

Weekly Market Watch

 Weekly Market Watch | Georgia
 May 28, 2018

Economy

Exports up 8.3% y/y in April 2018

In April 2018, exports increased 8.3% y/y to US\$ 229.2mn, imports were up 22.0% y/y to US\$ 727.4mn and the trade deficit widened 29.5% y/y to US\$ 498.2mn, according to GeoStat.

In April 2018, ferro-alloys (-0.8% y/y), cars (+105.8% y/y), copper (+59.6% y/y), wine (+50.3% y/y) and spirits (+36.8% y/y) were the top 5 exported commodities. A 14.1% of exports was directed to the EU (-10.3% y/y), 55.4% to the CIS (+40.2% y/y) and 30.5% to other countries (-17.8% y/y).

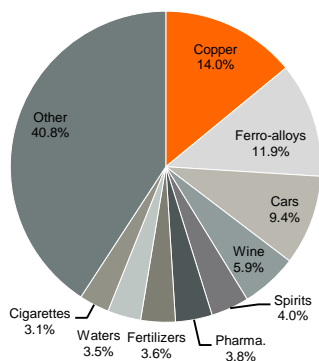
In April 2018, petroleum (+10.6% y/y), cars (+3.2% y/y), copper (+6.9% y/y), pharmaceuticals (+20.7% y/y) and gases (-10.1% y/y) represented the top 5 imported commodities.

Overall, in 4M18, the trade deficit was up 22.3% y/y at US\$ 1.9bn as exports were up 22.0% y/y to US\$ 961.4mn, while imports increased 22.2% y/y to US\$ 2.8bn.

Producer price index down 0.1% m/m and up 7.8% y/y in April 2018

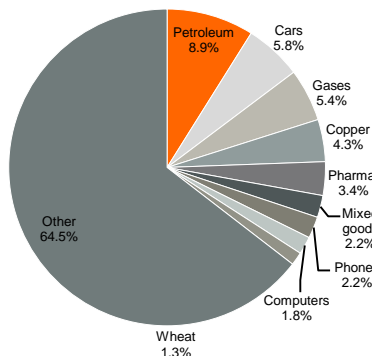
PPI for industrial goods was down 0.1% m/m in April 2018, according to GeoStat. A 0.1% price decrease for manufacturing contributed the most to the overall index change. Annual PPI was up 7.8% in April 2018. Rising prices in manufacturing (+6.8% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+13.2% y/y).

Exports by commodities, 4M18



Source: GeoStat

Imports by commodities, 4M18



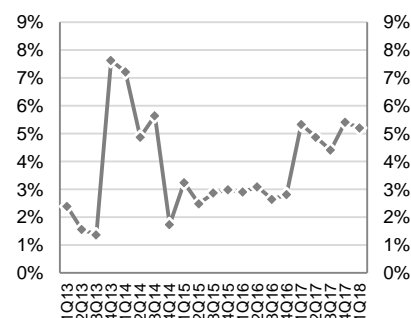
Key macro indicators

	4M18	2017	2016
GDP (% change)	5.2%(1)	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF

1) As of 1Q18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Upgraded Sep-2017	 BB- Positive Affirmed Mar-2018
---	---	---

