

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 September 23, 2019

## Economy

### Trade deficit decreased by 12.5% y/y in August 2019

In August 2019, exports increased by 12.3% y/y to US\$ 309.4mn, imports were down 3.7% y/y to US\$ 744.5mn and the trade deficit narrowed 12.5% y/y to US\$ 435.1mn, according to Geostat. In August 2019, copper (+60.1% y/y), cars (+61.7% y/y), wine (+15.4% y/y), pharmaceuticals (+4.7% y/y) and ferro-alloys (-53.4% y/y) were the top 5 exported commodities. A 21.9% of exports were directed to the EU (+77.0% y/y), 54.4% to the CIS (+10.3% y/y) and 23.8% to other countries (-13.1% y/y).

In August 2019, petroleum (-20.7% y/y), cars (-5.1% y/y), copper (+8.4% y/y), pharmaceuticals (-10.4% y/y) and phones (-8.1% y/y) represented the top 5 imported commodities.

Overall, in 8M19, the trade deficit was down 13.8% y/y to US\$ 3.3bn as exports were up 12.4% y/y to US\$ 2.4bn and imports fell 4.4% y/y to US\$ 5.7bn.

### Money transfers up 7.8% y/y in August 2019

In August 2019, money transfers increased 7.8% y/y to US\$ 146.4mn, after growing 7.0% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+25.6% y/y, 14.0% of total), USA (+1.5% y/y, 10.3% of total), Greece (+16.9% y/y, 10.1% of total), Israel (+8.1% y/y, 9.6% of total) and Turkey (+9.2% y/y, 5.4% of total). Importantly, remittances from Turkey increased for the first time since Aug-18. Meanwhile remittances continued to decline from Russia (-14.5% y/y, 24.2% of total). Overall, in 8M19 money transfers were up 7.8% y/y to US\$ 1.1bn.

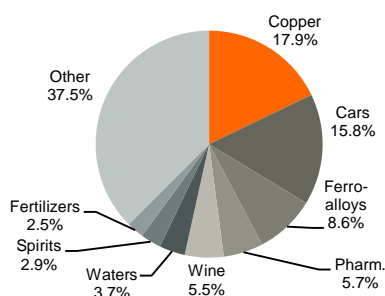
### Tourist arrivals up 2.3% y/y in August 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 4.4% y/y to 1.09mn in August 2019, according to GNTA. This growth was mostly driven by same-day arrivals (+9.7% y/y to 0.33mn trips), while tourist arrivals also increased by 2.3% y/y (69.4% of total). Out of top countries, in August 2019, international visitors increased from Azerbaijan (+12.8%), Armenia (+4.5% y/y), Turkey (+6.8% y/y), Ukraine (+16.3%), Israel (+13.5% y/y) and Saudi Arabia (+31.5%). Meanwhile, visitors declined from Russia (-8.5% y/y) and Iran (-52.0% y/y). Visitors from the EU were up 23.4% y/y to over 73,300 visitors, with Poland, Germany and Netherlands driving the growth. In 8M19, total international visitors stood at 5.2mn (+6.4% y/y), of which tourist arrivals reached 3.5mn (+6.7% y/y). Meanwhile, tourism revenues stood at US\$ 2.2bn (flat y/y) in 8M19 according to NBG.

### Producer price index up 11.1% y/y in August 2019

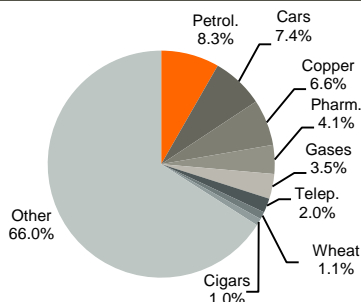
Annual PPI for industrial goods was up 11.1% in August 2019, according to Geostat. Price changes in manufacturing (+11.8% y/y) and products from mining and quarrying (+21.8% y/y) contributed the most to the overall index change.

