

Weekly Market Watch

 Weekly Market Watch | Georgia
 October 28, 2019

Economy

Georgia ranks 7th globally in 2020 Doing Business by World Bank. Georgia made notable improvement in "Dealing with construction permits" category as measured by 2020 report, as the country improved its building quality control by increasing public access to information. Report also mentions that for starting a business, Georgia and New Zealand have the lowest number of procedures required.

NBG increases its policy rate by 1ppts to 8.5%

At its meeting on 23 October 2019, NBG's monetary policy committee increased the policy rate by 1ppts to 8.5%, after increasing the rate by 1ppts in September. The annual inflation came in at 6.4% in September 2019, affected by the increased pass-through from the nominal exchange rate depreciation along with one-off factors. The recent inflationary pressure is only partially offset by the aggregate demand side factors as the economic activity is improved compared to previous periods. The NBG also noted that the future decisions of the committee will depend upon the speed of neutralization of exchange rate pressure stemming from the exchange rate depreciation. According to NBG, the inflation will remain above the 3.0% target during this year, will start to decline from March 2020 and stay close to the target in the medium term. Next monetary committee meeting will take place on 11 December 2019.

NPLs at 2.6% in September 2019

In September 2019, the banking sector loan portfolio increased 14.6% y/y, unchanged from the previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 21.3% y/y and up 1.9% m/m to GEL 30.1bn (US\$ 10.2bn). Deposits were up 8.1% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 16.8% y/y and up 1.1% m/m to GEL 25.6bn (US\$ 8.7bn). Loan dollarization stood at 55.0% (-0.59ppts y/y and m/m) and deposit dollarization reached 63.9% (+1.44ppts y/y and +0.15ppts m/m). NPLs stood at 2.6% in September 2019 (-0.05ppts y/y and -0.14ppts m/m).

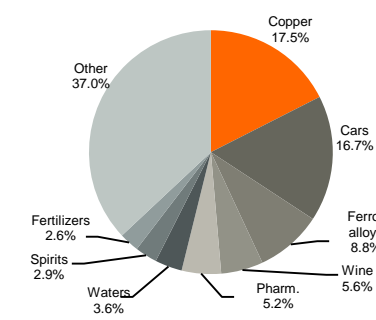
Trade deficit increased by 6.6% y/y in September 2019

In September 2019, exports were up 0.5% y/y to US\$ 302.6mn, imports increased by 4.0% y/y to US\$ 748.6mn and the trade deficit increased 6.6% y/y to US\$ 446.0mn, according to Geostat. In September 2019, cars (+83.0% y/y), copper (-18.5% y/y), ferro-alloys (-20.7% y/y), wine (+16.4% y/y) and nuts (+42.8% y/y) were the top 5 exported commodities. A 16.1% of exports was directed to the EU (-37.1% y/y), 50.5% to the CIS (+12.8% y/y) and 33.5% to other countries (+14.4% y/y). In September 2019, petroleum (+2.6% y/y), cars (+8.4% y/y), copper (+1.9% y/y), pharmaceuticals (+22.4% y/y) and gases (+54.0% y/y) represented the top 5 imported commodities. Overall, in 9M19, the trade deficit was down 11.6% y/y to US\$ 3.8bn as exports were up 11.1% y/y to US\$ 2.7bn and imports decreased by 3.3% y/y to US\$ 6.5bn.

Producer price index up 11.2% y/y in September 2019

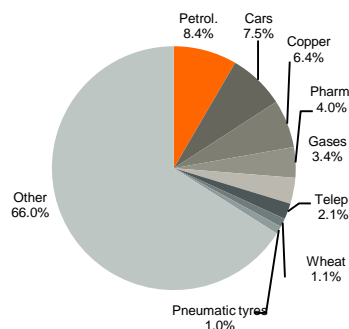
Annual PPI for industrial goods was up 11.2% in September 2019, according to Geostat. Rising prices in manufacturing (+11.9% y/y) and mining products (+21.5% y/y) contributed the most to the overall index change.