Source: Rating agencies

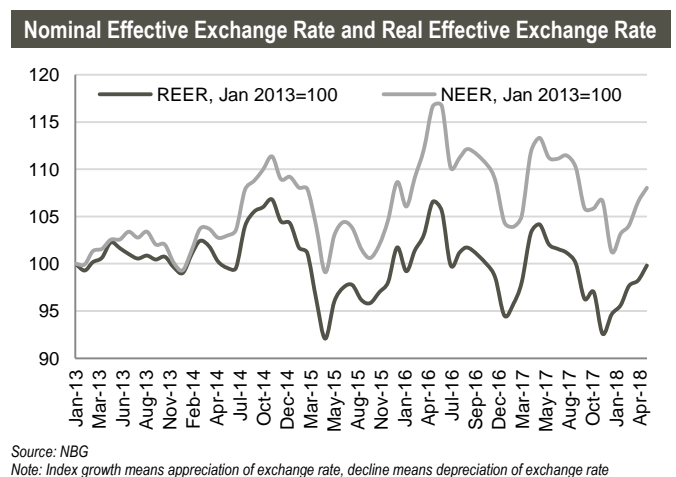
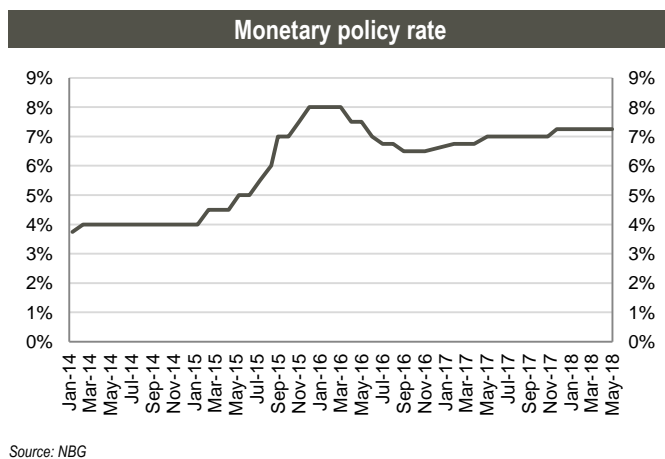
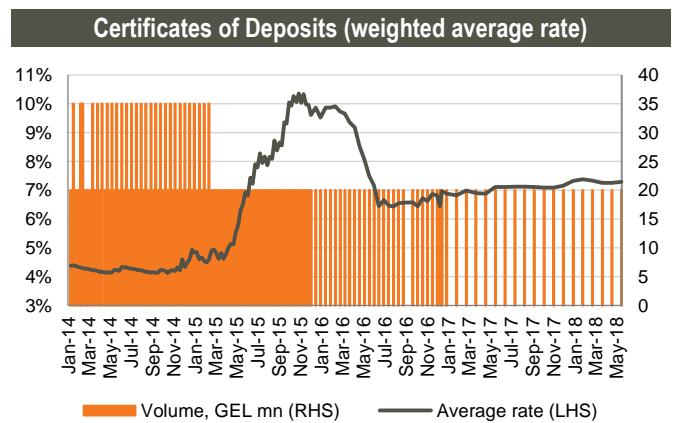
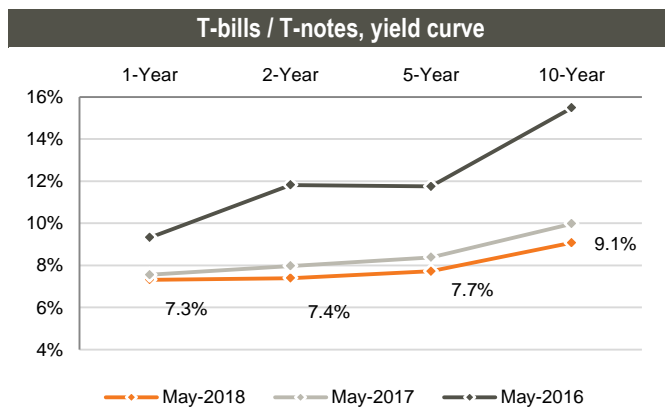


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 920mn (US\$ 375.7mn).

Ministry of Finance Treasury Notes:

5-year GEL 30.0mn (US\$ 12.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on May 23, 2018. The weighted average yield was fixed at 7.716%. The nearest treasury security auction is scheduled for June 6, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.



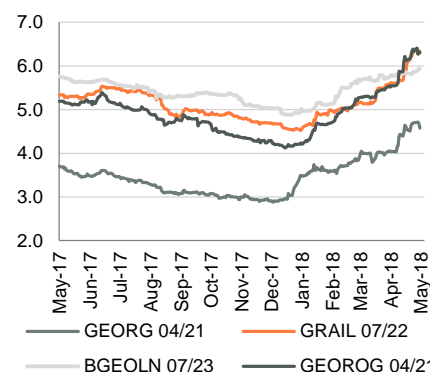
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 100.1 (-0.5% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.7 (unchanged w/w), yielding 7.3%.

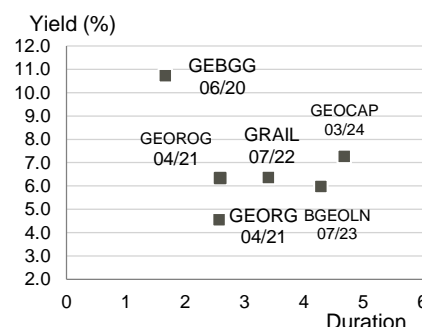
GOGC Eurobonds (GEOROG) were trading at 101.1 (unchanged w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.0 (+0.2% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.2 (+0.4% w/w) at 4.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-/-	-/-/-	-/-/-	n/a	-/-/B2e	B-/B2	BB-/B+/-	BB-/B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US\$	n/a	102.6	101.3	102.08	94.7	100.5	101.1	100.1	106.2	105.0
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.3	10.7	6.3	6.0	4.5	6.4
Z-spread, bps	n/a	n/a	n/a	n/a	437.7	346.1	355.4	309.5	175.6	351.2

