

Weekly Market Watch

 Weekly Market Watch | Georgia
 September 30, 2019

Economy

Current account deficit more than halved in 2Q19

Georgia's current account deficit more than halved in USD terms reaching 3.2% of GDP in 2Q19 down from 8.2% of GDP in 2Q18, according to NBG. Reduction in merchandise trade deficit, down 13.7% y/y to US\$ 879.7mn, was the major reason behind improved CA, as exports increased 7.7% y/y, while imports were down 2.4% y/y. Positive balance in services was up 2.9% y/y to US\$ 577.8mn (14.4% of GDP), mostly driven by increased tourism inflows (up 8.4% y/y to US\$ 877.6mn). Surplus in current transfers, second largest positive category, amounted to US\$ 333.9mn (8.3% of GDP, down 5.6% y/y). Meanwhile, negative income balance decreased 32.5% y/y to US\$ 159.6mn (4.0% of GDP). Net FDI (3.2% of GDP) and portfolio investments (14.2% of GDP) were major funding categories of the CA deficit, while international reserves increased by US\$ 241mn. Overall, in 1H19, CA deficit stood at record low 4.6% of GDP.

NBG increases its policy rate by 50bps to 7.5%

At the extraordinary meeting held on 25 September 2019, NBG's monetary policy committee increased the policy rate by 50bps to 7.5%, after increasing the rate by 50bps earlier on 4 September. NBG noted that the recent tightening of monetary policy was aimed to reduce inflationary pressures stemming from GEL's exchange rate depreciation. NBG reiterated its commitment to price stability and expressed readiness to use all available instruments at its disposal, if necessary, to curb inflationary pressures. Next monetary committee meeting will take place on 23 October 2019.

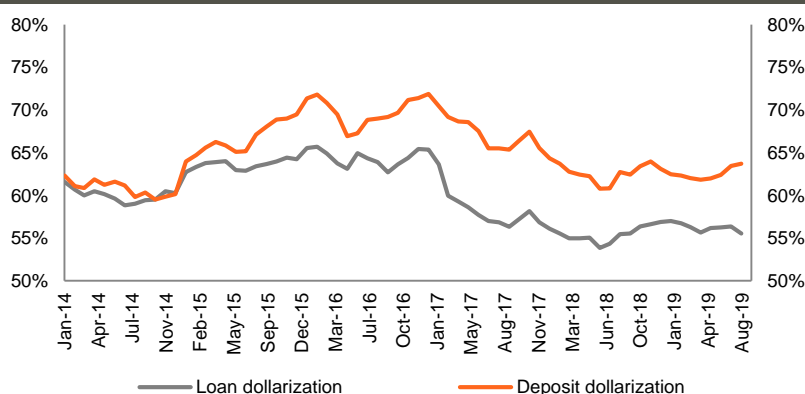
NPLs at 2.8% in August 2019

In August 2019, the banking sector loan portfolio increased 14.6% y/y after growing 14.8% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 22.0% y/y and up 0.7% m/m to GEL 29.6bn (US\$ 10.0bn). Deposits were up 8.1% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 17.5% y/y and up 1.4% m/m to GEL 25.3bn (US\$ 8.6bn). Loan dollarization stood at 55.5% (flat y/y and -0.81ppts m/m) and deposit dollarization reached 63.7% (+0.99ppts y/y and +0.29ppts m/m). NPLs stood at 2.8% in August 2019 (+0.14ppts y/y and -0.14ppts m/m).

NBG sold US\$ 40.0mn

On September 27, 2019, the NBG intervened on the FX market and sold US\$ 40.0mn. Overall, during January-September 2019, the NBG purchased US\$ 216mn and sold US\$ 72.8mn on its 13 FX auctions.

Loan and deposit dollarization



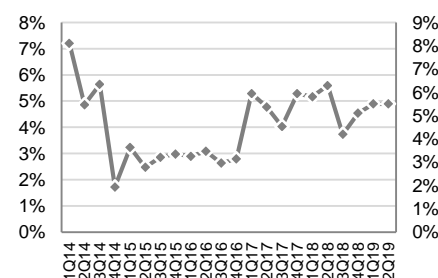
Source: Geostat

Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,991	10,679	11,485
GDP per capita (US\$)	3,857	4,047	4,346
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.8%	6.7%	1.5%
Gross reserves (US\$ bn)	2.8	3.0	3.3
CAD (% of GDP)	13.1%	8.8%	7.7%
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	44.4%	44.8%	45.0%

Source: Official data, IMF, G&T

Real GDP growth, %



Source: Geostat

International ranking, 2018-19

Ease of Doing Business # 6 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Positive Affirmed Apr-2019	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Mar-2019	FitchRatings BB Stable Affirmed Aug-2019
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Source: Rating agencies

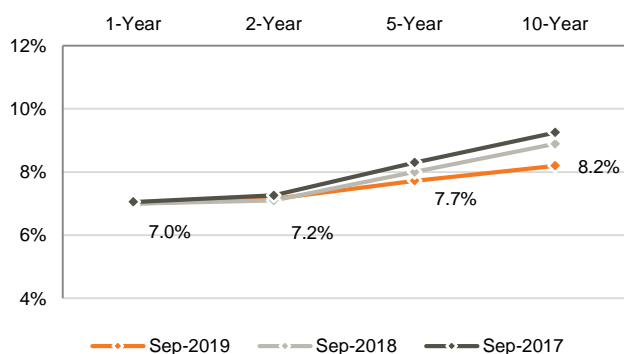


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.0bn (US\$ 662.5mn).

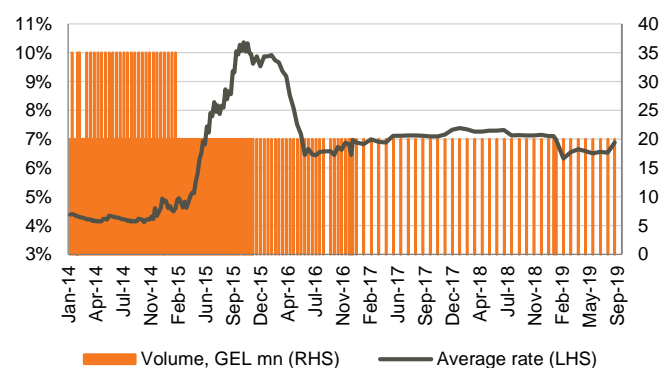
Ministry of Finance Benchmark Bonds: 5-year GEL 50.0mn (US\$ 16.8mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on September 24, 2019. The weighted average yield was fixed at 8.235%. The nearest treasury securities auction is scheduled for October 1, 2019, where GEL 60.0mn nominal value 1-year T-bills will be sold.

T-bills / T-notes, yield curve



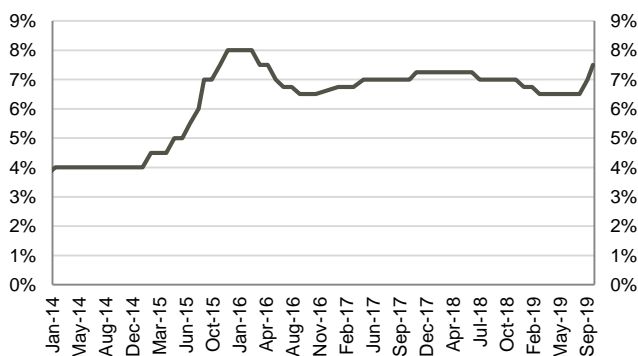
Source: NBG

Certificates of Deposits (weighted average rate)



