

Weekly Market Watch

Weekly Market Watch | Georgia
June 21, 2021

Economy

Exports up by 44.9% y/y in May 2021

In May 2021, exports increased by 44.9% y/y to US\$ 339.4mn after a 70.0% y/y growth in previous month (notably, exports was broadly flat vs May 2019). Imports also increased by 40.3% y/y to US\$ 742.3mn, after growing 58.0% y/y in previous month (notably, imports was down 6.5% vs May 2019). As a result, trade deficit widened by 36.5% y/y to US\$ 402.9mn in May. Overall in 5M21, trade deficit was up by 9.6% y/y to US\$ 1.9bn, as exports increased by 24.4% y/y to US\$ 1.5bn and imports increased by 15.7% y/y to US\$ 3.5bn.

Money transfers up by 42.4% y/y in May 2021

In May 2021, money transfers increased by 42.4% y/y to US\$ 187.7mn, after growing 145.4% y/y in previous month, according to NBG. Notably, remittances were also up by 28.8% compared to May 2019 level. From major remitting countries, money transfers increased strongly from Italy (+15.7% y/y, 17.0% of total), Russia (+60.6% y/y, 16.9% of total), USA (+58.8% y/y, 12.9% of total), Greece (+9.6% y/y, 11.0% of total) and Israel (+29.8% y/y, 7.9% of total). Overall, in 5M21 money transfers were up 46.9% y/y to US\$ 881.1mn.

Real GDP growth at -4.5% in 1Q21

Georgia's 1Q21 real GDP growth came in at -4.5%, revised downwards from -4.2% rapid estimate figure by Geostat. This drop reflected significant reduction in accommodation & food services (-54.0% y/y), art & recreation (-25.4% y/y), construction (-19.4% y/y), real estate (-6.4% y/y) and transport (-9.0% y/y). Meanwhile, real growth was posted in financial and insurance activities (+24.0% y/y), mining (+50.3% y/y), health (+13.3% y/y) and trade (+3.9% y/y) sectors. Notably, growth accelerated markedly from April 2021 and real GDP growth was 8.1% y/y in 4M21 based on Geostat's rapid estimate.

Georgian Railway successfully priced a US\$ 500mn 7-year Eurobond

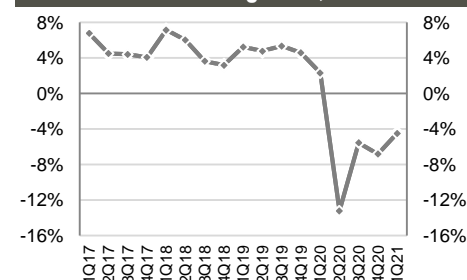
On 17 June 2021, Georgian Railway successfully priced a US\$ 500mn, 7-year Eurobond, with coupon rate at 4.0%. Strong investor demand led to 8.4x oversubscription as orders reached US\$ 4.2bn. 2 International Financial Institutions participated in the deal as anchor investors. After the book building, the yield on the Eurobond was set at 4.00%, representing c. 100bps spread over extrapolated GEORGIA 26 sovereign Eurobond yield (comparable 7-year). International investment banks J. P. Morgan Securities, Citi and Renaissance Capital participated in the Eurobond issuance process, along with local investment banks Galt & Taggart and TBC Capital.

Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,613	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.3%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data

Real GDP growth, %



Source: Geostat

International ranking, 2019-21

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 May-2021	FitchRatings BB Negative Affirmed Feb-2021
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Source: Rating agencies



Money market

There were no treasury securities auction last week. The nearest treasury security auction is scheduled for June 22, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

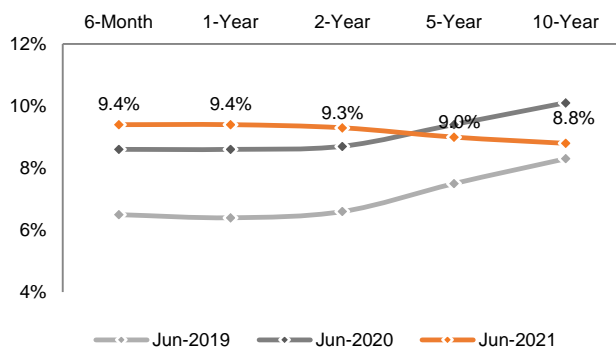
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	60	105	85
1-year	60	105	505
2-year	80	140	1,290
5-year	184	236	2,338
10-year	44	56	1,281
Total	428	642	5,499

Source: MoF

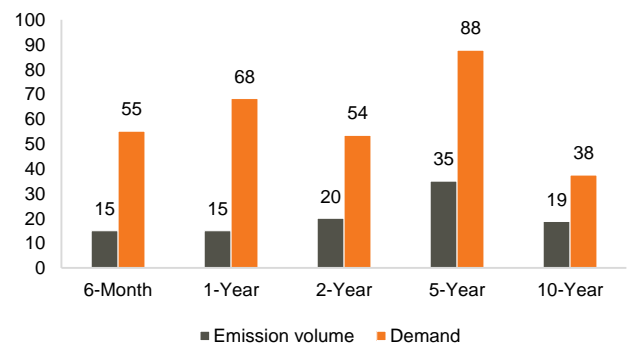
Note: * As of 30 April 2021

T-bills / T-notes, yield curve



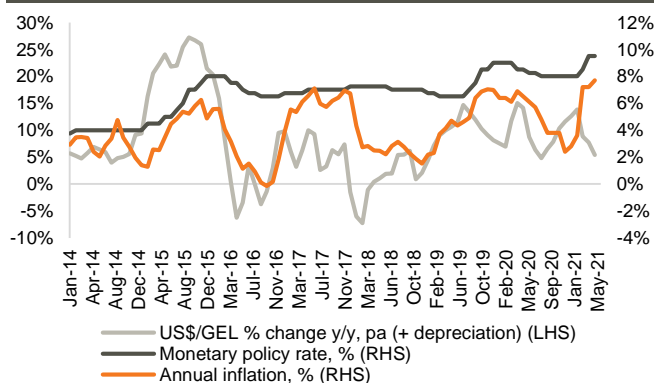
Source: NBG

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



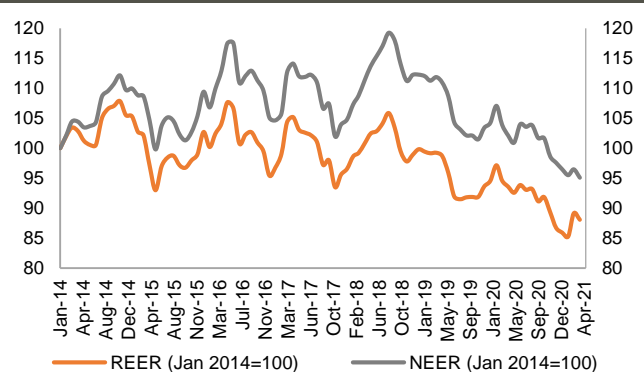
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



Source: NBG

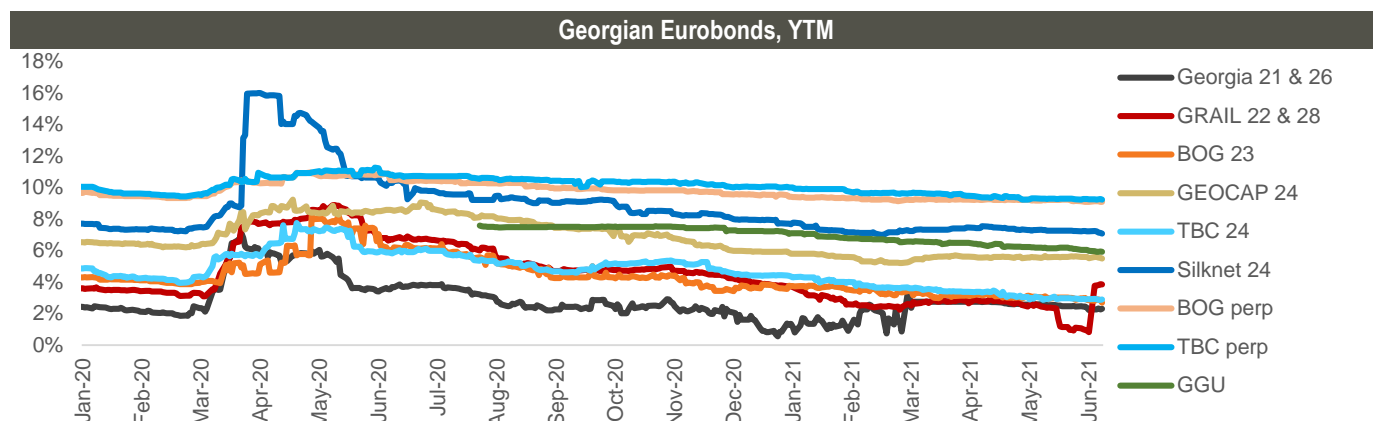
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate



Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.70% yield, trading at 106.68 (+0.23% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.56 (+0.05% w/w), yielding 5.49%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.08 (-0.30% w/w) at 2.29% yield to 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
GEORG 04/26	USD	500	2.750%	Apr-26	BB-/BB/Ba2	102.08	2.29	139.72
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	100.99	3.84	268.08
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.68	2.70	235.87
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.13	9.08	679.30
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	101.56	5.49	501.90
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	109.74	7.07	489.62
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	108.13	2.89	235.31
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.04	9.23	668.92
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.61	5.91	479.91
Georgian local bonds performance								
KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B1/-	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 08/21	USD	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	USD	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	USD	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	14.25%	Sep-21	B-/B1/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

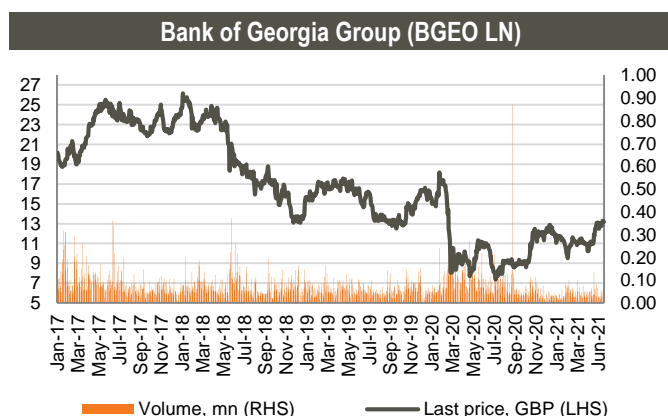
Source: Bloomberg

Equities

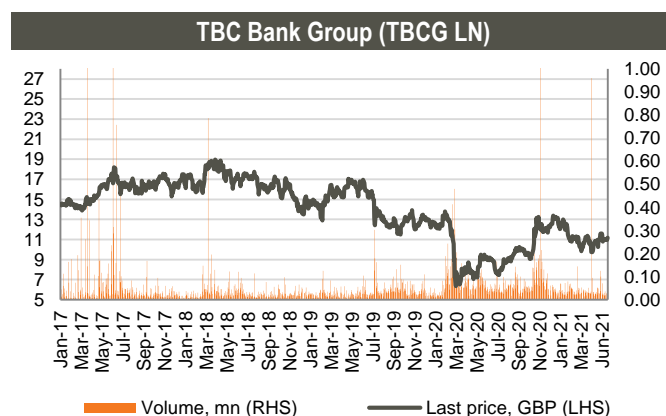
Bank of Georgia Group (BGEO LN) shares closed at GBP 13.16/share (+3.13% w/w and +17.50% m/m). More than 319k shares traded in the range of GBP 13.04 - 13.40/share. Average daily traded volume was 45k in the last 4 weeks. The volume of BGEO shares traded was at 0.65% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.35/share (+2.75% w/w and +1.28% m/m). More than 219k shares traded in the range of GBP 6.15 - 6.35/share. Average daily traded volume was 44k in the last 4 weeks. The volume of CGEO shares traded was at 0.46% of its capitalization.

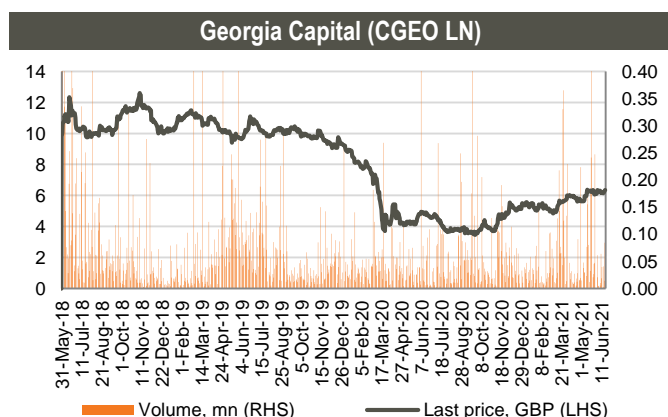
TBC Bank Group (TBCG LN) closed the week at GBP 11.18/share (+1.64% w/w and +2.01% m/m). More than 150k shares changed hands in the range of GBP 10.82 - 11.18/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.27% of its capitalization.



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	
								2021F	2022F	2021F	2022F
Bank of Georgia	BGEO	GBP	13.16	647	12.1%	19.6%	7.9%	5.07x	4.28x	1.03x	0.89x
TBC	TBC	GBP	11.18	617	-6.8%	23.8%	-10.6%	4.60x	4.01x	0.78x	0.69x
Sberbank	SBER	USD	17.00	91,718	13.9%	45.3%	17.0%	6.68x	6.27x	1.16x	1.05x
Halyk Bank	HSBK	USD	15.50	4,555	37.2%	27.6%	33.0%	4.71x	4.85x	1.14x	1.08x
VTB Bank	VTBR	USD	1.30	8,437	31.6%	31.7%	36.4%	3.38x	3.14x	0.41x	0.38x
Akbank	AKBNK	TRY	5.26	27,352	-19.0%	-9.6%	-24.1%	3.59x	2.54x	0.39x	0.34x
Garanti	GARAN	TRY	8.16	34,272	-17.3%	0.4%	-21.3%	3.88x	2.70x	0.48x	0.41x
Isbank	ISCTR	TRY	5.10	22,950	-24.9%	-0.8%	-27.1%	2.71x	2.02x	0.29x	0.26x
PKO	PKO	PLN	40.50	50,625	43.7%	75.4%	41.0%	10.87x	11.33x	1.17x	1.10x
PEKAO	PEO	PLN	99.36	26,079	66.3%	79.9%	62.6%	14.38x	11.62x	0.99x	0.95x
Millennium	MIL	PLN	4.85	5,883	50.7%	44.9%	48.3%	9.83x	6.79x	0.71x	0.70x
Mbank	MBK	PLN	310.00	13,134	72.5%	26.6%	73.0%	10.40x	10.36x	0.79x	0.75x
BRD	BRD	RON	16.60	11,569	15.3%	38.3%	11.7%	11.12x	10.56x	1.12x	1.25x
Banca Transilvania	TLV	RON	2.79	16,008	21.8%	41.1%	24.0%	10.01x	9.40x	1.51x	1.42x
OTP	OTPD	USD	22.00	12,320	-3.5%	-3.5%	-3.5%	8.96x	8.22x	0.62x	0.57x
Komerční	KOMB	CZK	770.00	146,338	19.6%	32.3%	17.2%	15.19x	12.60x	1.22x	1.21x
Mean								7.84x	6.92x	0.86x	0.82x
Median								7.82x	6.53x	0.89x	0.82x

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	
								2021F	2022F	2021F	2022F
Georgia Capital	CGEO	GBP	6.35	304	26.5%	31.7%	17.6%	na	na	na	na
Tinc Comm	TINC	EUR	12.60	458	-2.3%	-3.4%	-2.7%	na	na	na	na
Sabanci Holding	SAHOL	TRY	9.07	18,506	-14.4%	-0.3%	-20.9%	3.34x	2.74x	0.41x	0.34x
Deutsche Beteiligungs	DBAN	EUR	34.90	525	10.7%	22.0%	12.0%	6.91x	7.15x	1.10x	1.00x
Eurazeo	RF	EUR	73.00	5,768	28.3%	52.3%	31.5%	10.89x	9.72x	0.92x	0.85x
Carlyle Group	CG	USD	44.34	15,722	43.7%	43.3%	41.0%	17.80x	14.30x	4.93x	4.15x
Mean								9.74x	8.48x	1.84x	1.58x
Median								8.90x	8.44x	1.01x	0.92x

Source: Bloomberg, S&P Capital IQ

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