Exports by commodities, 8M19



Source: Geostat

Imports by commodities, 8M19

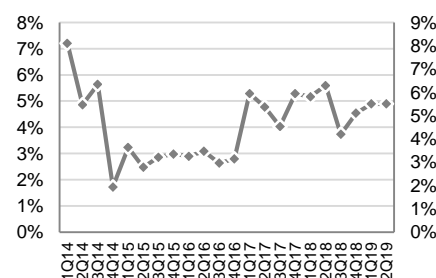


Key macro indicators

	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&amp;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



Source: Rating agencies



## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1.9bn (US\$ 633.2mn).

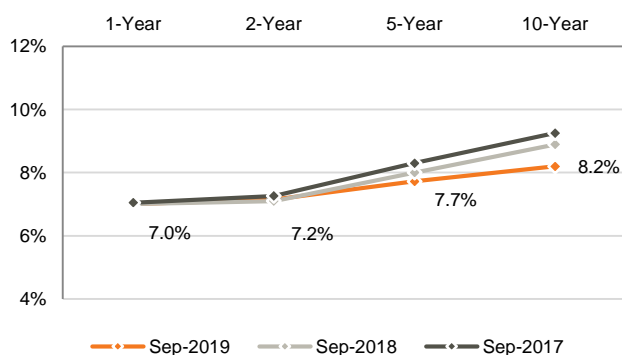
There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for September 24, 2019, where GEL 50.0mn nominal value 5-year Benchmark Bonds will be sold.

### T-bills / T-notes, Sep-19 emission calendar

Date	Volume, GEL mn	Maturity
24-Sep-19	50	5 year

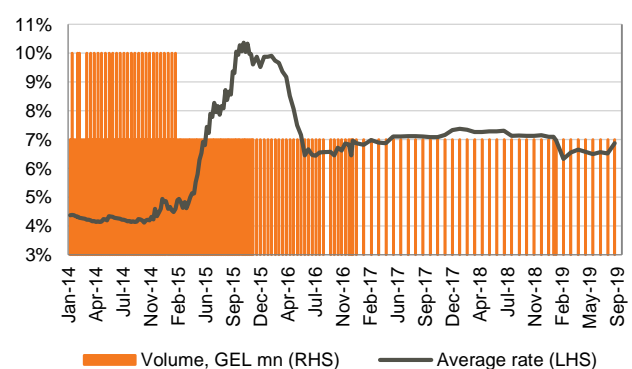
Source: MoF

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



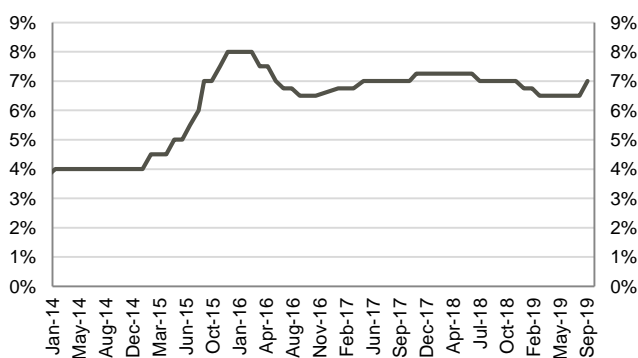
Source: NBG

### Certificates of Deposits (weighted average rate)



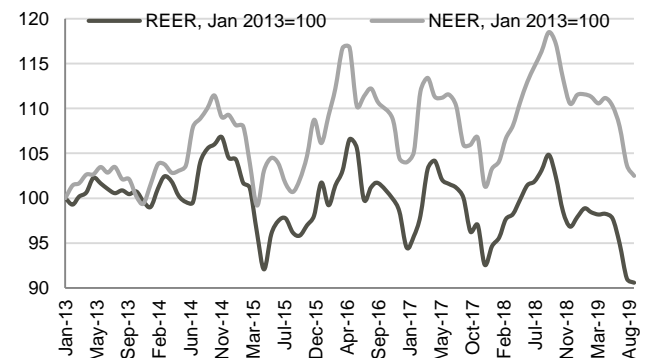
Source: NBG

### 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

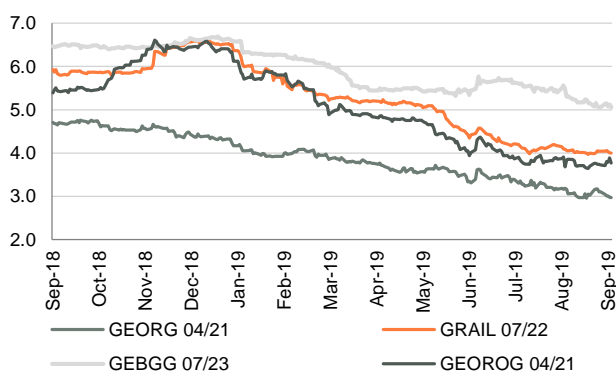
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.06% yield, trading at 103.24 (-0.03% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.52 (-0.01% w/w), yielding 7.60%.

GOGC Eurobonds (GEOROG) were trading at 104.55 (-0.12% w/w), yielding 3.77%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.84 (+0.07% w/w), yielding 4.00%.

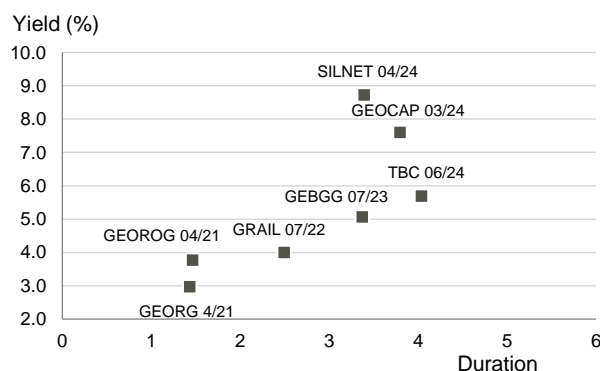
**Georgian Sovereign Eurobonds (GEORG)** closed at 105.87 (+0.13% w/w) at 2.97% yield to maturity.

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	105.87	2.97	119.63
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.84	4.00	238.19
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.55	3.77	202.30
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	103.24	5.06	349.57
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	103.76	10.18	853.77
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.52	7.60	598.66
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	108.34	8.73	721.94
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	100.24	5.69	411.80
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	101.81	10.53	858.14

#### 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	-/-/-/-	101.05	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-/-	100.57	6.38	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-/-	98.76	7.25	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-/-	100.33	7.38	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B/-/-/-	100.07	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B/-/-/-	99.69	10.75	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-	100.00	13.00	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	105.87	2.97	119.63
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.42	2.57	70.74
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.45	3.12	144.60
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.58	4.47	292.25
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.85	2.43	91.26
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.71	2.11	8.13
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.42	3.96	220.20
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.82	5.10	342.69

Source: Bloomberg

## Equities

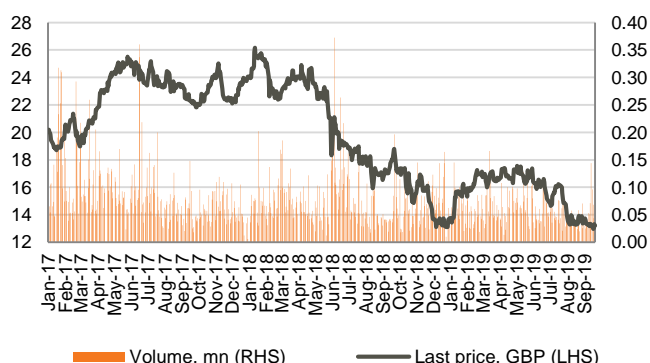
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 13.20/share (-0.30% w/w and -1.27% m/m). More than 371k shares traded in the range of GBP 12.79 - 13.60/share. Average daily traded volume was 57k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.13% w/w and gained 6.11% m/m. The volume of BGEO shares traded was at 0.76% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 10.46/share (+0.58% w/w and +1.36% m/m). More than 115k shares traded in the range of GBP 10.14 - 10.48/share. Average daily traded volume was 47k in the last 4 weeks. The volume of CGEO shares traded was at 0.31% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 13.12/share (+4.96% w/w and -0.46% m/m). More than 295k shares changed hands in the range of GBP 12.22 - 13.12/share. Average daily traded volume was 46k in the last 4 weeks. The volume of TBCG shares traded was at 0.54% of its capitalization.