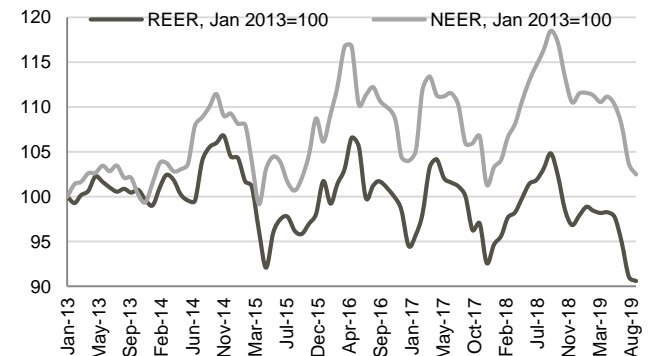
Source: NBG

Monetary policy 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

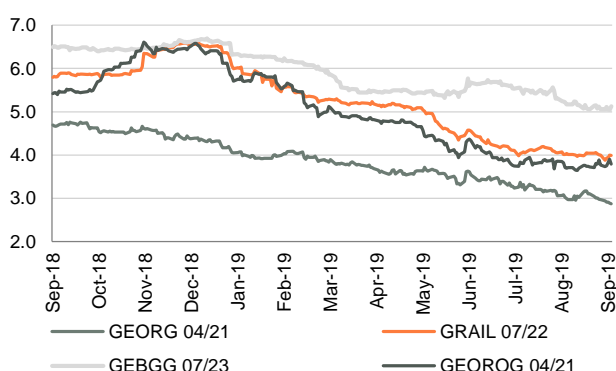
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.13% yield, trading at 102.99 (-0.24% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.65 (+0.13% w/w), yielding 7.57%.

GOGC Eurobonds (GEOROG) were trading at 104.47 (-0.08% w/w), yielding 3.79%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.78 (-0.05% w/w), yielding 3.99%.

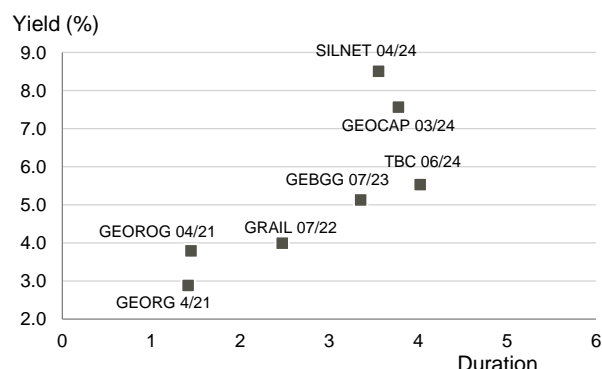
Georgian Sovereign Eurobonds (GEORG) closed at 105.95 (+0.07% w/w) at 2.88% yield to maturity.

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	105.95	2.88	111.33
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.78	3.99	241.83
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.47	3.79	209.16
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	102.99	5.13	353.35
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	103.72	10.19	855.97
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.65	7.57	601.92
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	109.18	8.51	695.67
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	100.91	5.53	391.92
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	101.82	10.49	864.77

Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B-/B-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-/-	101.04	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-/-	100.88	6.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-/-	99.18	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-/-	100.64	7.25	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B/-/-/-	99.82	11.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B/-/-/-	98.77	11.75	n/a
Nikora Trade 08/21	GEL	25	10.50%	Aug-21	-/-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	10.00%	Aug-22	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	10.50%	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	12.75%	Sep-21	B-/B-/B-	98.33	14.00	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	105.95	2.88	111.33
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.39	2.54	68.22
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.50	3.09	141.75
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.23	4.56	298.98
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.45	2.50	95.99
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.64	2.14	3.98
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.66	3.78	212.79
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.55	5.22	355.39

Source: Bloomberg

Equities

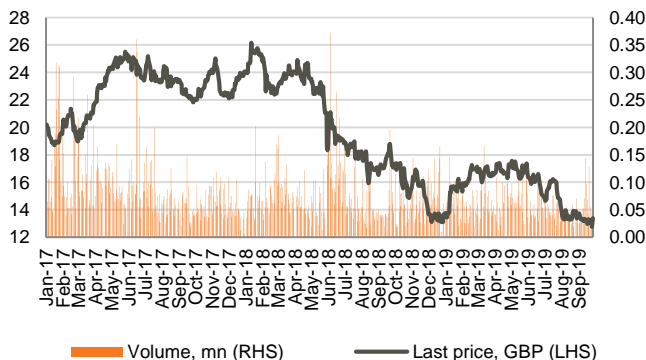
Bank of Georgia Group (BGEO LN) shares closed at GBP 13.40/share (+1.52% w/w and -3.67% m/m). More than 188k shares traded in the range of GBP 12.66 - 13.59/share. Average daily traded volume was 54k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.98% w/w and gained 3.28% m/m. The volume of BGEO shares traded was at 0.38% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.26/share (-1.91% w/w and +2.60% m/m). More than 91k shares traded in the range of GBP 10.10 - 10.48/share. Average daily traded volume was 28k in the last 4 weeks. The volume of CGEO shares traded was at 0.25% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.36/share (-5.79% w/w and -3.13% m/m). More than 301k shares changed hands in the range of GBP 11.46 - 13.28/share. Average daily traded volume was 51k in the last 4 weeks. The volume of TBCG shares traded was at 0.55% of its capitalization.

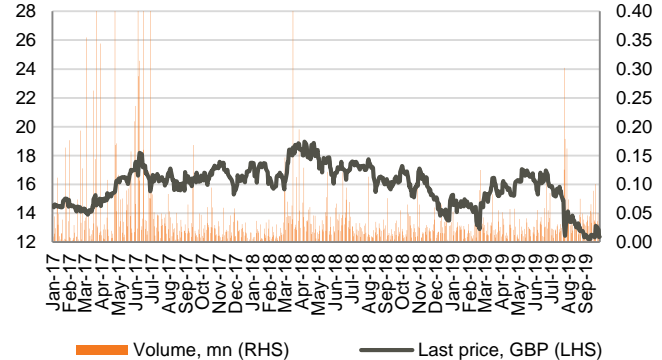
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.00/share (-2.44% w/w and -12.47% m/m). More than 97k shares were traded in the range of GBP 1.95 - 2.10/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.

Bank of Georgia Group (BGEO LN)



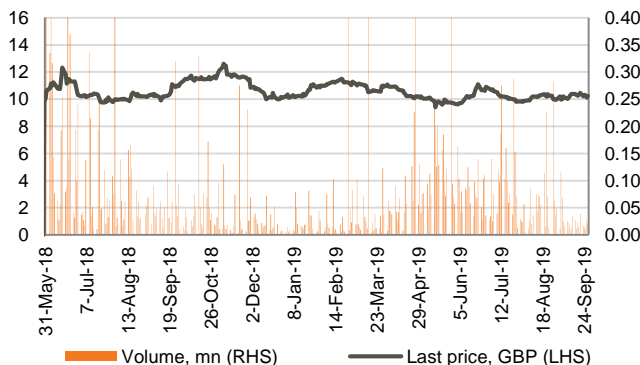
Source: Bloomberg

TBC Bank Group (TBCG LN)



