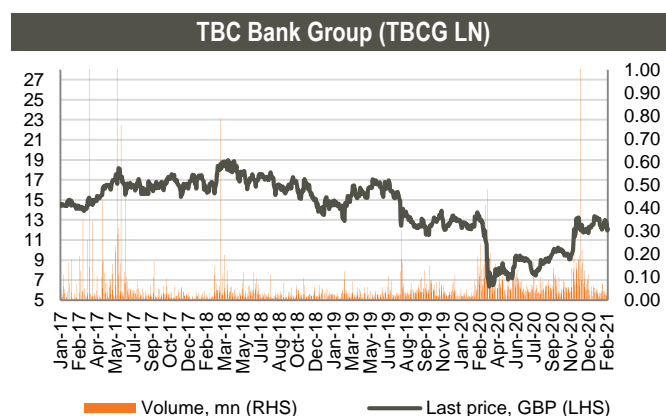
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 11.44/share (-2.22% w/w and -5.14% m/m). More than 126k shares traded in the range of GBP 11.02 - 11.80/share. Average daily traded volume was 26k in the last 4 weeks. The volume of BGEO shares traded was at 0.26% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 5.27/share (-0.94% w/w and unchanged m/m). More than 60k shares traded in the range of GBP 5.05 - 5.55/share. Average daily traded volume was 29k in the last 4 weeks. The volume of CGEO shares traded was at 0.16% of its capitalization.

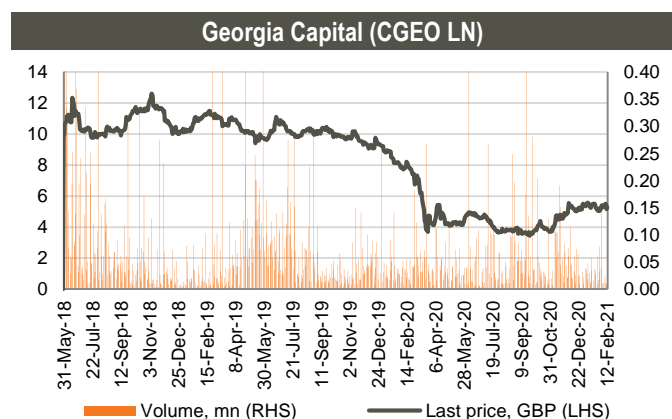
**TBC Bank Group (TBCG LN)** closed the week at GBP 12.12/share (-6.77% w/w and -8.18% m/m). More than 168k shares changed hands in the range of GBP 11.84 - 13.00/share. Average daily traded volume was 33k in the last 4 weeks. The volume of TBCG shares traded was at 0.31% of its capitalization.



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	11.44	562	33.0%	-29.8%	-6.2%	7.89x	4.58x	0.94x	0.76x
TBC	TBC	GBP	12.12	667	34.7%	-2.1%	-3.0%	6.12x	5.51x	0.96x	0.81x
Halyk Bank	HSBK	US\$	13.40	3,938	22.4%	-12.4%	15.0%	5.60x	5.06x	1.11x	1.01x
VTB Bank	VTBR	US\$	0.96	6,250	-1.1%	-36.0%	1.0%	7.06x	3.18x	0.34x	0.32x
Akbank	AKBNK	TRY	6.64	34,528	31.5%	-18.2%	-4.2%	8.09x	5.24x	0.80x	0.64x
Garanti	GARAN	TRY	9.92	41,664	40.3%	-15.3%	-4.3%	8.56x	5.41x	0.93x	0.75x
Isbank	ISCTR	TRY	6.50	29,250	29.0%	-9.5%	-7.1%	6.07x	4.26x	0.61x	0.51x
PKO	PKO	PLN	28.08	35,100	20.2%	-23.1%	-2.2%	12.07x	11.40x	0.77x	0.73x
PEKAO	PEO	PLN	64.66	16,971	14.3%	-37.6%	5.8%	13.19x	11.96x	0.66x	0.64x
Millennium	MIL	PLN	3.73	4,525	21.8%	-36.3%	14.1%	63.12x	12.26x	0.49x	0.48x
Mbank	MBK	PLN	186.00	7,875	-7.5%	-50.3%	3.8%	31.36x	14.65x	0.46x	0.45x
BRD	BRD	RON	14.00	9,757	15.9%	-11.9%	-5.8%	11.80x	10.78x	1.04x	1.11x
Banca Transilvania	TLV	RON	2.29	11,944	12.0%	-1.4%	1.8%	12.17x	10.86x	1.54x	1.51x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.53x	10.91x	0.70x	0.64x
Komercni	KOMB	CZK	678.00	128,853	22.6%	-14.6%	3.2%	15.26x	13.18x	1.08x	1.01x
<b>Mean</b>								<b>14.72x</b>	<b>8.62x</b>	<b>0.83x</b>	<b>0.76x</b>
<b>Median</b>								<b>11.80x</b>	<b>10.78x</b>	<b>0.80x</b>	<b>0.73x</b>

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	5.27	194	38.7%	-33.7%	-2.4%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.45	340	-7.4%	-13.2%	-3.9%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	11.26	22,975	37.1%	12.2%	-1.7%	6.70x	5.59x	0.88x	0.71x
Deutsche Beteiligungs	DBAN	EUR	38.35	577	22.1%	-8.6%	15.9%	n/mf	12.45x	1.26x	1.23x
Eurazeo	RF	EUR	62.00	4,883	40.8%	-6.1%	11.7%	34.63x	9.53x	0.84x	0.79x
Carlyle Group	CG	USD	37.20	4,117	36.3%	10.4%	18.3%	6.26x	5.09x	6.15x	4.13x
<b>Mean</b>								<b>15.86x</b>	<b>8.17x</b>	<b>2.28x</b>	<b>1.71x</b>
<b>Median</b>								<b>6.70x</b>	<b>7.56x</b>	<b>1.07x</b>	<b>1.01x</b>

Source: Bloomberg, S&P Capital IQ

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