

Weekly Market Watch

 Weekly Market Watch | Georgia
 August 10, 2020

Economy

Inflation was 5.7% y/y and -0.5% m/m in July 2020

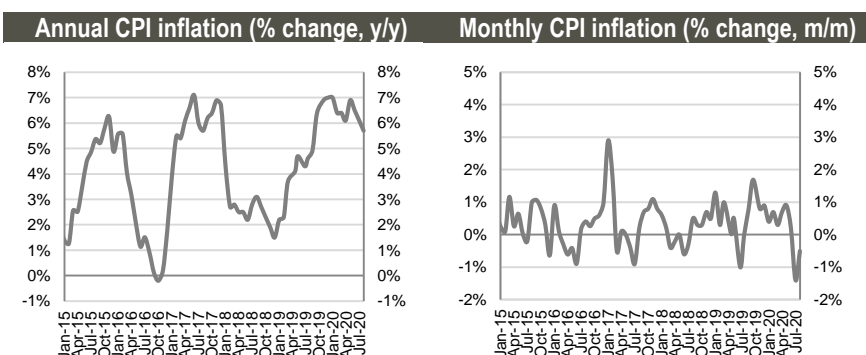
Annual CPI inflation retreated to 5.7% in July 2020 from 6.1% in previous month, according to Geostat. Core inflation (non-food, non-energy) was 6.1% in July 2020, while core inflation excluding tobacco was 5.8%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+11.5% y/y, +3.55ppts) and alcoholic beverages and tobacco (+9.0% y/y, +0.61ppts) categories and price drop in transport (-9.3% y/y, -1.18ppts) category. On a monthly basis, there was 0.5% deflation in July 2020, affected by price decreases in food and non-alcoholic beverages and clothing and footwear categories.

International reserves up 4.5% y/y and up 6.2% m/m in July 2020

Gross international reserves increased by 4.5% y/y to US\$ 3.8bn in July 2020 according to NBG. The reserves were also up by 6.2% (+US\$ 224mn) on a monthly basis. Growth in reserves was attributed to the disbursement of donor funding to the budget, fully compensating FX sales totaling US\$ 60mn by NBG in July 2020.

NBG cuts its policy rate by 0.25ppts to 8.00%

At its meeting on 5 August 2020, NBG's monetary policy committee decided to reduce its policy rate by 25bps to 8.00%. According to NBG, inflation decline in July was expected and it forecasts inflation to continue declining over the rest of the year, and fall below the target level in 1H21. The National Bank also stated that it revised forecast and expects economy to shrink by 5% in 2020, exerting downward pressure on inflation. The NBG reiterated to "use all instruments at its disposal to ensure price stability." The next committee meeting is scheduled for 16 September 2020.



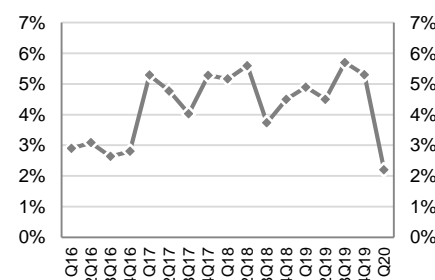
Source: Geostat

Key macro indicators

	2017	2018	2019
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%	2.0%
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 # 12 (mostly free)

Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB Stable Upgraded Oct-2019	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Mar-2020	FitchRatings BB Negative Affirmed Apr-2020
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 22.8mn) Benchmark Bonds were sold at the auction held at NBG on August 4, 2020. Total demand was 2.1x higher and the weighted average yield was fixed at 8.308%, down 0.06ppts from previous auction held in July, 2020. The nearest treasury security auction is scheduled for August 11, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