Exports by commodities, 9M19



Source: Geostat

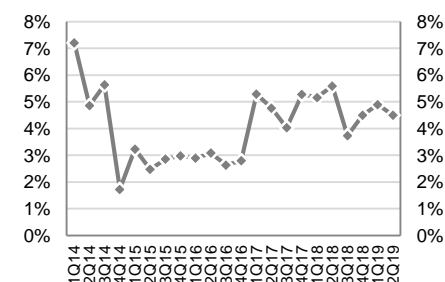
Imports by commodities, 9M19



Key macro indicators			
	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,978	10,663	11,429
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%	8.7%	7.3%
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	42.4%	42.4%	42.2%

Source: Official data, IMF

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

STANDARD & POOR'S BB Stable Upgraded Oct-2019	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2019	FitchRatings BB Stable Affirmed Aug-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.4bn (US\$ 792.3mn).

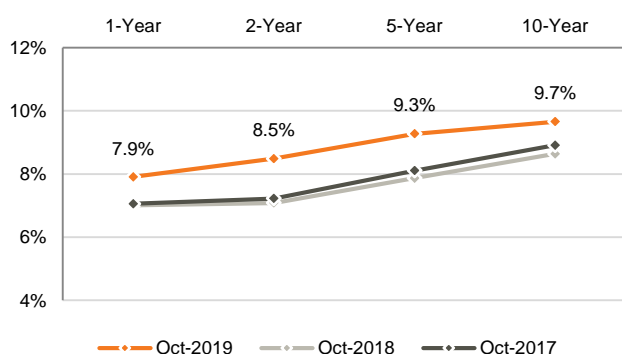
Ministry of Finance Benchmark Bonds: 5-year GEL 70.0mn (US\$ 10.1mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on October 22, 2019. The weighted average yield was fixed at 9.143%. The nearest treasury security auction is scheduled for November 5, 2019, where GEL 60.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, Nov-19 emission calendar

Date	Volume, GEL mn	Maturity
5-Nov-19	60	1 year
12-Nov-19	70	6 month
12-Nov-19	70	2 year
26-Nov-19	70	5 year

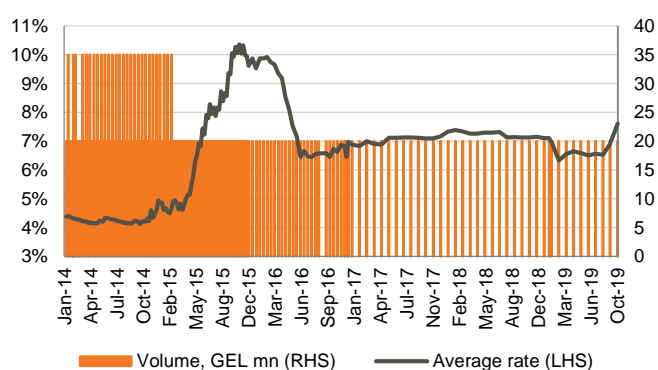
Source: MoF

T-bills / T-notes, yield curve



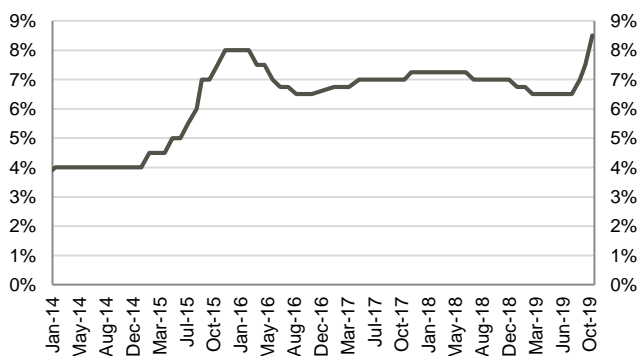
Source: NBG

Certificates of Deposits (weighted average rate)



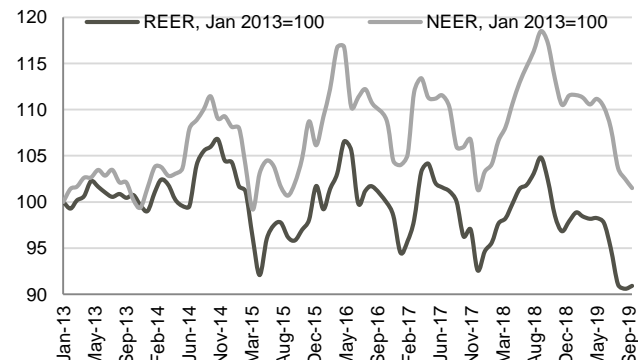
Source: NBG

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

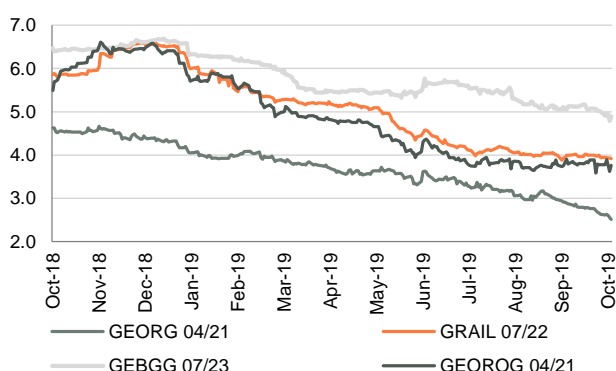
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.89% yield, trading at 103.74 (+0.38% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.93 (+0.05% w/w), yielding 7.51%.

GOGC Eurobonds (GEOROG) were trading at 104.30 (-0.04% w/w), yielding 3.76%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.72 (-0.01% w/w), yielding 3.92%.

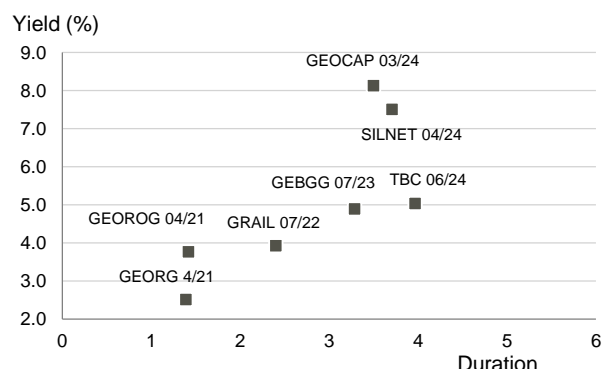
Georgian Sovereign Eurobonds (GEORG) closed at 106.18 (+0.08% w/w) at 2.51% yield to maturity.

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	106.18	2.51	81.82
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.72	3.92	230.84
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.30	3.76	207.20
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	103.74	4.89	330.44
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	104.63	10.13	825.37
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	94.93	7.51	592.20
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	110.48	8.13	653.89
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	102.91	5.04	345.11
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	101.89	10.51	865.13

Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/B-/	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.52	6.75	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.00	7.50	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.91	5.88	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.22	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.63	7.25	n/a
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B/-/-	100.21	11.75	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B/-/-	100.88	11.75	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	11.00%	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	14.00%	Sep-21	B-/B-/	101.61	14.00	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	106.18	2.51	81.82
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	102.81	2.88	109.74
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.49	3.11	145.68
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.63	4.39	278.91
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.57	2.46	87.56
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.54	1.90	-0.86
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.54	3.77	207.60
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	105.06	4.83	317.81

Source: Bloomberg

Equities

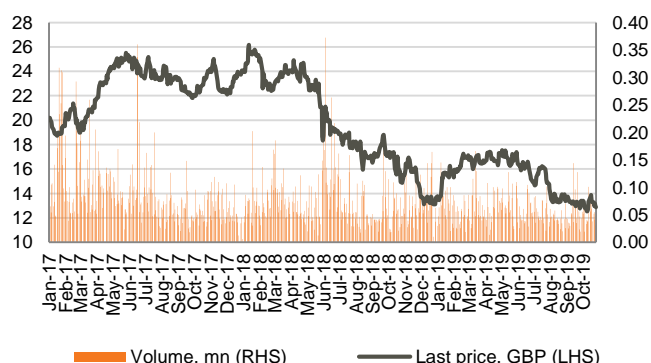
Bank of Georgia Group (BGEO LN) shares closed at GBP 12.88/share (-3.38% w/w and +0.94% m/m). More than 226k shares traded in the range of GBP 12.56 - 13.46/share. Average daily traded volume was 53k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.71% w/w and gained 1.57% m/m. The volume of BGEO shares traded was at 0.46% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 9.66/share (-1.83% w/w and -6.03% m/m). More than 96k shares traded in the range of GBP 9.57 - 9.90/share. Average daily traded volume was 28k in the last 4 weeks. The volume of CGEO shares traded was at 0.26% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.20/share (+5.26% w/w and +2.64% m/m). More than 240k shares changed hands in the range of GBP 12.42 - 13.46/share. Average daily traded volume was 58k in the last 4 weeks. The volume of TBCG shares traded was at 0.44% of its capitalization.