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

Eastern European sovereign 10-year bond performance

Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba2	106.2	4.5	175.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	100.5	4.6	175.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.5	0.1	-30.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.1	1.0	89.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.4	3.6	81.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.3	4.0	117.0
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.6	3.6	88.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB-/Ba2	100.3	5.5	272.8

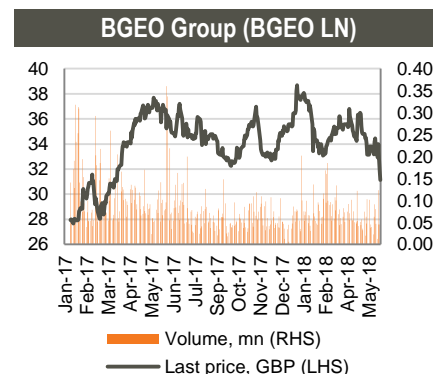
Source: Bloomberg

Equities

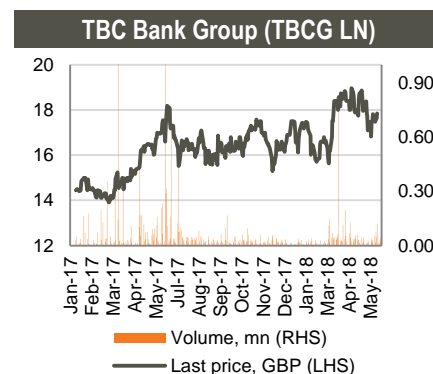
BGEO Group (BGEO LN) shares closed at GBP 31.13/share (-7.74% w/w and -12.11% m/m). More than 259k shares traded in the range of GBP 31.00 – 34.50/share. Average daily traded volume was 57k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.55% w/w and gained 5.43% m/m. The volume of BGEO shares traded was at 0.66% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.66 (-6.61% w/w and -7.24% m/m). More than 113k shares changed hands in the range of GBP 16.50 – 18.26 share. Averaged daily traded volume was 32k in the last 4 weeks.

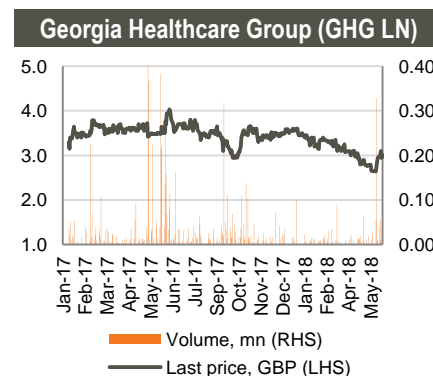
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.02/share (+2.20% w/w and +3.97% m/m). More than 113k shares were traded in the range of GBP 2.87 – 3.10/share. Average daily traded volume was 39k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO	BGEO	31.13*	1,551	-12.1%	-6.3%	-6.6%	-12.5%	-17.4%
TBC	TBC	16.66*	1,202	-7.2%	2.2%	2.3%	-4.8%	-1.9%
Halyk Bank	HSBK	12.45	3,422	3.3%	-11.1%	27.7%	26.0%	70.5%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-38.2%
VTB Bank	VTBR	1.68	10,906	-9.3%	-20.9%	-12.2%	-8.0%	-28.1%
Vozrozhdenie Bank	VZRZ	6.07	144	15.4%	-31.0%	-39.6%	-30.2%	-53.6%
Sberbank	SBER	14.56	78,576	-2.0%	-30.3%	-13.6%	-14.0%	21.3%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	3.015*	529	4.0%	-9.2%	-11.2%	-15.1%	-13.4%
Mouwasat	MOUWASAT	49.31	2,465	-1.8%	3.1%	15.3%	22.1%	27.5%
Fortis	FORH	2.14	1,110	-6.1%	-13.2%	-0.4%	-14.8%	-31.8%
Raffles	RFMD	0.80	1,414	-7.8%	-4.5%	-1.5%	-4.8%	-20.2%
IHH	IHH	1.57	12,967	1.8%	1.0%	14.7%	9.0%	17.9%
Bangkok Chain	BCH	0.52	1,297	-8.2%	-0.8%	11.7%	4.6%	46.7%
Netcare	NTC	2.42	3,552	3.0%	6.8%	51.8%	19.0%	18.4%

Source: Bloomberg

*GHG share price traded and shown in GBP

Disclaimer

This document is strictly confidential and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of BGEO group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

This document is confidential to clients of Galt & Taggart. Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge