

Weekly Market Watch

 Weekly Market Watch | Georgia
 May 25, 2020

Economy

Trade deficit down 46.0% y/y in April 2020

In April 2020, exports decreased by 27.9% y/y to US\$ 223.2mn, imports fell by 38.5% y/y to US\$ 458.0mn. As a result, trade deficit narrowed by 46.0% y/y to US\$ 234.8mn, according to Geostat.

In April 2020, copper (-5.2% y/y), ferro-alloys (+55.5% y/y), pharmaceuticals (-22.3% y/y), wine (-22.2% y/y) and mineral waters (-1.7% y/y) were the top 5 exported commodities. A 19.2% of exports was directed to the EU (-46.6% y/y), 41.8% to the CIS (-42.7% y/y) and 39.0% to other countries (+30.6% y/y).

Copper (-25.9% y/y), pharmaceuticals (+22.6% y/y), gases (-11.4% y/y), petroleum (-65.8% y/y) and wheat (-13.2% y/y) represented the top 5 imported commodities in April 2020.

Overall, in 4M20, trade deficit was down 11.8% to US\$ 1.5bn as exports decreased by 11.9% y/y to US\$ 1.0bn and imports decreased by 11.8% y/y to US\$ 2.5bn.

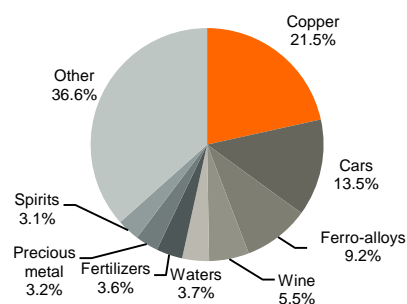
Producer price index up 10.1% y/y in April 2020

Annual PPI for industrial goods was up 10.1% in April 2020 according to Geostat. Rising prices in manufacturing (+10.9% y/y) contributed the most to the overall index change.

NBG sold US\$ 40.0mn

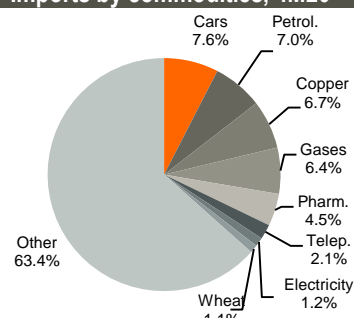
On 21 May 2020, the NBG intervened on the FX market and sold US\$ 40.0mn to limit GEL volatility. This was fifth FX intervention YTD for a total sale of US\$ 160.0mn through auction.

Exports by commodities, 4M20



Source: Geostat

Imports by commodities, 4M20

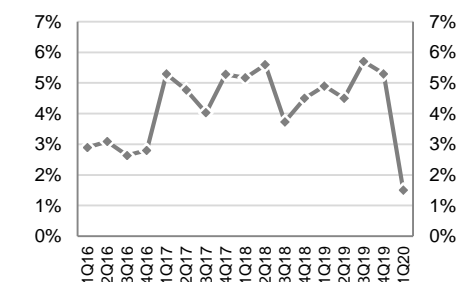


Key macro indicators

	2017	2018	2019E
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%	2.4%
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 # 16 (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
---	---	--

Source: Rating agencies



Money market

There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for May 25, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

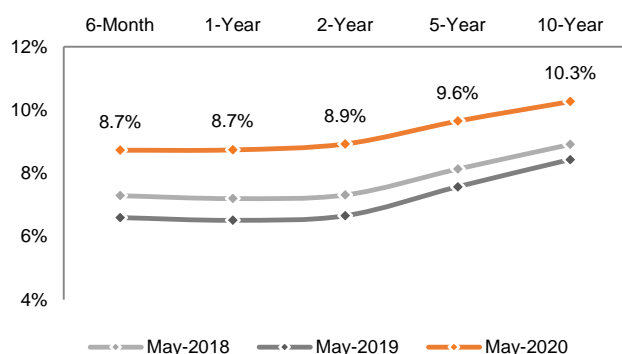
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	180	110	270
1-year	280	320	580
2-year	350	490	1,210
5-year	320	640	1,663
10-year	70	80	563
Total	1,200	1,640	4,285

Source: MoF

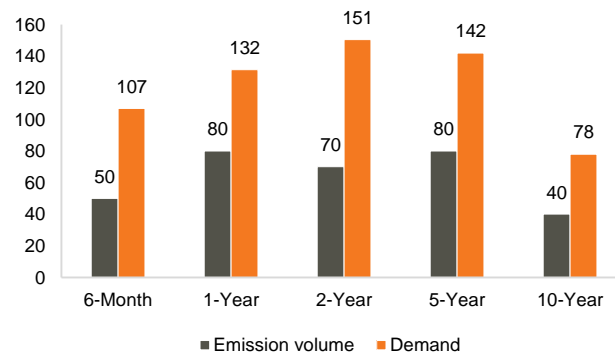
Note: * As of 30 April 2020

T-bills / T-notes, yield curve



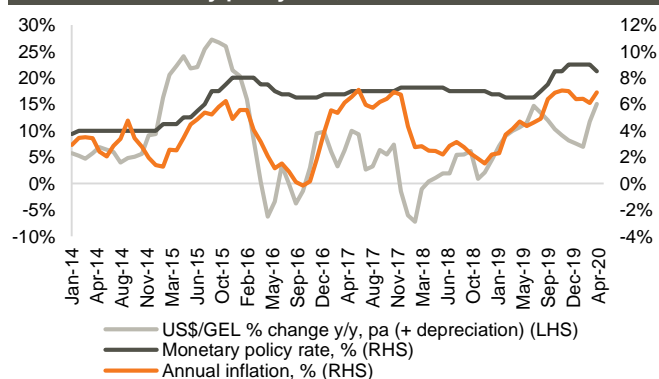
Source: NBG

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



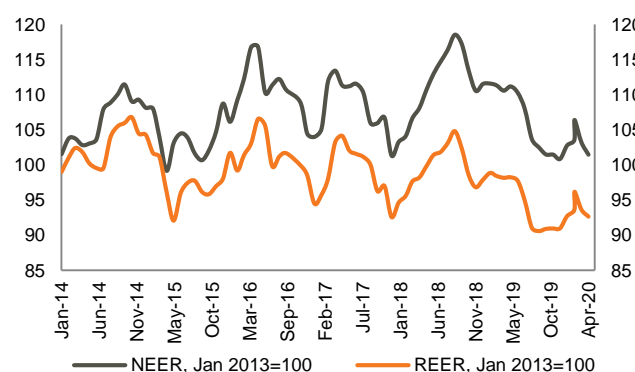
Source: NBG

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

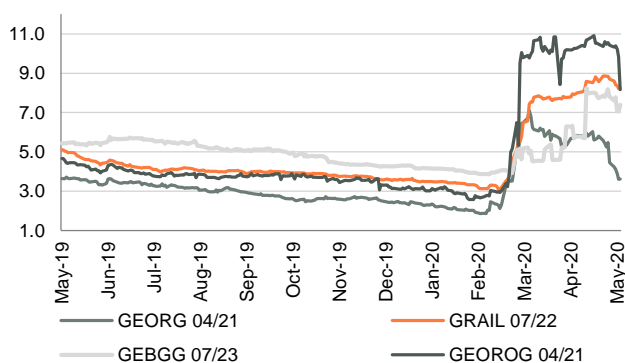
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 7.39% yield, trading at 96.12 (+1.23% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.68 (+0.29% w/w), yielding 8.42%.

GOGC Eurobonds (GEOROG) were trading at 98.77 (+2.04% w/w), yielding 8.17%. Georgian Railway Eurobonds (GRAIL) traded at 99.08 (+0.95% w/w), yielding 8.22%.

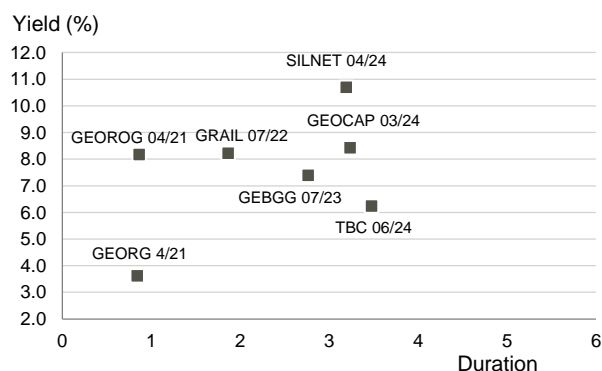
Georgian Sovereign Eurobonds (GEORG) closed at 102.78 (+0.66% w/w) at 3.61% yield to maturity.

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	102.78	3.61	329.73
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	99.08	8.22	795.56
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/	98.77	8.17	785.63
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B-/Ba2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B-/Ba2	96.12	7.39	711.58
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	93.83	10.42	1,280.65
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.68	8.42	812.25
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	100.90	10.70	1,040.05
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	98.28	6.24	592.50
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	95.73	10.38	1,173.30

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	-/-/-	99.61	7.75	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	99.45	7.75	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	99.97	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	98.97	7.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.99	7.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/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-/B-/	100.00	14.75	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	102.78	3.61	329.73
Armenia	US\$	500	6.000%	Sep-20	BB-/Baa3	98.73	9.76	949.63
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/Baa2	101.03	1.99	169.97
Belarus	US\$	800	6.875%	Feb-23	B/Baa3	103.74	5.39	511.98
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.00	1.73	140.21
Turkey	US\$	2,000	5.625%	Mar-21	BB-/Baa1	101.38	3.94	361.80
Ukraine	US\$	1,409	7.750%	Sep-21	B/Baa1	101.00	6.89	660.58

Source: Bloomberg

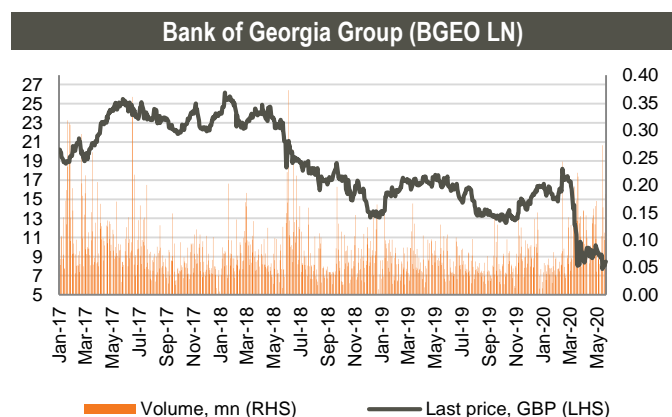
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 8.47/share (+5.22% w/w and -5.26% m/m). More than 719k shares traded in the range of GBP 7.90 - 8.57/share. Average daily traded volume was 118k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 4.71% w/w and 5.21% m/m. The volume of BGEO shares traded was at 1.46% of its capitalization.

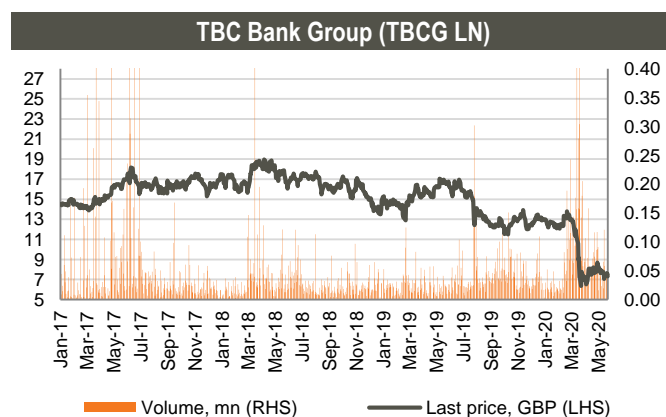
Georgia Capital (CGEO LN) shares closed at GBP 4.14/share (-1.55% w/w and -8.82% m/m). More than 153k shares traded in the range of GBP 4.03 - 4.48/share. Average daily traded volume was 35k in the last 4 weeks. The volume of CGEO shares traded was at 0.42% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 7.30/share (-3.05% w/w and -6.89% m/m). More than 240k shares changed hands in the range of GBP 7.18 - 7.82/share. Average daily traded volume was 58k in the last 4 weeks. The volume of TBCG shares traded was at 0.44% of its capitalization.