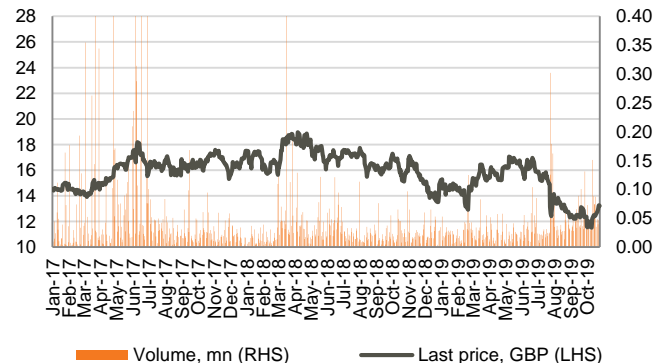
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.96/share (+2.89% w/w and -2.25% m/m). More than 18k shares were traded in the range of GBP 1.91 - 2.00/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.

Bank of Georgia Group (BGEO LN)



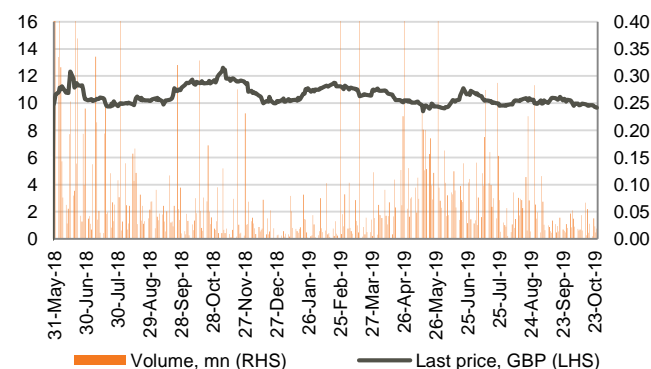
Source: Bloomberg

TBC Bank Group (TBCG LN)