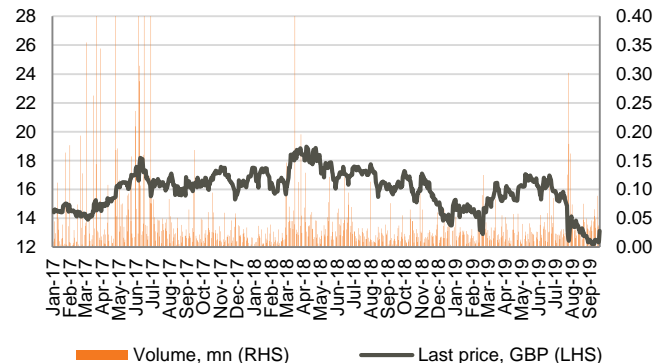
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.05/share (+0.61% w/w and -9.49% m/m). More than 13k shares were traded in the range of GBP 1.98 - 2.06/share. Average daily traded volume was 5k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.

**Bank of Georgia Group (BGEO LN)**



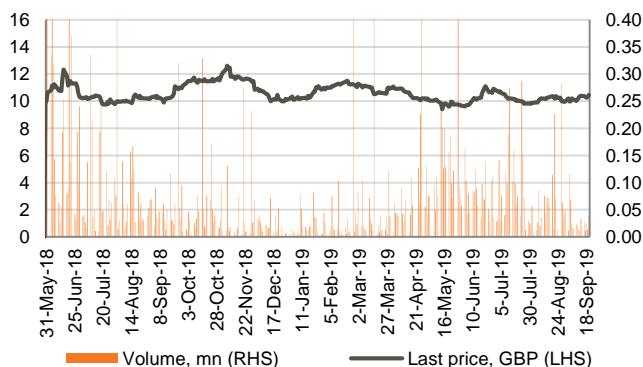
Source: Bloomberg

**TBC Bank Group (TBCG LN)**



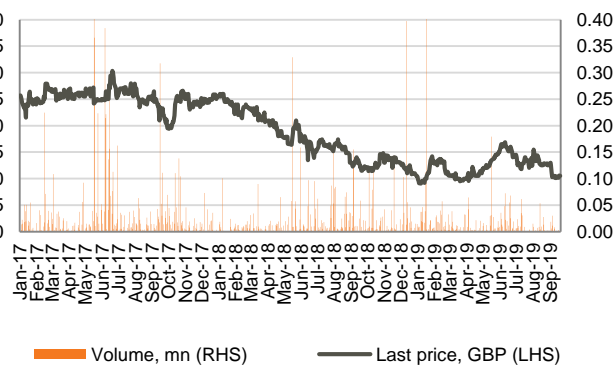
Source: Bloomberg

**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	13.20	649	-20.3%	-29.6%	-4.1%	5.46x	4.82x	1.09x	0.93x
TBC	TBC	GBP	13.12	722	-17.9%	-20.7%	-13.8%	5.50x	5.01x	1.00x	0.87x
Halyk Bank	HSBK	US\$	13.30	3,908	12.2%	24.9%	28.5%	4.95x	4.87x	1.10x	1.04x
VTB Bank	VTBR	US\$	1.29	8,385	7.3%	-4.1%	16.8%	3.47x	3.30x	0.53x	0.39x
Akbank	AKBNK	TRY	7.36	38,272	9.7%	40.0%	25.1%	6.92x	4.89x	0.74x	0.65x
Garanti	GARAN	TRY	9.27	38,934	-1.5%	43.5%	16.5%	5.61x	4.12x	0.72x	0.63x
Isbank	ISCTR	TRY	5.85	26,325	-9.3%	46.3%	29.1%	4.43x	3.49x	0.47x	0.42x
PKO	PKO	PLN	39.84	49,800	0.6%	-4.8%	0.9%	11.24x	10.91x	1.20x	1.15x
PEKAO	PEO	PLN	104.10	27,323	-7.1%	-6.8%	-4.5%	11.95x	10.26x	1.17x	1.13x
Millennium	MIL	PLN	5.90	7,151	-37.3%	-33.7%	-33.5%	9.16x	7.24x	0.79x	0.72x
Mbank	MBK	PLN	316.80	13,412	-29.0%	-23.1%	-25.3%	10.91x	9.57x	0.82x	0.77x
BRD	BRD	RON	13.92	9,701	7.1%	1.5%	22.1%	7.44x	9.01x	1.24x	1.25x
Banca Transilvania	TLV	RON	2.40	12,518	22.9%	10.9%	29.7%	7.95x	9.45x	1.49x	1.40x
OTP	OTPD	USD	21.20	11,872	-7.0%	19.8%	8.2%	9.66x	9.46x	0.82x	0.71x
Komerční	KOMB	CZK	812.00	154,320	-14.4%	-10.2%	-4.1%	10.47x	10.73x	1.46x	1.37x
<b>Mean</b>								<b>7.67x</b>	<b>7.14x</b>	<b>0.98x</b>	<b>0.90x</b>
<b>Median</b>								<b>7.44x</b>	<b>7.24x</b>	<b>1.00x</b>	<b>0.87x</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	10.46	384	-1.7%	-1.1%	2.4%	14.55x	11.41x	1.06x	0.98x
