



# Weekly Market Watch

Weekly Market Watch | Georgia  
Feb 25, 2019

## Economy

### Exports up 7.2% y/y in January 2019

In January 2019, exports increased 7.2% y/y to US\$ 238.8mn, imports fell by 1.1% y/y to US\$ 588.0mn and the trade deficit decreased 6.1% y/y to US\$ 349.2mn, according to Geostat.

In January 2019, copper (+24.5% y/y), cars (+66.9% y/y), ferro-alloys (-33.5% y/y), wine (+19.4% y/y) and tobacco (+276.8% y/y) were the top 5 exported commodities; A 25.0% of exports was directed to the EU (-7.0% y/y), 52.5% to the CIS (+55.2% y/y) and 22.5% to other countries (-30.9% y/y).

Petroleum (-19.2% y/y), gases (-4.3% y/y), cars (+4.4% y/y), copper (+24.1% y/y) and pharmaceuticals (-3.4% y/y) represented the top 5 imported commodities in January 2019.

### Producer price index up 2.3% y/y in January 2019

Annual PPI for industrial goods was up 2.3% in January 2019, after increasing 3.8% in previous month. Change in prices in manufacturing (+3.1% y/y) and mining and quarrying (-4.2% y/y) categories contributed the most to the overall index change.

### Fitch upgraded Georgia's sovereign credit rating

On 22 February 2019, Fitch upgraded the sovereign credit rating of Georgia to BB from BB- with the stable outlook. Based on Fitch, the Georgian economy proved resilient to a severe economic shock in Turkey and heightened sanctions risk in Russia in 2018, thanks to a diversification of sources of current account inflows, the floating exchange rate and prudent fiscal and monetary policy settings, underpinned by steadfast adherence to its IMF programme.

**M2 Commercial Assets has successfully completed an inaugural US\$ 30mn offering of notes due December 2021.** The annual coupon rate was set at 7.5%. The Notes are admitted for settlement in clearstream and are listed on the Georgian Stock Exchange. Galt & Taggart acted as the lead manager for the issuance, the biggest public placement on Georgian bond market.

### Key macro indicators

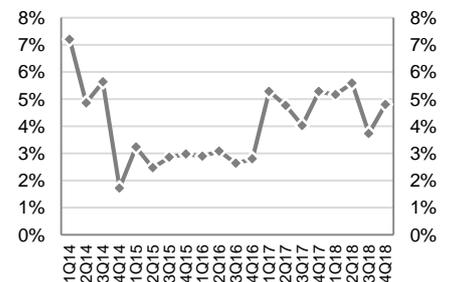
	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.8%
GDP per capita (ppp)	10,065	10,742	11,600 <sup>(2)</sup>
GDP per capita (US\$)	3,857	4,047	4,363 <sup>(2)</sup>
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.8%	6.7%	1.5%
Gross reserves (US\$ bn)	2.8	3.0	3.3
CAD (% of GDP)	13.1%	8.8%	6.5% <sup>(1)</sup>
Fiscal deficit (% of GDP)	3.0%	2.9%	2.3% <sup>(2)</sup>
Total public debt (% of GDP)	44.4%	44.8%	44.8% <sup>(2)</sup>

Source: Official data, IMF

1) As of 9M18

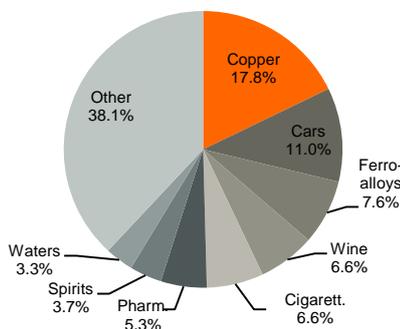
2) Preliminary estimate

### Real GDP growth, %



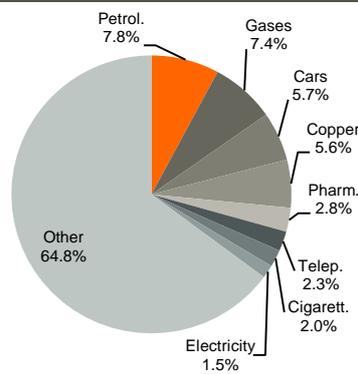
Source: Geostat

### Exports by commodities, Jan-19



Source: Geostat

### Imports by commodities, Jan-19



### 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



Source: Rating agencies

# Money market

There were no treasury securities auction last week.