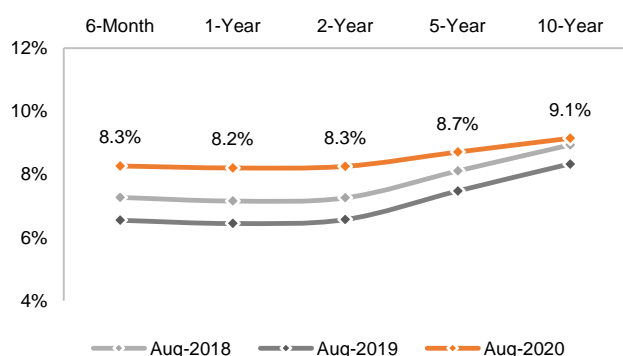
Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 6.5mn) T-Bills were sold at the auction held at NBG on August 4, 2020. Total demand was 3.2x higher and the weighted average yield was fixed at 8.274%, down 0.04ppts from previous auction held in July, 2020.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	270	80	230
1-year	410	250	660
2-year	560	280	1,350
5-year	560	400	1,823
10-year	110	40	959
Total	1,930	1,050	5,021

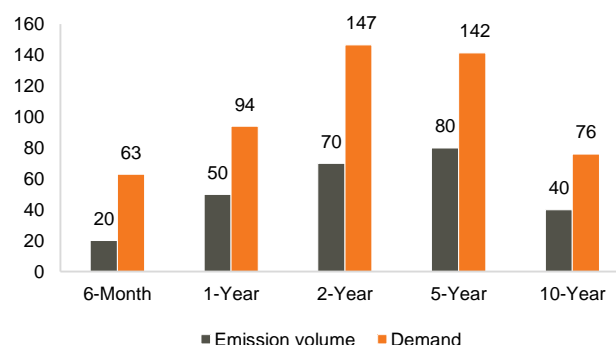
Source: MoF
 Note: * As of 30 June 2020

T-bills / T-notes, yield curve



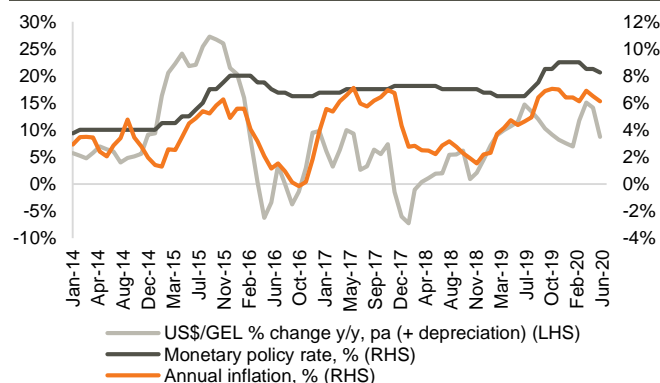
Source: NBG

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



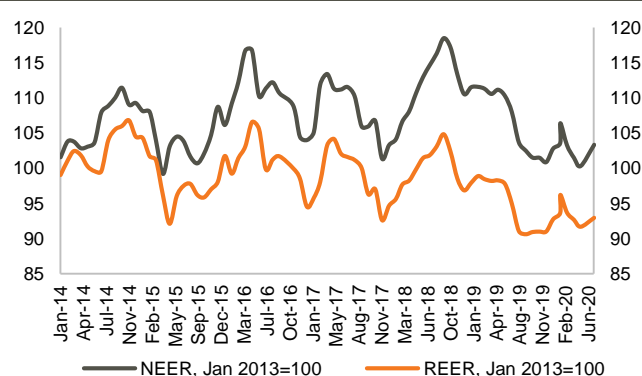
Source: NBG

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



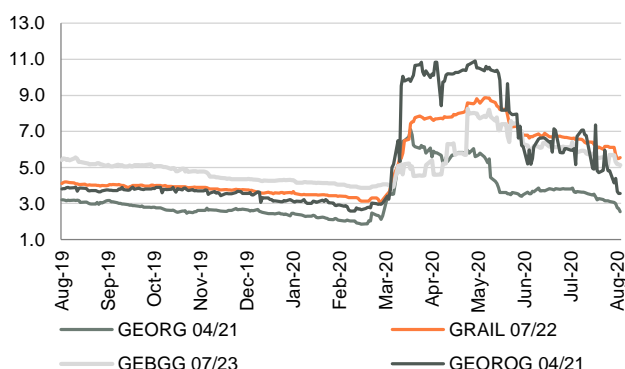
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.12% yield, trading at 102.38 (+1.53% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.18 (+0.49% w/w), yielding 8.03%.

GOGC Eurobonds (GEOROG) were trading at 102.20 (+0.83% w/w), yielding 3.56%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 103.95 (+0.97% w/w), yielding 5.54%.

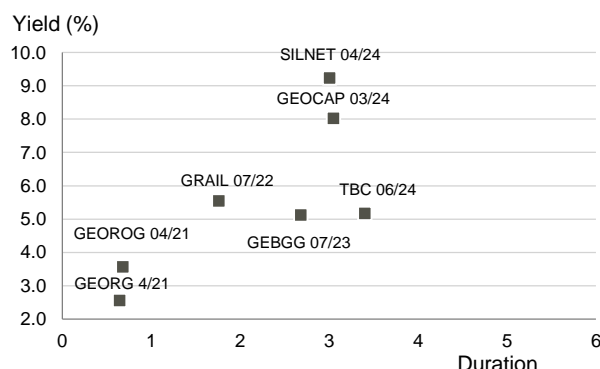
Georgian Sovereign Eurobonds (GEORG) closed at 102.85 (+0.30% w/w) at 2.55% yield to maturity.

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	102.85	2.55	230.94
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	103.95	5.54	533.18
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/	102.20	3.56	332.31
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B-/Ba2	102.38	5.12	490.93
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	98.77	9.78	1,128.19
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	94.18	8.03	779.74
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.32	9.24	900.81
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	101.99	5.17	493.66
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	98.38	10.00	1,102.19
GGU 07/25	US\$	250	7.750%	Jul-25	-/B-/	101.15	7.47	718.94

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B-/	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	99.34	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	97.09	9.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	n/a	n/a	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	98.54	8.25	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.34	8.00	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/B-/	100.00	12.50	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	14.50	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/Ba2	102.85	2.55	230.94
Armenia	US\$	500	6.000%	Sep-20	BB-/B/Ba3	99.98	6.00	582.35
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.31	1.57	134.34
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	101.97	6.03	581.35
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.28	1.10	85.62
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	99.73	6.05	580.23
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.05	4.75	452.02

Source: Bloomberg

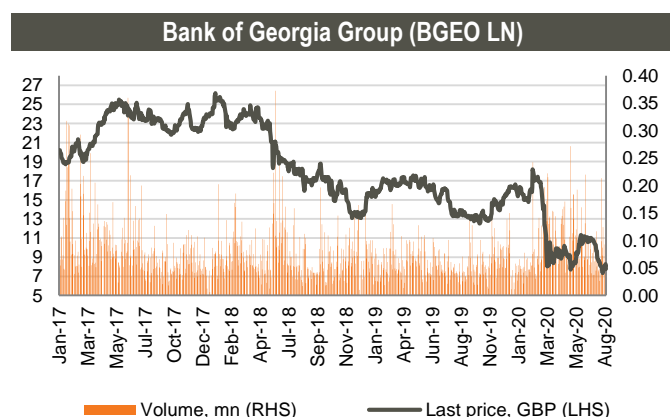
Equities

Bank of Georgia Group (BGE LN) shares closed at GBP 7.77/share (unchanged w/w and -27.92% m/m). More than 430k shares traded in the range of GBP 7.59 - 8.38/share. Average daily traded volume was 80k in the last 4 weeks. FTSE 250 Index, of which BGE is a constituent, gained 4.08% w/w and 1.57% m/m. The volume of BGE shares traded was at 0.88% of its capitalization.

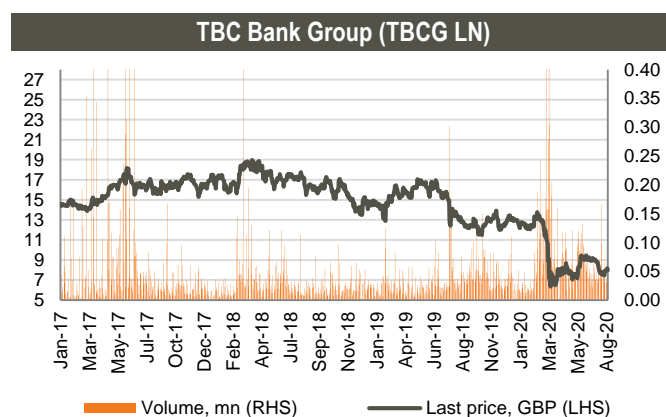
Georgia Capital (CGEO LN) shares closed at GBP 3.73/share (+1.78% w/w and -20.41% m/m). More than 91k shares traded in the range of GBP 3.55 - 3.90/share. Average daily traded volume was 41k in the last 4 weeks. The volume of CGEO shares traded was at 0.25% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 7.98/share (+0.76% w/w and -11.92% m/m). More than 164k shares changed hands in the range of GBP 7.80 - 8.31/share. Average daily traded volume was 51k in the last 4 weeks. The volume of TBCG shares traded was at 0.30% of its capitalization.

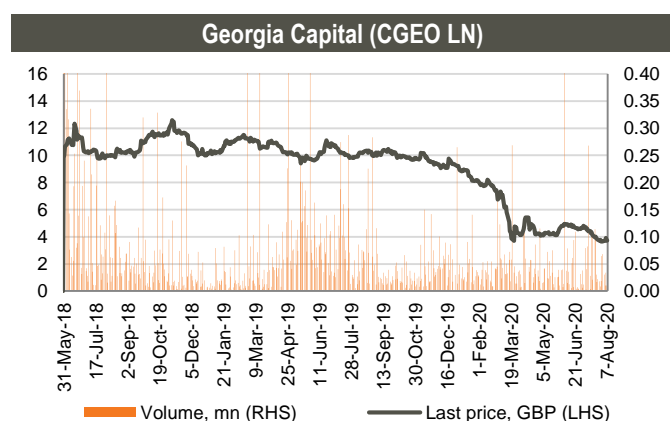
Trading of **Georgia Healthcare Group (GHG LN)** shares on London Stock Exchange has been cancelled from 5 August 2020, according to company announcement. As a result around 377k shares were traded, with closing price at GBP 0.67/share.



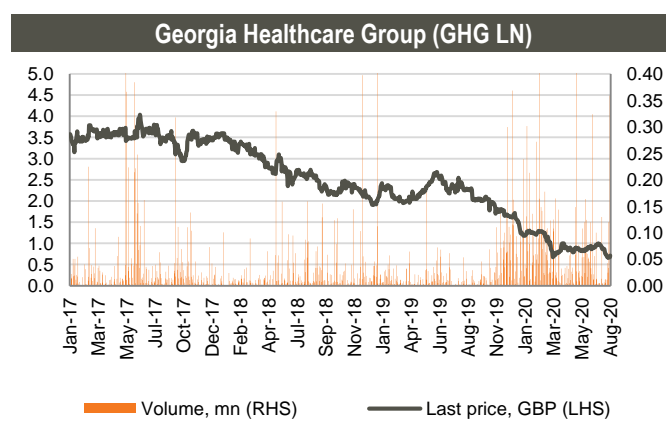
Source: Bloomberg



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	
								2019	2020F	2019	2020F
Bank of Georgia	BGEO	GBP	7.77	382	-51.7%	-42.8%	-52.2%	3.13x	6.56x	0.69x	0.61x
TBC	TBC	GBP	7.98	439	-36.2%	-41.0%	-38.6%	3.26x	7.19x	0.63x	0.60x
Halyk Bank	HSBK	US\$	10.70	3,144	-30.7%	-22.5%	-19.9%	3.75x	4.45x	0.90x	0.86x
VTB Bank	VTBR	US\$	0.94	6,114	-37.1%	-24.2%	-35.5%	2.33x	4.88x	0.35x	0.34x
Akbank	AKBNK	TRY	4.76	24,752	-43.5%	-35.3%	-41.3%	3.77x	4.25x	0.39x	0.41x
Garanti	GARAN	TRY	6.58	27,636	-45.0%	-32.9%	-40.9%	3.51x	4.29x	0.42x	0.45x
Isbank	ISCTR	TRY	4.73	21,285	-36.4%	-19.8%	-26.2%	3.00x	3.65x	0.31x	0.34x
PKO	PKO	PLN	21.63	27,038	-39.8%	-43.8%	-37.2%	6.45x	10.63x	0.66x	0.60x
PEKAO	PEO	PLN	53.08	13,932	-47.8%	-45.3%	-47.2%	6.40x	12.52x	0.60x	0.55x
Millennium	MIL	PLN	2.91	3,530	-52.8%	-61.0%	-50.3%	4.81x	8.01x	0.39x	0.38x
Mbank	MBK	PLN	188.00	7,959	-51.8%	-43.0%	-51.7%	6.47x	15.89x	0.49x	0.47x
BRD	BRD	RON	11.98	8,349	-26.7%	-10.3%	-24.4%	5.61x	10.65x	1.08x	0.95x
Banca Transilvania	TLV	RON	2.15	11,214	-16.2%	-9.3%	-17.1%	6.29x	13.73x	1.30x	1.58x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	13.22x	0.82x	0.73x
Komercni	KOMB	CZK	529.00	100,536	-34.9%	-36.3%	-36.2%	6.75x	13.23x	0.96x	0.88x
Mean								5.01x	8.88x	0.67x	0.65x
Median								4.81x	8.01x	0.63x	0.60x