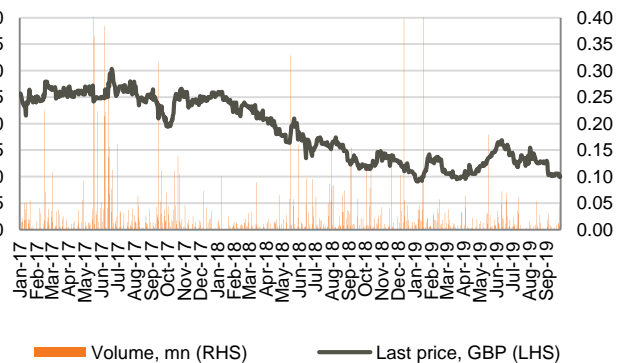
Source: Bloomberg

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



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	13.40	659	-19.8%	-21.5%	-2.7%	5.47x	4.83x	1.10x	0.95x
TBC	TBC	GBP	12.36	680	-18.6%	-23.7%	-18.8%	5.11x	4.66x	0.93x	0.81x
Halyk Bank	HSBK	US\$	12.00	3,526	3.4%	12.1%	15.9%	4.47x	4.40x	0.99x	0.94x
VTB Bank	VTBR	US\$	1.32	8,567	13.0%	-3.1%	19.3%	3.57x	3.39x	0.54x	0.40x
Akbank	AKBNK	TRY	8.27	43,004	49.5%	38.9%	40.5%	7.76x	5.49x	0.83x	0.73x
Garanti	GARAN	TRY	10.33	43,386	34.2%	36.6%	29.8%	6.24x	4.58x	0.80x	0.70x
Isbank	ISCTR	TRY	6.35	28,575	18.2%	44.0%	40.2%	4.80x	3.79x	0.51x	0.46x
PKO	PKO	PLN	40.04	50,050	2.9%	-6.9%	1.4%	11.27x	10.93x	1.21x	1.15x
PEKAO	PEO	PLN	103.60	27,192	-5.8%	-4.0%	-5.0%	11.87x	10.18x	1.16x	1.12x
Millennium	MIL	PLN	5.95	7,212	-35.8%	-35.4%	-33.0%	9.21x	7.28x	0.80x	0.73x
Mbank	MBK	PLN	363.00	15,368	-16.0%	-20.6%	-14.4%	12.47x	10.93x	0.94x	0.88x
BRD	BRD	RON	14.30	9,966	8.7%	5.1%	25.4%	7.45x	8.46x	1.26x	1.23x
Banca Transilvania	TLV	RON	2.44	12,727	24.7%	12.0%	31.8%	8.04x	8.91x	1.51x	1.40x
OTP	OTPD	USD	21.20	11,872	-7.0%	19.8%	8.2%	9.74x	9.54x	0.83x	0.72x
Komerční	KOMB	CZK	803.00	152,610	-15.2%	-11.9%	-5.2%	10.31x	10.58x	1.44x	1.35x
Mean								7.85x	7.20x	0.99x	0.91x
Median								7.76x	7.28x	0.94x	0.88x

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	10.26	377	-6.5%	-6.5%	0.5%	14.09x	11.05x	1.03x	0.96x
Tinc Comm	TINC	EUR	13.75	375	13.6%	11.3%	16.5%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	9.62	19,629	30.4%	27.4%	27.9%	4.63x	4.13x	0.57x	0.51x
Deutsche Beteiligungs	DBAN	EUR	31.65	476	-3.5%	-11.7%	-5.7%	52.24x	13.65x	1.08x	1.03x
Eurazeo	RF	EUR	67.80	5,340	6.2%	4.8%	15.2%	14.26x	13.12x	0.97x	0.91x
Carlyle Group	CG	USD	25.69	2,843	41.2%	12.2%	63.1%	6.92x	3.95x	2.99x	1.75x
Mean								18.43x	9.18x	1.33x	1.03x
Median								14.09x	11.05x	1.03x	0.96x

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	2.00	263	0.0%	-9.1%	-2.0%	19.96x	12.86x	7.73x	6.52x
Mouwasat	MOUWASAT	SAR	87.00	8,700	10.1%	3.3%	8.1%	22.87x	19.12x	16.06x	13.82x
Fortis	FORH	INR	136.60	103,127	-0.6%	1.6%	-2.8%	1.73x	1.57x	6.71x	6.76x
Raffles	RFMD	SGD	1.00	1,828	-6.5%	-9.9%	-9.1%	30.44x	30.20x	19.46x	18.47x
IHH	IHH	MYR	5.70	50,012	-1.7%	10.0%	5.8%	48.69x	39.43x	16.84x	14.67x
Bangkok Chain	BCH	THB	15.70	39,152	-7.6%	-22.7%	-6.0%	31.67x	28.62x	17.67x	16.09x
Netcare	NTC	ZAR	17.90	25,988	-26.3%	-28.4%	-32.3%	11.75x	11.47x	7.20x	6.89x
Life Healthcare	LHC	ZAR	23.00	33,749	-14.3%	-8.3%	-12.9%	19.21x	14.82x	7.97x	7.26x
Mediclinic	MDC	GBP	3.41	2,512	11.6%	-22.5%	5.6%	12.01x	13.23x	8.30x	8.07x
Apollo Hospitals	APHS	INR	1,400.55	194,852	21.4%	31.2%	11.3%	69.41x	53.20x	21.58x	16.42x
KPJ Healthcare	KPJ	MYR	0.88	3,771	-11.6%	-20.0%	-15.4%	20.52x	18.74x	9.98x	9.39x
NMC	NMC	GBP	27.72	5,787	26.5%	-18.9%	1.3%	22.56x	17.39x	14.10x	11.78x
Mean								25.90x	21.72x	12.80x	11.35x
Median								21.54x	18.06x	12.04x	10.59x

Source: Bloomberg, S&P Capital IQ

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