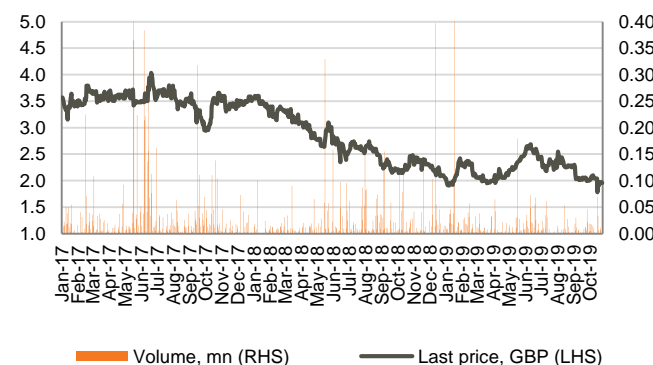
Source: Bloomberg

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	12.88	633	-22.5%	-13.5%	-6.5%	5.72x	4.86x	1.11x	0.94x
TBC	TBC	GBP	13.20	726	-17.0%	-16.3%	-13.3%	5.75x	5.18x	1.04x	0.90x
Halyk Bank	HSBK	US\$	13.10	3,849	12.4%	11.5%	26.6%	4.87x	4.80x	1.08x	1.03x
VTB Bank	VTBR	US\$	1.35	8,729	19.9%	7.8%	21.6%	3.57x	3.32x	0.55x	0.41x
Akbank	AKBNK	TRY	7.13	37,076	16.1%	23.0%	21.2%	6.72x	4.69x	0.71x	0.63x
Garanti	GARAN	TRY	9.53	40,026	17.2%	31.8%	19.7%	5.91x	4.34x	0.75x	0.65x
Isbank	ISCTR	TRY	6.02	27,090	8.7%	49.4%	32.9%	4.57x	3.73x	0.49x	0.43x
PKO	PKO	PLN	38.16	47,700	-3.3%	-4.7%	-3.3%	10.77x	10.44x	1.15x	1.10x
PEKAO	PEO	PLN	111.70	29,318	-2.3%	8.3%	2.5%	12.96x	11.02x	1.25x	1.20x
Millennium	MIL	PLN	5.83	7,072	-39.6%	-34.2%	-34.3%	9.40x	7.27x	0.78x	0.71x
Mbank	MBK	PLN	367.60	15,563	-15.1%	-7.1%	-13.3%	12.55x	11.35x	0.95x	0.89x
BRD	BRD	RON	14.40	10,035	5.9%	7.8%	26.3%	7.50x	8.53x	1.27x	1.24x
Banca Transilvania	TLV	RON	2.44	12,727	22.7%	12.5%	31.8%	8.05x	8.92x	1.52x	1.40x
OTP	OTPD	USD	21.20	11,872	-7.0%	19.1%	8.2%	9.34x	9.19x	0.80x	0.69x
Komerční	KOMB	CZK	790.00	150,139	-12.2%	-10.1%	-6.7%	10.18x	10.45x	1.42x	1.33x
Mean								7.86x	7.21x	0.99x	0.91x
Median								7.50x	7.27x	1.04x	0.90x

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	9.66	355	-4.0%	-15.7%	-5.4%	13.72x	10.76x	0.98x	0.91x
Tinc Comm	TINC	EUR	13.75	375	15.1%	14.1%	16.5%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	8.75	17,854	13.6%	16.2%	16.4%	4.52x	3.68x	0.52x	0.46x
Deutsche Beteiligungs	DBAN	EUR	37.65	566	4.7%	8.2%	12.2%	18.99x	16.25x	1.26x	1.19x
Eurazeo	RF	EUR	61.95	4,879	-4.6%	4.2%	5.3%	13.04x	11.99x	0.88x	0.84x
Carlyle Group	CG	USD	27.51	3,045	31.9%	41.8%	74.7%	10.34x	5.74x	3.21x	1.86x
Mean								12.12x	9.68x	1.37x	1.05x
Median								13.04x	10.76x	0.98x	0.91x

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	1.96	257	-6.9%	-20.5%	-4.2%	20.18x	13.00x	7.79x	6.58x
Mouwasat	MOUWASAT	SAR	85.10	8,510	2.2%	10.4%	5.7%	22.42x	18.80x	15.68x	13.57x
Fortis	FORH	INR	137.65	103,920	-0.9%	6.0%	-2.0%	1.72x	1.55x	6.69x	6.69x
Raffles	RFMD	SGD	1.00	1,828	-6.5%	-4.8%	-9.1%	30.48x	30.24x	19.48x	18.49x
IHH	IHH	MYR	5.72	50,187	3.1%	18.9%	6.1%	48.88x	39.58x	16.89x	14.74x
Bangkok Chain	BCH	THB	16.50	41,147	-7.3%	-14.1%	-1.2%	33.40x	30.21x	18.60x	16.88x
Netcare	NTC	ZAR	17.28	25,088	-27.8%	-28.5%	-34.6%	11.82x	11.10x	7.23x	6.70x
Life Healthcare	LHC	ZAR	23.77	34,879	-10.2%	-1.0%	-10.0%	20.65x	15.33x	8.42x	7.45x
Mediclinic	MDC	GBP	3.73	2,751	7.5%	9.6%	15.7%	13.74x	14.37x	8.99x	8.52x
Apollo Hospitals	APHS	INR	1,519.35	211,380	21.9%	36.9%	20.7%	74.96x	57.03x	23.07x	17.53x
KPJ Healthcare	KPJ	MYR	0.93	3,985	-5.1%	-11.4%	-10.6%	21.69x	19.81x	10.38x	9.77x
NMC	NMC	GBP	24.69	5,155	-8.8%	-23.6%	-9.8%	20.84x	16.07x	13.27x	11.26x
Mean								26.73x	22.26x	13.04x	11.52x
Median								21.27x	17.44x	11.82x	10.51x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge