

Weekly Market Watch

 Weekly Market Watch | Georgia
 Apr 1, 2019

Economy

Real GDP growth was 4.6% y/y in February 2019

Georgia's economic growth accelerated to 4.6% y/y in February 2019, after growing 3.5% y/y in January 2019, according to Geostat's rapid estimates. In February 2019, GDP growth was driven by manufacturing sector, followed trade and real estate operations. Meanwhile, growth was down in construction sector. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

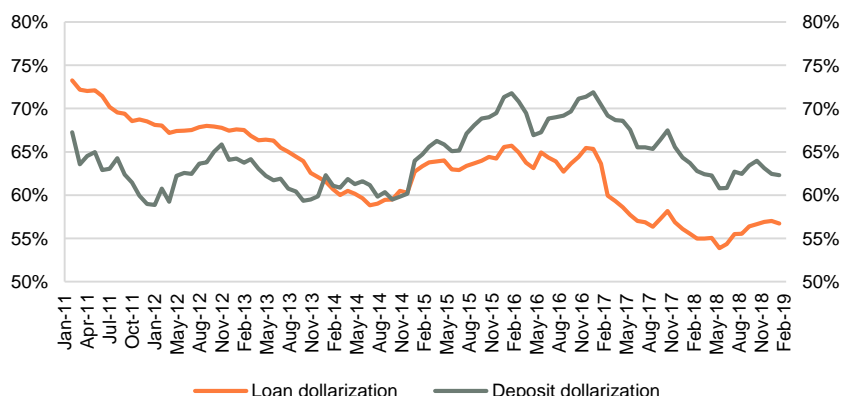
NPLs at 2.9% in February 2019

In February 2019, the banking sector loan portfolio increased by 15.3% y/y after growing 16.7% y/y in previous month, excluding FX effect. In unadjusted terms, loan portfolio was up 20.8% y/y and up 0.2% m/m to GEL 26.4bn (US\$ 9.8bn). Deposits were up 13.4% y/y excluding FX effect. In unadjusted terms, deposits were up 19.5% y/y and up 1.4% m/m to GEL 22.9bn (US\$ 8.5bn). Deposit dollarization stood at 62.3% (-1.42ppts y/y and -0.16ppts m/m) and loan dollarization was 56.7% (+1.2ppts y/y and -0.3ppts m/m). NPLs stood at 2.9% in February 2019 (+0.1ppts y/y and -0.1ppts m/m).

Current account deficit at 7.7% of GDP in 2018

CA deficit narrowed to 7.7% of GDP (US\$ 1.2bn) in 2018 from 8.8% in 2017, according to NBG. Goods trade deficit (25.3% of GDP) was down 0.2ppts y/y, as surge in exports (+22.4%) partly absorbed strong import growth (+15.2%). Increased positive balance in services (13.8% of GDP) and current transfers (8.4% of GDP) financed 88% of the goods trade deficit. Net FDI (5.5% of GDP) and other investments (3.9% of GDP) were major items for financing the current account deficit. As capital and financial account was higher than CA, reserves were up by US\$ 279mn in 2018.

Loan and deposit dollarization



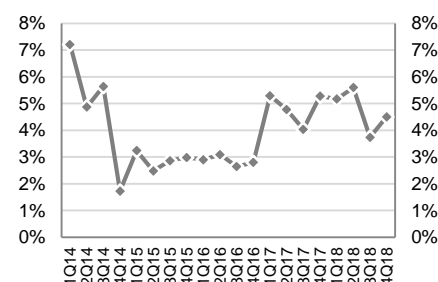
Source: NBG

Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	10,065	10,742	11,600
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&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

 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB Stable Upgraded Feb-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 350mn (US\$ 129.8mn).