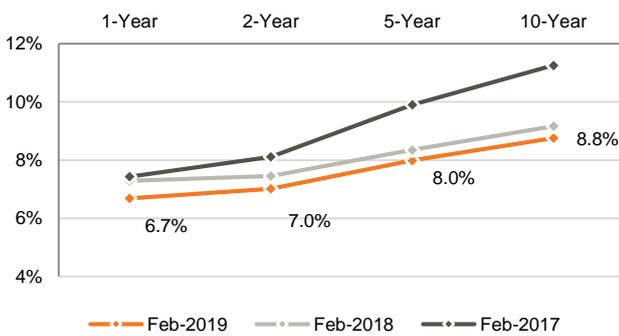
The nearest treasury securities auction is scheduled for February 26, 2019, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.

### T-bills / T-notes, emission calendar

Date	Volume, GEL mn	Maturity
26-Feb-19	30	5 years
5-Mar-19	40	1 year
12-Mar-19	20	6 month
12-Mar-19	40	2 years
26-Mar-19	30	5 years

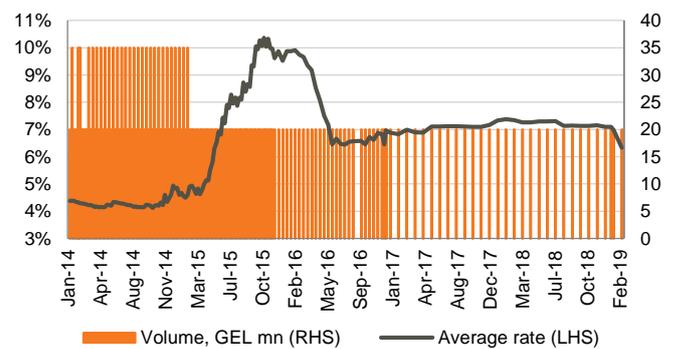
Source: NBG

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



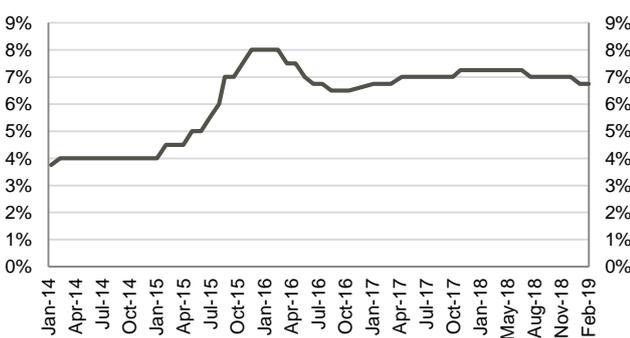
Source: NBG

### Certificates of Deposits (weighted average rate)



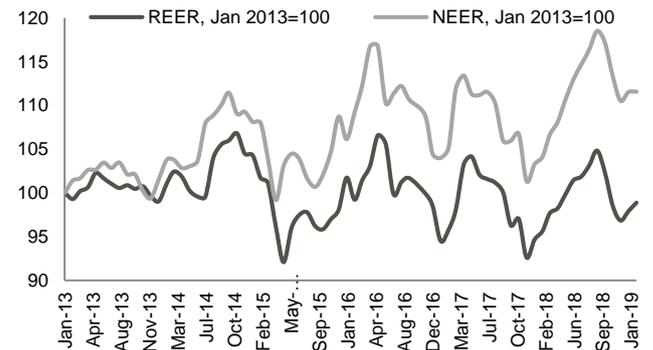
Source: NBG

### Monetary policy rate



Source: NBG

### Nominal Effective Exchange Rate and Real Effective Exchange Rate



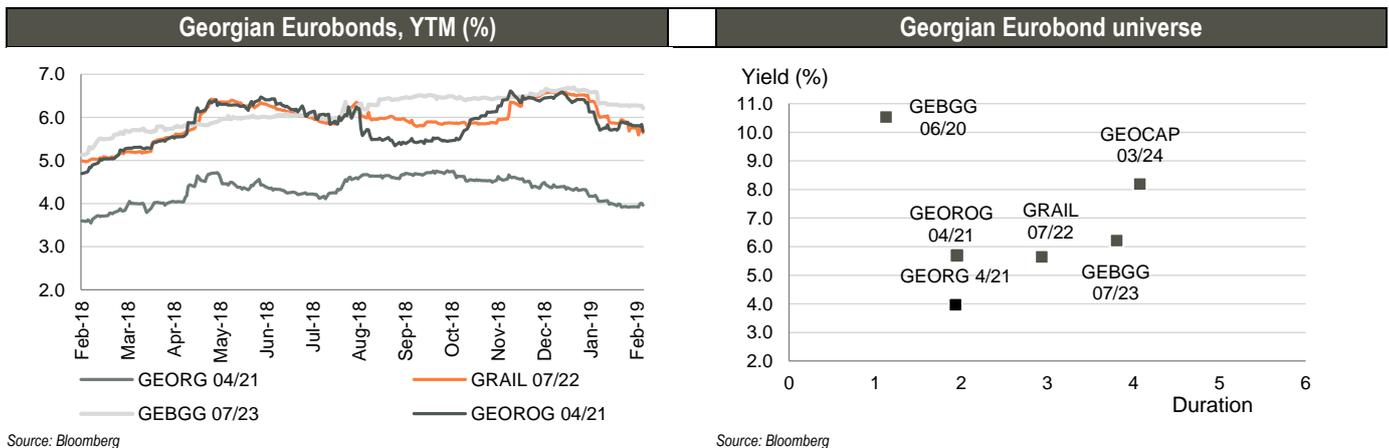
Source: NBG

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 6.21% yield, trading at 99.20 (+0.26% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.50 (unchanged w/w), yielding 10.54%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.62 (+0.07% w/w), yielding 8.19%. GOGC Eurobonds (GEOROG) were trading at 102.14 (+0.23% w/w), yielding 5.68%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.38 (+0.29% w/w), yielding 5.65%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 105.88 (-0.12% w/w) at 3.96% yield to maturity.



## Georgian bonds performance

Georgian Eurobonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price, US\$	Mid yield, %	Z-spread, bps	
Georgia	US\$	500	6.875%	04/12/2021	BB-/BB-/Ba2/-	105.88	3.96	136.71	
GRAIL 07/22	US\$	500	7.750%	07/11/2022	B+/B+/-/-	106.38	5.65	309.63	
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB-/B+/-/-	102.14	5.68	308.86	
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B-/Ba2/-	100.50	10.54	n/a	