Tinc Comm	TINC	EUR	13.70	374	12.8%	10.0%	16.1%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	8.88	18,119	3.7%	24.4%	18.1%	4.28x	3.82x	0.53x	0.47x
Deutsche Beteiligungs	DBAN	EUR	32.10	483	-3.9%	-11.3%	-4.3%	53.10x	13.87x	1.09x	1.05x
Eurazeo	RF	EUR	66.25	5,218	1.4%	2.5%	12.6%	13.97x	12.84x	0.95x	0.90x
Carlyle Group	CG	USD	26.60	2,944	39.4%	11.8%	68.9%	7.17x	4.09x	3.10x	1.81x
<b>Mean</b>								<b>18.61x</b>	<b>9.21x</b>	<b>1.34x</b>	<b>1.04x</b>
<b>Median</b>								<b>13.97x</b>	<b>11.41x</b>	<b>1.06x</b>	<b>0.98x</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	2.05	270	5.1%	-4.7%	0.5%	20.72x	13.35x	7.95x	6.72x
Mouwasat	MOUWASAT	SAR	88.10	8,810	9.3%	17.0%	9.4%	23.16x	19.37x	16.25x	13.98x
Fortis	FORH	INR	129.40	97,692	-5.1%	-8.9%	-7.9%	1.63x	1.48x	6.68x	6.74x
Raffles	RFMD	SGD	1.02	1,864	-5.6%	-7.3%	-7.3%	31.09x	30.84x	19.84x	18.84x
IHH	IHH	MYR	5.70	50,012	-2.6%	10.5%	5.8%	48.78x	39.50x	16.87x	14.70x
Bangkok Chain	BCH	THB	15.30	38,154	-7.3%	-23.9%	-8.4%	30.96x	27.94x	17.52x	15.82x
Netcare	NTC	ZAR	17.20	24,972	-32.8%	-37.3%	-34.9%	11.30x	11.03x	6.97x	6.67x
Life Healthcare	LHC	ZAR	22.81	33,470	-16.6%	-13.9%	-13.6%	19.01x	14.68x	7.93x	7.22x
Mediclinic	MDC	GBP	3.49	2,569	10.6%	-22.4%	8.1%	12.47x	13.54x	8.48x	8.19x
Apollo Hospitals	APHS	INR	1,469.35	204,424	26.0%	37.2%	16.8%	72.43x	56.66x	22.39x	17.21x
KPJ Healthcare	KPJ	MYR	0.90	3,835	-13.1%	-19.4%	-13.9%	20.90x	19.09x	10.11x	9.51x
NMC	NMC	GBP	29.10	6,075	10.8%	-12.6%	6.4%	24.04x	18.47x	14.85x	12.21x
<b>Mean</b>								<b>26.38x</b>	<b>22.16x</b>	<b>12.99x</b>	<b>11.49x</b>
<b>Median</b>								<b>22.03x</b>	<b>18.78x</b>	<b>12.48x</b>	<b>10.86x</b>

Source: Bloomberg, S&P Capital IQ

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