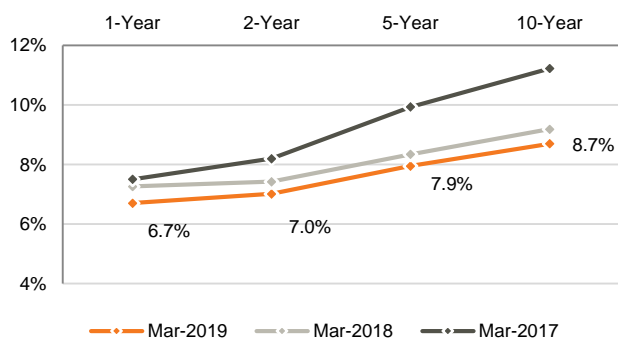
Ministry of Finance Benchmark Bonds: 5-year GEL 30.0mn (US\$ 11.2mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on March 26, 2019. The weighted average yield was fixed at 7.155%. The nearest treasury securities auction is scheduled for April 2, 2019, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

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

Date	Volume, GEL mn	Maturity
02-Apr-19	40	1 year
08-Apr-19	20	6 months
08-Apr-19	60	2 years
16-Apr-19	25	10 years
23-Apr-19	30	5 years

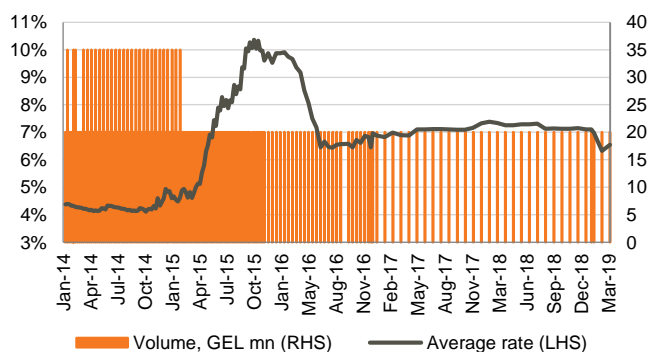
Source: MoF

T-bills / T-notes, yield curve



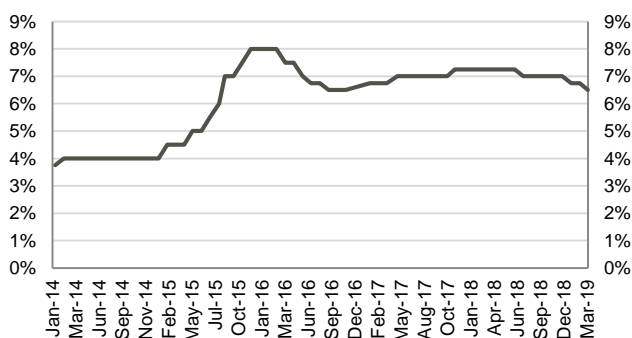
Source: NBG

Certificates of Deposits (weighted average rate)



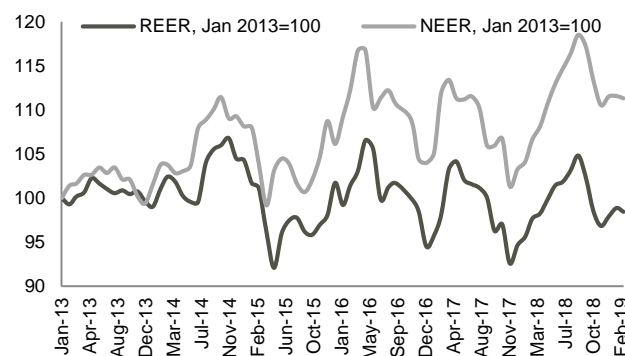
Source: NBG

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



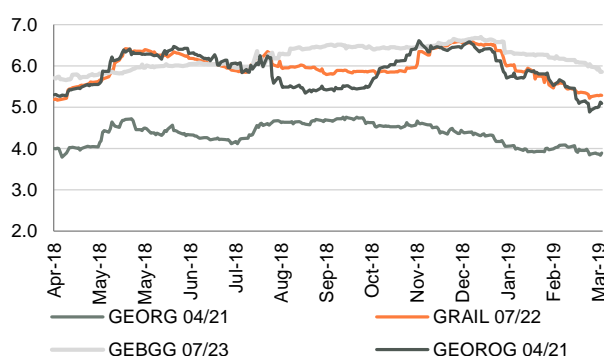
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.86% yield, trading at 100.53 (+0.47% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.41 (+0.43% w/w), yielding 7.50%.

GOGC Eurobonds (GEOROG) were trading at 103.20 (-0.35% w/w), yielding 5.10%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.31 (-0.13% w/w), yielding 5.29%.