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B-/Ba2/-	99.20	6.21	366.91	
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/-/B2/-	91.62	8.19	564.41	
Georgian local bonds performance									
GWP 12/21	GEL	30	10.25%	06/12/2021	BB-/B+/-/-	n/a	n/a	n/a	
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/-/-	101.03	6.0	n/a	
M2CA 12/21	US\$	30	7.500%	31/12/2021	-/-/-/-	n/a	n/a	n/a	
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/-/-	100.37	6.75	n/a	
GLC 06/21	US\$	5	6.500%	22/06/2021	B+/-/-/-	98.91	7.00	n/a	
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/-/-/B+	n/a	n/a	n/a	
Silknet 08/22	GEL	34	10.25%	18/08/2022	B+/-/-/-	n/a	n/a	n/a	
Crystal 12/19	GEL	10	11.25%	28/12/2019	B-/B+/-/-	100.86	11.00	n/a	

Source: Bloomberg

## Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB-/BB-/Ba2	105.88	3.96	136.71
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.50	4.36	172.67
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	96.67	4.23	165.00
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	103.63	5.85	330.54
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	102.22	3.44	88.30
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Ba1	102.16	3.11	46.40
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/NR/Ba3	100.76	5.24	264.13
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	98.07	8.62	604.06

Source: Bloomberg

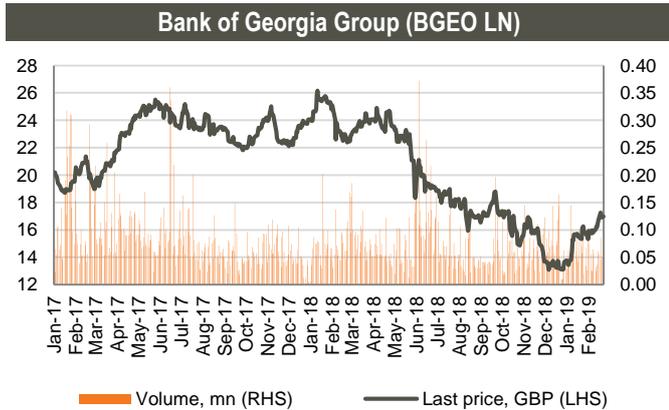
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 16.97/share (+1.07% w/w and +10.76% m/m). More than 276k shares traded in the range of GBP 16.37 – 17.33/share. Average daily traded volume was 50k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.52% w/w and 3.18% m/m. The volume of BGEO shares traded was at 0.56% of its capitalization.

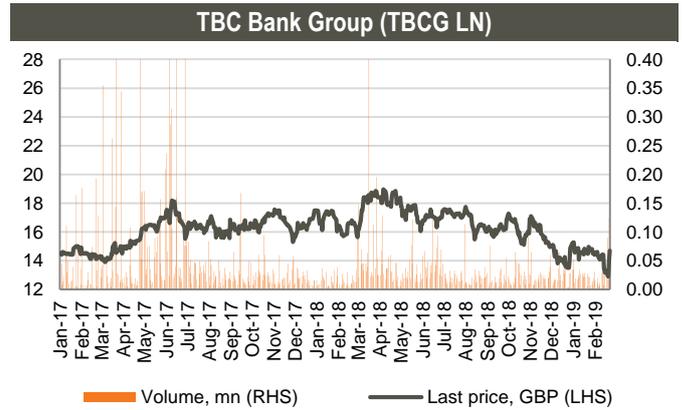
**Georgia Capital (CGEO LN)** shares closed at GBP 11.24/share (-0.51% w/w and +5.08% m/m). More than 73k shares traded in the range of GBP 11.20 – 11.50/share. Average daily traded volume was 21k in the last 4 weeks. The volume of CGEO shares traded was at 0.19% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 14.70 (+11.70% w/w and +1.52% m/m). More than 316k shares changed hands in the range of GBP 12.70 – 14.76/share. Average daily traded volume was 30k in the last 4 weeks. The volume of TBCG shares traded was at 0.58% of its capitalization.

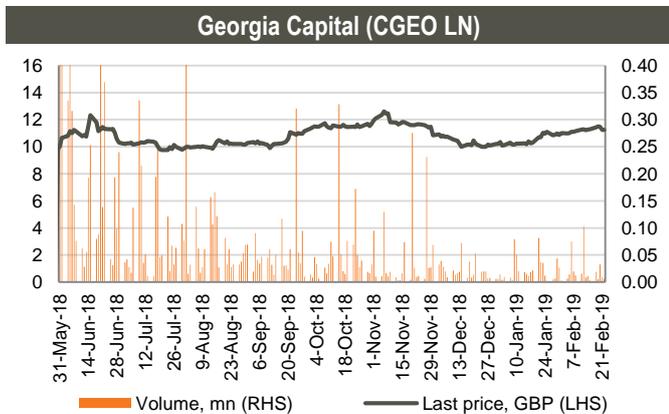
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.10/share (-9.70% w/w and -0.95% m/m). More than 45k shares were traded in the range of GBP 2.10 – 2.34/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