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	
								2019	2020F	2019	2020F
Georgia Capital	CGEO	GBP	3.73	137	-51.7%	-63.0%	-59.6%	5.22x	n/a	0.37x	n/a
Tinc Comm	TINC	EUR	13.15	359	-7.7%	7.3%	-1.5%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	7.81	15,936	-23.1%	-14.9%	-18.1%	3.44x	3.32x	0.40x	0.42x
Deutsche Beteiligungs	DBAN	EUR	31.70	477	-19.1%	5.5%	-19.6%	12.31x	n/mf	1.10x	1.09x
Eurazeo	RF	EUR	44.30	3,489	-33.5%	-23.6%	-27.4%	11.35x	18.70x	0.68x	0.83x
Carlyle Group	CG	USD	27.58	3,053	-16.1%	17.6%	-14.0%	15.92x	4.88x	1.71x	3.90x
Mean								9.65x	8.97x	0.85x	1.56x
Median								11.35x	4.88x	0.68x	0.96x

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	
								2019	2020F	2019	2020F
GHG	GHG	GBP	0.67	93	-42.4%	-70.0%	-42.4%	n/a	n/a	n/a	n/a
Mouwasat	MOUWASAT	SAR	106.80	10,680	28.7%	21.4%	21.4%	27.43x	25.62x	18.66x	18.36x
Fortis	FORH	INR	138.00	104,184	-15.7%	15.6%	4.6%	1.63x	1.55x	6.49x	6.79x
Raffles	RFMD	SGD	0.82	1,499	-19.6%	-18.0%	-18.0%	24.90x	35.13x	16.00x	17.82x
IHH	IHH	MYR	5.50	48,257	-4.8%	-4.3%	0.5%	53.10x	72.12x	15.46x	18.38x
Bangkok Chain	BCH	THB	15.50	38,653	-0.6%	2.0%	-9.4%	31.43x	32.36x	17.34x	17.52x
Netcare	NTC	ZAR	13.15	19,092	-34.9%	-19.2%	-32.4%	7.49x	16.87x	5.10x	9.17x
Life Healthcare	LHC	ZAR	17.00	24,945	-34.0%	-24.5%	-31.0%	12.35x	36.45x	5.82x	8.57x
Mediclinic	MDC	GBP	2.66	1,963	-29.9%	-16.0%	-35.3%	9.96x	11.10x	7.48x	7.36x
Apollo Hospitals	APHS	INR	1,743.20	242,523	4.8%	32.6%	20.9%	81.36x	73.06x	24.78x	17.77x
KPJ Healthcare	KPJ	MYR	0.83	3,556	-14.4%	-9.8%	-12.2%	18.71x	23.01x	9.10x	9.97x
NMC	NMC	GBP	9.38	1,959	34.1%	-53.1%	-46.9%	n/a	n/a	n/a	n/a
Mean								26.84x	32.73x	12.62x	13.17x
Median								21.81x	28.99x	12.28x	13.74x

Source: Bloomberg, S&P Capital IQ

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