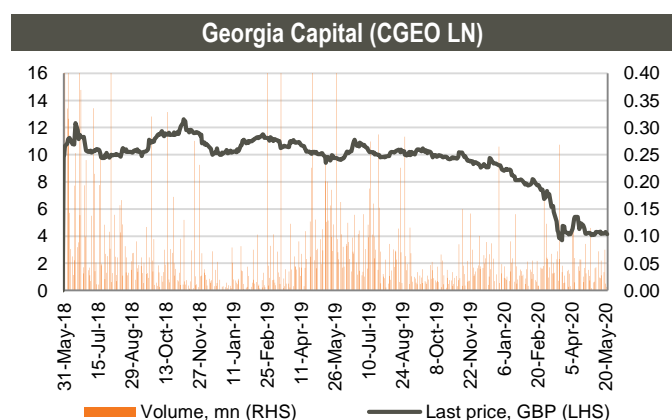
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.83/share (-4.60% w/w and -4.60% m/m). More than 153k shares were traded in the range of GBP 0.78 - 0.92/share. Average daily traded volume was 82k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.



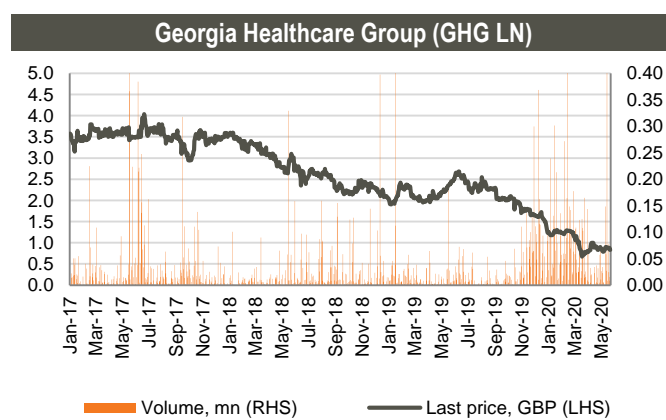
Source: Bloomberg



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	8.47	416	-39.5%	-50.5%	-47.9%	3.19x	8.17x	0.70x	0.67x
TBC	TBC	GBP	7.30	402	-39.2%	-55.9%	-43.8%	2.78x	9.26x	0.54x	0.52x
Halyk Bank	HSBK	US\$	9.20	2,703	-32.1%	-20.0%	-31.1%	3.22x	4.24x	0.77x	0.95x
VTB Bank	VTBR	US\$	0.93	6,040	-34.6%	-13.4%	-36.3%	2.30x	4.39x	0.35x	0.32x
Akbank	AKBNK	TRY	5.52	28,704	-29.2%	0.4%	-31.9%	4.64x	4.42x	0.48x	0.47x
Garanti	GARAN	TRY	7.54	31,668	-25.5%	6.6%	-32.3%	4.27x	4.18x	0.51x	0.51x
Isbank	ISCTR	TRY	4.80	21,600	-23.0%	-1.0%	-25.1%	3.23x	3.84x	0.34x	0.34x
PKO	PKO	PLN	21.15	26,438	-45.2%	-43.9%	-38.6%	5.71x	9.83x	0.58x	0.60x
PEKAO	PEO	PLN	50.66	13,297	-51.5%	-51.1%	-49.6%	5.53x	9.12x	0.52x	0.55x
Millennium	MIL	PLN	2.51	3,040	-55.3%	-72.9%	-57.2%	3.75x	4.07x	0.31x	0.32x
Mbank	MBK	PLN	183.90	7,786	-52.7%	-54.7%	-52.8%	5.72x	16.03x	0.43x	0.46x
BRD	BRD	RON	11.60	8,084	-20.9%	6.4%	-26.8%	5.02x	9.21x	0.97x	1.00x
Banca Transilvania	TLV	RON	1.93	10,088	-21.7%	-0.7%	-25.5%	5.23x	9.78x	1.08x	1.38x
OTP	OTPD	USD	22.80	12,768	7.5%	1.8%	7.5%	9.60x	17.87x	0.82x	0.78x
Komerční	KOMB	CZK	501.00	95,215	-37.1%	-41.5%	-39.6%	5.70x	12.16x	0.81x	0.83x
Mean								4.66x	8.44x	0.61x	0.65x
Median								4.64x	9.12x	0.54x	0.55x

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	4.14	152	-56.5%	-58.6%	-55.2%	5.41x	3.76x	0.38x	n/a
Tinc Comm	TINC	EUR	13.10	357	-1.9%	13.6%	-1.9%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	8.44	17,221	-8.8%	21.4%	-11.5%	3.95x	3.87x	0.46x	0.47x
Deutsche Beteiligungs	DBAN	EUR	27.50	414	-31.3%	-22.6%	-30.3%	9.88x	n/mf	0.88x	1.08x
Eurazeo	RF	EUR	42.22	3,325	-30.6%	-34.3%	-30.8%	10.02x	n/mf	0.60x	0.58x
Carlyle Group	CG	USD	26.82	2,968	-6.2%	29.1%	-16.4%	15.48x	5.48x	1.66x	3.90x
Mean								8.95x	4.37x	0.80x	1.51x
Median								9.88x	3.87x	0.60x	0.83x

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	0.83	109	-49.7%	-65.6%	-32.5%	8.39x	6.75x	4.42x	3.88x
Mouwasat	MOUWASAT	SAR	84.60	8,460	1.6%	-0.5%	-3.9%	21.69x	21.41x	14.92x	14.32x
Fortis	FORH	INR	114.15	86,178	-21.6%	-9.4%	-13.5%	1.33x	1.31x	6.41x	6.65x
Raffles	RFMD	SGD	0.90	1,636	-10.5%	-11.4%	-10.5%	26.18x	32.97x	16.76x	19.16x
IHH	IHH	MYR	5.43	47,643	-0.2%	2.5%	-0.7%	50.33x	52.57x	14.69x	16.24x
Bangkok Chain	BCH	THB	14.00	34,912	-17.2%	-17.2%	-18.1%	27.72x	32.43x	15.51x	16.45x
Netcare	NTC	ZAR	13.46	19,542	-34.7%	-28.6%	-30.8%	7.65x	9.86x	5.18x	6.34x
Life Healthcare	LHC	ZAR	16.19	23,756	-35.4%	-31.4%	-34.3%	11.73x	29.09x	5.63x	7.44x
Mediclinic	MDC	GBP	2.62	1,930	-34.6%	-21.0%	-36.4%	9.14x	10.18x	7.15x	7.02x
Apollo Hospitals	APHS	INR	1,280.00	178,080	-11.8%	10.1%	-11.2%	58.93x	52.90x	18.78x	13.44x
KPJ Healthcare	KPJ	MYR	0.88	3,749	-4.4%	-6.4%	-7.4%	18.94x	20.86x	9.17x	9.47x
NMC	NMC	GBP	9.38	1,959	-61.8%	-62.1%	-46.9%	n/a	n/a	n/a	n/a
Mean								22.00x	24.58x	10.78x	10.94x
Median								18.94x	21.41x	9.17x	9.47x

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