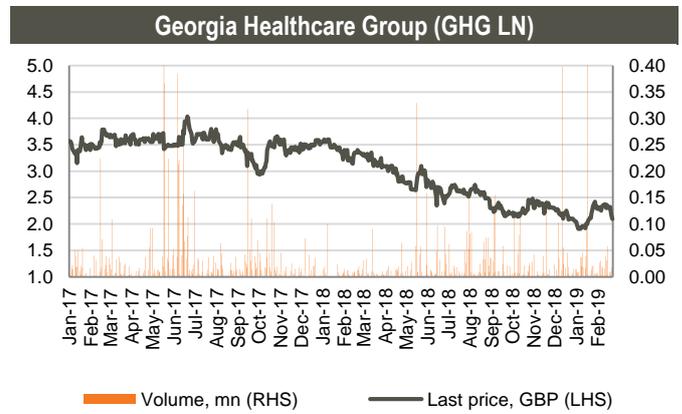
Source: Bloomberg



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	16.97	834	-0.1%	-24.2%	23.2%	6.42x	5.67x	1.38x	1.17x
TBC	TBC	GBP	14.70	797	-10.8%	-11.4%	-3.4%	5.83x	5.04x	1.05x	0.93x
Halyk Bank	HSBK	USD	11.15	3,276	1.8%	-20.4%	7.7%	4.96x	4.30x	1.01x	0.89x
VTB Bank	VTBR	USD	1.22	7,874	-7.6%	-38.6%	9.7%	3.47x	3.01x	0.54x	0.48x
Akbank	AKBNK	TRY	6.66	34,632	30.7%	-26.1%	13.2%	6.30x	4.35x	0.68x	0.58x
Garanti	GARAN	TRY	8.67	36,414	43.8%	-26.8%	8.9%	5.92x	3.90x	0.70x	0.62x
Isbank	ISCTR	TRY	5.55	24,975	40.5%	-25.2%	22.5%	3.97x	3.52x	0.46x	0.43x
PKO	PKO	PLN	38.97	48,713	-6.4%	-11.5%	-1.3%	12.12x	10.92x	1.18x	1.12x
PEKAO	PEO	PLN	113.00	29,659	-2.6%	-14.7%	3.7%	12.28x	10.91x	1.26x	1.21x
Millennium	MIL	PLN	9.05	10,978	2.8%	0.6%	2.0%	14.20x	11.16x	1.19x	1.11x
Mbank	MBK	PLN	436.80	18,493	11.2%	-11.4%	3.0%	14.61x	12.71x	1.12x	1.07x
BRD	BRD	RON	11.98	8,349	-13.8%	-12.4%	5.1%	8.80x	9.59x	1.15x	1.11x
Banca Transilvania	TLV	RON	1.88	9,062	-19.6%	-11.6%	-6.1%	7.24x	7.50x	1.05x	0.97x
OTP	OTPD	USD	19.90	11,144	12.4%	-13.5%	1.5%	9.79x	9.08x	0.72x	0.64x
Komercni	KOMB	CZK	950.00	180,547	2.3%	2.3%	12.2%	12.49x	12.33x	1.72x	1.63x
<b>Mean</b>								<b>8.56x</b>	<b>7.60x</b>	<b>1.01x</b>	<b>0.93x</b>
<b>Median</b>								<b>7.24x</b>	<b>7.50x</b>	<b>1.05x</b>	<b>0.97x</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		
							2019F	2020F	2019F	2020F	
Georgia Capital	CGEO	GBP	11.24	429	10.1%	n/a	10.1%	14.44x	11.99x	0.87x	0.81x
Tinc Comm	TINC	EUR	11.95	326	-0.8%	-5.9%	1.3%	21.72x	19.93x	1.00x	0.99x
Sabanci Holding	SAHOL	TRY	9.00	18,364	22.1%	-15.1%	19.7%	4.59x	4.26x	0.55x	0.48x
Deutsche Beteiligungs	DBAN	EUR	34.60	521	-11.4%	-23.5%	3.1%	17.33x	9.51x	1.17x	1.10x
Eurazeo	RF	EUR	65.10	4,983	-0.3%	-13.7%	5.3%	12.82x	11.77x	0.93x	0.89x
Carlyle Group	CG	USD	18.20	1,983	-23.4%	-21.7%	15.6%	2.70x	2.12x	1.95x	1.05x
<b>Mean</b>								<b>12.27x</b>	<b>9.93x</b>	<b>1.08x</b>	<b>0.89x</b>
<b>Median</b>								<b>13.63x</b>	<b>10.64x</b>	<b>0.97x</b>	<b>0.94x</b>

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	2.10	276	-17.5%	-37.5%	2.7%	17.49x	13.21x	8.15x	6.35x
Mouwasat	MOUWASAT	SAR	75.60	7,560	-14.1%	-16.6%	-6.1%	19.76x	17.35x	14.31x	12.66x
Fortis	FORH	INR	135.60	102,371	-9.3%	-7.3%	-3.5%	1.67x	1.56x	6.87x	6.68x
Raffles	RFMD	SGD	1.11	1,995	5.7%	0.9%	0.9%	33.42x	32.43x	21.60x	20.23x
IHH	IHH	MYR	5.80	50,862	3.2%	-3.2%	7.6%	46.03x	36.05x	17.26x	14.52x
Bangkok Chain	BCH	THB	16.80	41,895	-9.2%	4.3%	0.6%	32.89x	29.02x	18.15x	16.39x
Netcare	NTC	ZAR	25.55	37,584	-9.2%	-0.2%	-3.3%	15.56x	14.37x	9.22x	8.55x
Life Healthcare	LHC	ZAR	27.13	39,809	9.0%	-3.1%	2.8%	19.59x	15.73x	8.69x	7.91x
Mediclinic	MDC	GBP	3.24	2,392	-33.9%	-46.5%	0.6%	12.20x	11.17x	8.23x	7.61x
Apollo Hospitals	APHS	INR	1,146.20	159,465	-3.0%	-8.0%	-8.9%	58.53x	37.17x	18.08x	15.27x
KPJ Healthcare	KPJ	MYR	1.07	4,609	-5.3%	12.6%	2.9%	23.76x	21.80x	12.39x	11.62x
NMC	NMC	GBP	27.70	5,767	-29.1%	-21.1%	1.2%	20.25x	16.41x	15.57x	12.91x
<b>Mean</b>								<b>25.10x</b>	<b>20.52x</b>	<b>13.21x</b>	<b>11.72x</b>
<b>Median</b>								<b>20.01x</b>	<b>16.88x</b>	<b>13.35x</b>	<b>12.14x</b>

Source: Bloomberg, S&P Capital IQ



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