

Weekly Market Watch

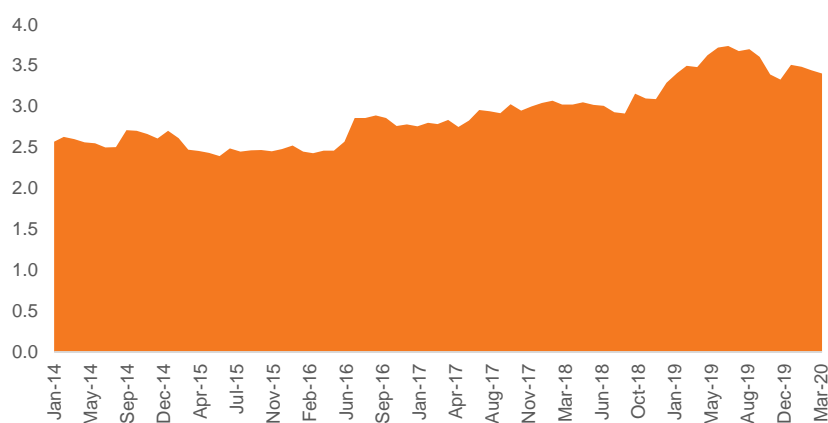
Weekly Market Watch | Georgia
 April 13, 2020

Economy

International reserves down 2.2% y/y in March 2020

Gross international reserves declined by 2.2% y/y to US\$ 3.4bn in March 2020, according to NBG. On a monthly basis, reserves were down 1.1%. The monthly decline in reserves was attributed to US\$ 100mn sale by NBG on FX auction in March. Other changes in reserves were related to government and banking sector FX operations and/or asset revaluation.

International reserves, \$US bn



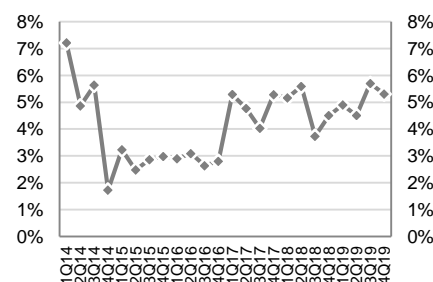
Source: N

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

 <p>BB Stable Upgraded Oct-2019</p>	 <p>Ba2 Stable Affirmed Sep-2019</p>	 <p>BB Stable Affirmed Feb-2020</p>
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 22.1mn) Benchmark Bonds were sold at the auction held at NBG on April 7, 2020. Total demand was 1.5x higher and the weighted average yield was fixed at 10.17%, up 1.33ppts from previous auction held on March 2, 2020. The nearest treasury security auction is scheduled for April 14, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 6.3mn) T-Bills were sold at the auction held at NBG on April 7, 2020. Total demand was 2.4x higher and the weighted average yield was fixed at 8.983%, down 0.03ppts from previous auction held on March 2, 2020.

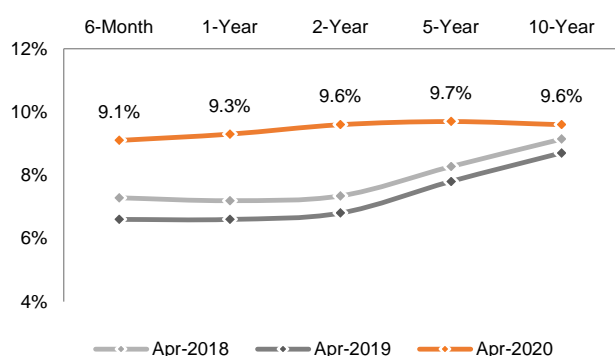
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	130	160	320
1-year	150	450	570
2-year	280	560	1,140
5-year	240	720	1,623
10-year	30	120	523
Total	830	2,010	4,175

Source: MoF

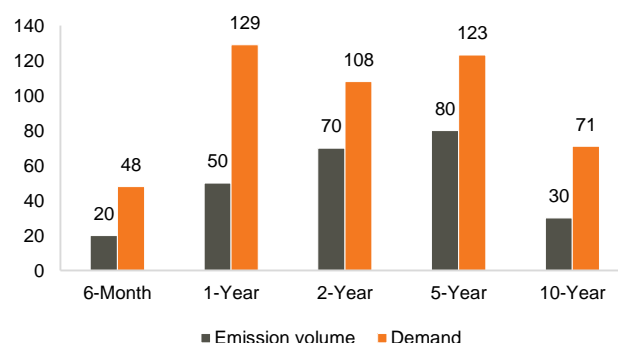
Note: * As of 31 March 2020

T-bills / T-notes, yield curve



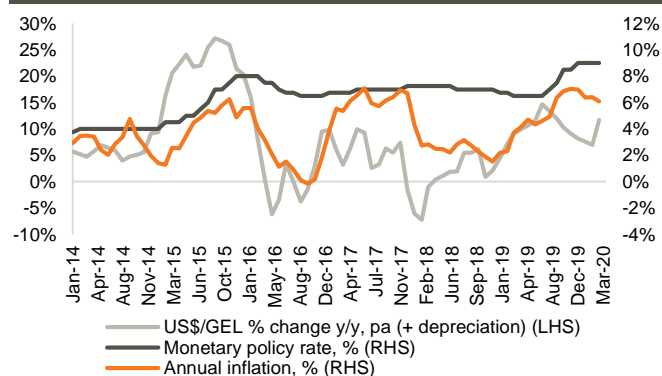
Source: NBG

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



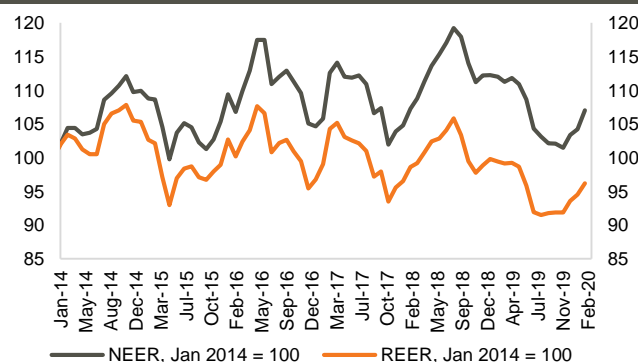
Source: NBG

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



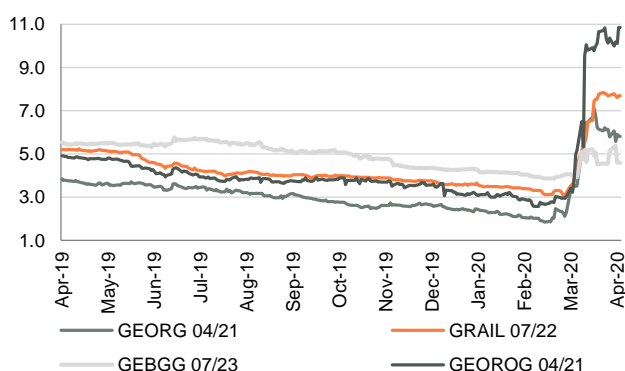
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.59% yield, trading at 104.24 (+1.58% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 91.28 (-1.48% w/w), yielding 8.81%.

GOGC Eurobonds (GEORG) were trading at 96.09 (-0.40% w/w), yielding 10.84%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 100.09 (+0.02% w/w), yielding 7.70%.

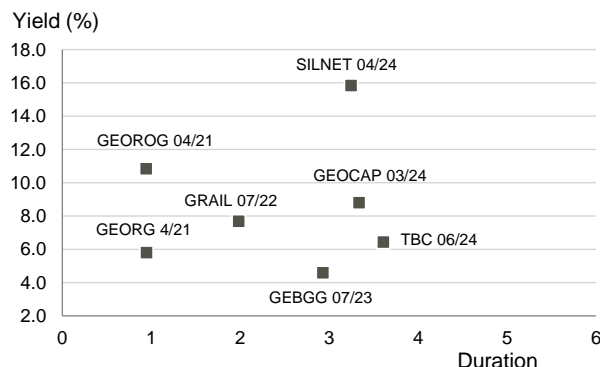
Georgian Sovereign Eurobonds (GEORG) closed at 101.01 (-0.04% w/w) at 5.81% yield to maturity.

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	101.01	5.81	528.89
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	100.09	7.70	734.31
GEORG 04/21	US\$	250	6.750%	Apr-21	BB-/BB/-	96.09	10.84	785.11
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	104.24	4.59	411.99
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-	98.90	10.02	1,093.94
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	91.28	8.81	835.17
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	86.12	15.84	1,531.16
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	97.50	6.44	503.37
TBC PERP	US\$	125	10.775%	n/a	B-/B-	96.99	10.75	1,113.27

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B/Ba2	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	98.38	8.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	96.67	9.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.98	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	100.0	7.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	98.72	8.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-	100.00	13.00	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-/B-	100.00	15.25	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/Baa2	101.01	5.81	528.89
Armenia	US\$	500	6.000%	Sep-20	BB-/Baa3	100.002	5.981	522.52
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Baa2	99.687	3.052	261.27
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	99.502	7.065	661.10
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.003	2.458	192.41
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.135	1.716	-41.92
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	99.995	5.628	527.27
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	97.298	9.878	915.40

Source: Bloomberg

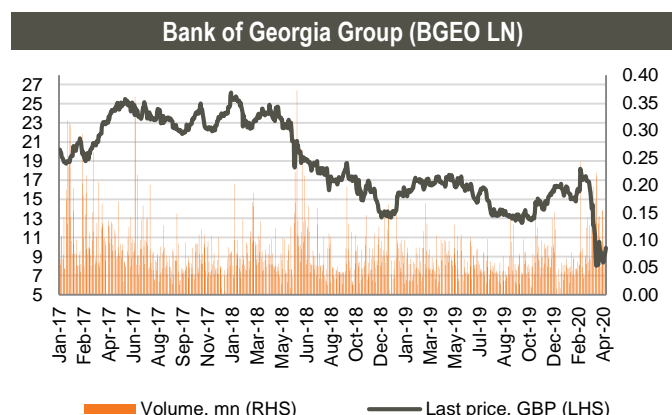
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 9.93/share (+9.60% w/w and -29.07% m/m). More than 453k shares traded in the range of GBP 8.50 - 10.16/share. Average daily traded volume was 129k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 13.65% w/w and lost 6.49% m/m. The volume of BGEO shares traded was at 0.92% of its capitalization.

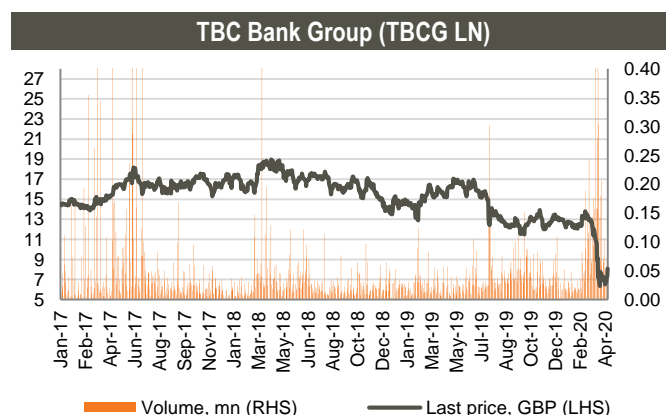
Georgia Capital (CGEO LN) shares closed at GBP 5.42/share (+29.05% w/w and -12.01% m/m). More than 299k shares traded in the range of GBP 4.10 - 5.67/share. Average daily traded volume was 53k in the last 4 weeks. The volume of CGEO shares traded was at 0.82% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 8.09/share (+13.62% w/w and -28.91% m/m). More than 326k shares changed hands in the range of GBP 6.50 - 8.09/share. Average daily traded volume was 155k in the last 4 weeks. The volume of TBCG shares traded was at 0.59% of its capitalization.

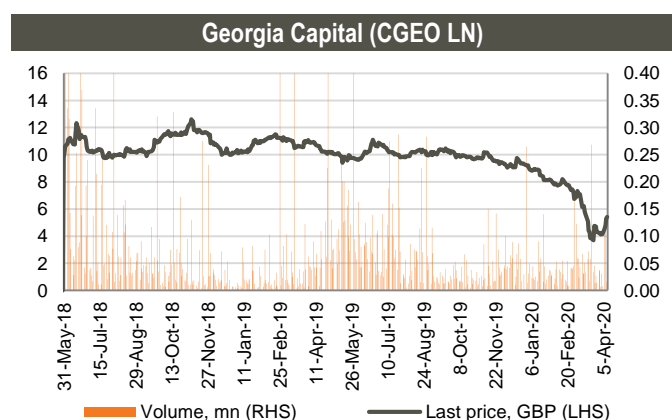
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.00/share (+23.14% w/w and -1.49% m/m). More than 75k shares were traded in the range of GBP 0.80 - 1.01/share. Average daily traded volume was 49k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



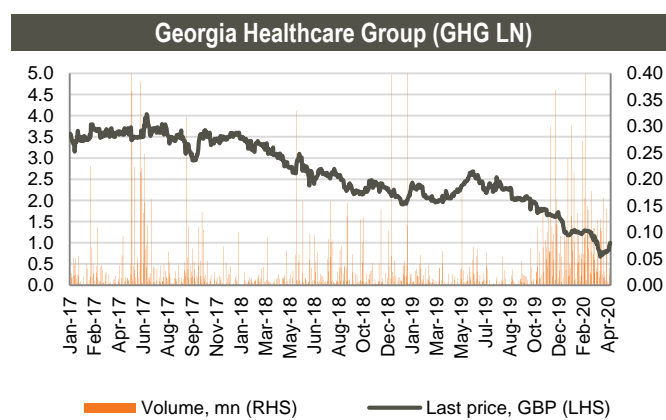
Source: Bloomberg



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	9.93	488	-20.8%	-42.9%	-38.9%	3.82x	3.67x	0.84x	0.72x
TBC	TBC	GBP	8.09	445	-29.9%	-48.9%	-37.8%	3.15x	2.89x	0.61x	0.58x
Halyk Bank	HSBK	US\$	9.76	2,868	-23.8%	-16.6%	-26.9%	3.42x	4.49x	0.82x	1.01x
VTB Bank	VTBR	US\$	1.00	6,480	-19.8%	-14.7%	-31.6%	2.47x	3.74x	0.37x	0.27x
Akbank	AKBNK	TRY	6.03	31,356	-19.3%	-5.8%	-25.6%	5.15x	3.99x	0.53x	0.50x
Garanti	GARAN	TRY	8.49	35,658	-9.4%	-4.5%	-23.8%	4.89x	3.98x	0.58x	0.56x
Isbank	ISCTR	TRY	5.03	22,635	-13.4%	-14.5%	-21.5%	3.44x	2.98x	0.36x	0.35x
PKO	PKO	PLN	22.68	28,350	-39.2%	-42.8%	-34.2%	6.10x	7.47x	0.62x	0.65x
PEKAO	PEO	PLN	55.76	14,635	-46.5%	-50.8%	-44.5%	6.07x	6.78x	0.57x	0.59x
Millennium	MIL	PLN	3.31	4,015	-42.0%	-65.1%	-43.4%	4.95x	4.38x	0.40x	0.43x
Mbank	MBK	PLN	229.00	9,695	-34.9%	-47.1%	-41.2%	7.09x	6.52x	0.54x	0.56x
BRD	BRD	RON	11.98	8,349	-15.4%	-10.5%	-24.4%	5.21x	7.13x	1.01x	1.08x
Banca Transilvania	TLV	RON	1.97	10,275	-18.1%	-1.9%	-24.1%	5.36x	6.83x	1.10x	1.15x
OTP	OTPD	USD	22.80	12,768	7.5%	0.0%	7.5%	9.60x	10.68x	0.82x	0.76x
Komercni	KOMB	CZK	566.00	107,568	-24.7%	-39.9%	-31.8%	6.54x	8.95x	0.93x	0.96x
Mean								5.15x	5.63x	0.67x	0.68x
Median								5.15x	4.49x	0.61x	0.59x

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	5.42	199	-45.0%	-50.2%	-41.2%	7.25x	5.02x	0.52x	n/a
Tinc Comm	TINC	EUR	13.15	359	-1.7%	12.1%	-1.5%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	7.61	15,527	-15.4%	-8.0%	-20.2%	3.62x	2.98x	0.42x	0.42x
Deutsche Beteiligungs	DBAN	EUR	27.75	417	-18.4%	-21.7%	-29.7%	10.00x	21.42x	0.89x	0.91x
Eurazeo	RF	EUR	43.64	3,437	-34.3%	-30.9%	-28.5%	10.39x	78.05x	0.63x	0.60x
Carlyle Group	CG	USD	24.06	2,663	-5.0%	31.5%	-25.0%	13.89x	10.44x	1.49x	2.03x
Mean								9.03x	23.58x	0.79x	0.99x
Median								10.00x	10.44x	0.63x	0.75x

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	1.00	131	-51.3%	-51.5%	-19.1%	10.30x	8.16x	4.95x	4.60x
Mouwasat	MOUWASAT	SAR	81.10	8,110	-6.8%	-2.1%	-7.8%	20.77x	18.51x	14.32x	12.29x
Fortis	FORH	INR	127.15	95,993	-9.3%	-6.3%	-3.6%	1.48x	1.43x	6.45x	6.58x
Raffles	RFMD	SGD	0.85	1,545	-18.0%	-22.5%	-15.5%	24.93x	26.78x	16.02x	15.91x
IHH	IHH	MYR	5.11	44,835	-9.9%	-8.1%	-6.6%	47.94x	44.22x	14.03x	14.42x
Bangkok Chain	BCH	THB	12.90	32,169	-17.8%	-25.4%	-24.6%	24.93x	24.67x	14.14x	13.43x
Netcare	NTC	ZAR	16.73	24,289	-4.0%	-29.3%	-14.0%	9.33x	12.23x	6.01x	6.71x
Life Healthcare	LHC	ZAR	20.35	29,861	-9.4%	-26.6%	-17.4%	14.47x	12.74x	6.47x	6.53x
Mediclinic	MDC	GBP	2.89	2,134	-9.9%	-7.4%	-29.7%	10.34x	11.21x	7.63x	6.84x
Apollo Hospitals	APHS	INR	1,279.85	178,059	-10.2%	1.6%	-11.2%	58.67x	53.45x	18.71x	13.91x
KPJ Healthcare	KPJ	MYR	0.87	3,706	-1.1%	-14.4%	-8.5%	18.95x	18.94x	9.18x	8.90x
NMC	NMC	GBP	9.38	1,959	-62.1%	-62.0%	-46.9%	9.39x	7.03x	9.99x	8.54x
Mean								20.96x	19.95x	10.66x	9.89x
Median								16.71x	15.62x	9.58x	8.72x

Source: Bloomberg, S&P Capital IQ

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