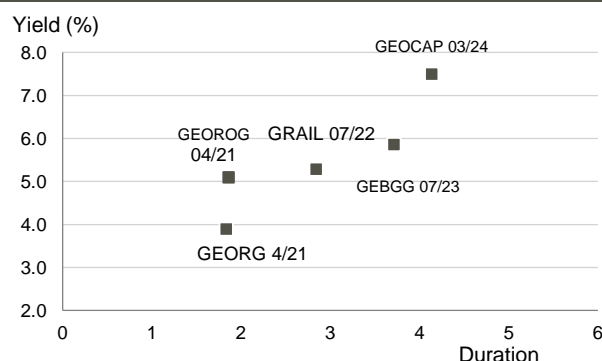
Georgian Sovereign Eurobonds (GEORG) closed at 105.76 (-0.09% w/w) at 3.89% yield to maturity.

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, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	04/12/2021	BB-/BB-/Ba2/-	105.76	3.89	146.84
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	107.31	5.29	293.89
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB-/B+/-/-	103.20	5.10	267.54
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B-/Ba2/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B-/Ba2/-	100.53	5.86	352.93
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-/-/-/-	102.72	10.77	807.38
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/B2/-	94.41	7.50	517.18
SILKNET 04/24	US\$	200	11.00%	04/02/2024	B+e/-/-/-	100.79	10.79	847.55

Georgian local bonds performance

GWP 12/21	GEL	30	10.000%	06/12/2021	BB-/-/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/-/-	100.76	6.00	n/a
M2CA 12/21	US\$	30	7.500%	31/12/2021	B+/-/-/-	101.25	7.00	n/a
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/-/-	100.67	6.50	n/a
GLC 06/21	US\$	10	6.500%	22/06/2021	B+/-/-/-	97.97	7.50	n/a
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/-/-/B+	n/a	n/a	n/a
Silknet 08/22	GEL	34	10.000%	18/08/2022	B+/-/-/-	n/a	n/a	n/a
Crystal 12/19	GEL	10	11.000%	28/12/2019	B/-/-/-	100.00	11.00	n/a
Crystal 02/21	GEL	15	10.500%	01/02/2021	B/-/-/-	99.40	10.75	n/a
Swiss Cap. 09/21	GEL	10	13.000%	13/09/2021	B-/-/-/-	100.00	13.00	n/a

Source: Bloomberg

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB-/BB-/Ba2	105.76	3.89	146.84
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.54	4.23	173.35
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	97.27	4.02	162.81
Belarus	US\$	800	6.875%	2/28/2023	B-/B3u	105.11	5.40	307.02
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	103.25	3.23	89.29
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	101.90	3.19	63.08
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/B-/Ba3	99.01	6.16	374.07
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	99.48	7.99	558.91

Source: Bloomberg

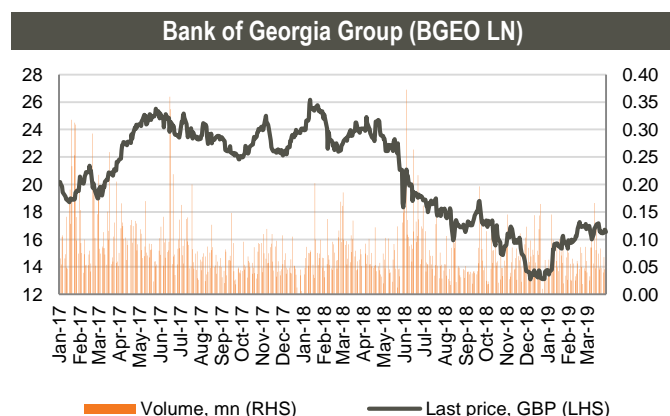
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.53/share (+0.39% w/w and -1.30% m/m). More than 259k shares traded in the range of GBP 16.21 - 16.88/share. Average daily traded volume was 69k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.63% w/w and lost 0.33% m/m. The volume of BGEO shares traded was at 0.53% of its capitalization.

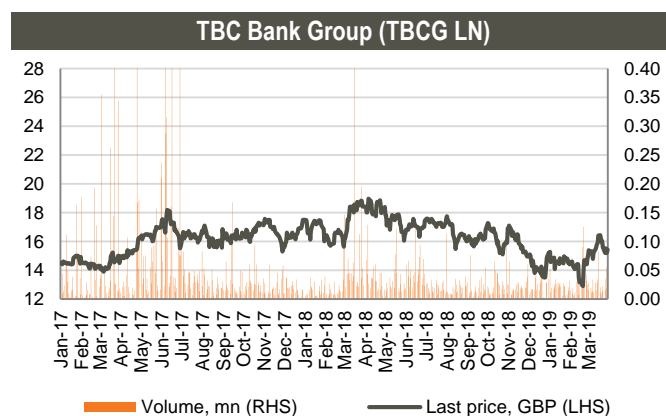
Georgia Capital (CGEO LN) shares closed at GBP 10.90/share (+2.73% w/w and -1.09% m/m). More than 212k shares traded in the range of GBP 10.51 - 11.10/share. Average daily traded volume was 54k in the last 4 weeks. The volume of CGEO shares traded was at 0.56% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.44/share (-1.15% w/w and +2.66% m/m). More than 152k shares changed hands in the range of GBP 14.06 - 15.80/share. Average daily traded volume was 25k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

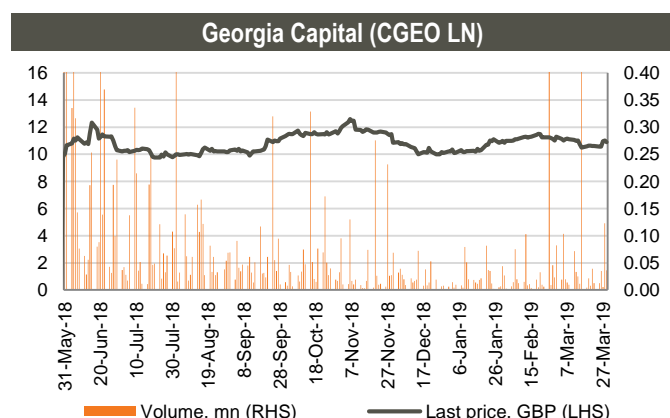
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.00/share (+1.01% w/w and -2.91% m/m). More than 73k shares were traded in the range of GBP 1.95 - 2.10/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



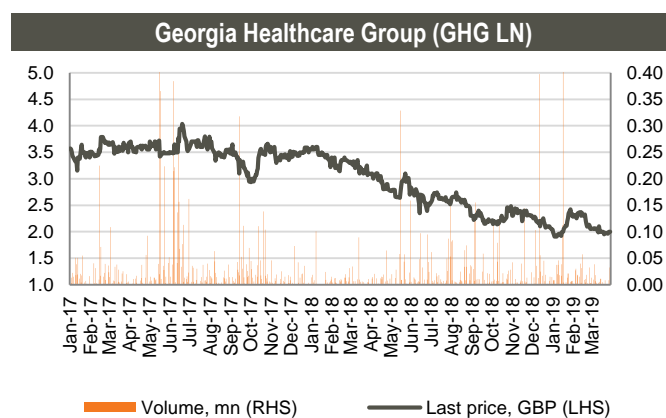
Source: Bloomberg



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	16.53	813	-3.4%	-31.3%	20.0%	6.34x	5.60x	1.35x	1.14x
TBC	TBC	GBP	15.44	847	-8.3%	-16.1%	1.4%	6.28x	5.43x	1.12x	0.99x
Halyk Bank	HSBK	US\$	11.60	3,409	8.9%	-15.9%	12.1%	5.14x	4.81x	1.02x	0.90x
VTB Bank	VTBR	US\$	1.14	7,400	-14.7%	-41.7%	3.1%	2.65x	2.78x	0.43x	0.43x
Akbank	AKBNK	TRY	6.32	32,864	6.5%	-22.9%	7.4%	6.22x	4.26x	0.65x	0.58x
Garanti	GARAN	TRY	8.34	35,028	8.2%	-23.5%	4.8%	5.79x	3.75x	0.68x	0.60x
Isbank	ISCTR	TRY	5.50	24,750	24.4%	-22.9%	21.4%	3.79x	3.21x	0.46x	0.41x
PKO	PKO	PLN	38.58	48,225	-10.1%	-4.6%	-2.3%	11.88x	10.90x	1.17x	1.11x
PEKAO	PEO	PLN	110.00	28,872	3.6%	-10.8%	0.9%	11.94x	10.56x	1.23x	1.17x
Millennium	MIL	PLN	8.94	10,845	-3.4%	8.9%	0.8%	13.31x	11.03x	1.18x	1.10x
Mbank	MBK	PLN	425.20	18,002	-5.0%	1.5%	0.2%	14.23x	12.38x	1.09x	1.04x
BRD	BRD	RON	13.00	9,060	-4.0%	-12.8%	14.0%	9.55x	10.40x	1.24x	1.20x
Banca Transilvania	TLV	RON	2.08	9,991	-10.6%	-12.7%	3.5%	7.99x	8.27x	1.16x	1.07x
OTP	OTPD	USD	22.80	12,768	28.8%	1.8%	16.3%	10.84x	10.34x	0.84x	0.74x
Komercni	KOMB	CZK	940.00	178,646	3.2%	-0.1%	11.0%	12.26x	12.16x	1.70x	1.61x
Mean								8.55x	7.72x	1.02x	0.94x
Median								7.99x	8.27x	1.12x	1.04x

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	10.90	413	-2.3%	n/a	6.8%	14.11x	11.72x	0.84x	0.79x
Tinc Comm	TINC	EUR	12.00	327	-2.8%	1.7%	1.7%	21.81x	20.01x	1.00x	1.00x
Sabanci Holding	SAHOL	TRY	7.84	15,997	2.8%	-25.2%	4.3%	4.22x	3.86x	0.47x	0.42x
Deutsche Beteiligungs	DBAN	EUR	33.10	498	-6.5%	-15.9%	-1.3%	16.58x	10.86x	1.12x	1.05x
Eurazeo	RF	EUR	67.00	5,128	-1.3%	-5.9%	8.4%	13.19x	12.12x	1.11x	0.92x
Carlyle Group	CG	USD	18.28	1,992	-18.9%	-14.4%	16.1%	2.97x	2.14x	1.96x	1.06x
Mean								12.15x	10.12x	1.08x	0.87x
Median								13.65x	11.29x	1.05x	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	
								2019F	2020F	2019F	2020F
GHG	GHG	GBP	2.00	263	-9.1%	-35.3%	-2.0%	17.15x	12.44x	7.53x	6.19x
Mouwasat	MOUWASAT	SAR	80.00	8,000	-5.0%	-9.2%	-0.6%	20.81x	18.28x	15.03x	13.39x
Fortis	FORH	INR	135.75	102,485	0.6%	10.1%	-3.4%	1.74x	1.62x	6.85x	6.66x
Raffles	RFMD	SGD	1.07	1,924	-5.3%	-7.0%	-2.7%	32.08x	31.12x	20.77x	19.46x
IHH	IHH	MYR	5.77	50,599	10.7%	-3.8%	7.1%	45.73x	35.81x	17.15x	14.42x
Bangkok Chain	BCH	THB	17.00	42,394	-18.3%	0.6%	1.8%	33.13x	29.09x	18.41x	16.55x
Netcare	NTC	ZAR	23.35	33,906	-3.6%	-16.6%	-11.7%	13.86x	12.82x	8.33x	7.72x
Life Healthcare	LHC	ZAR	26.84	39,384	9.3%	-2.8%	1.7%	19.13x	15.33x	8.53x	7.75x
Mediclinic	MDC	GBP	3.05	2,247	-29.0%	-49.3%	-5.5%	11.37x	10.27x	7.97x	7.37x
Apollo Hospitals	APHS	INR	1,227.60	170,790	17.8%	15.3%	-2.4%	62.30x	40.13x	19.63x	16.30x
KPJ Healthcare	KPJ	MYR	0.98	4,228	-9.3%	9.5%	-5.8%	21.79x	20.01x	11.61x	10.90x
NMC	NMC	GBP	22.84	4,756	-32.7%	-32.8%	-16.5%	16.44x	13.41x	13.08x	10.92x
Mean								24.63x	20.03x	12.91x	11.47x
Median								19.97x	16.81x	12.35x	10.91x

Source: Bloomberg, S&P Capital IQ

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