

Weekly Market Watch

Weekly Market Watch | Georgia
November 11, 2019

Economy

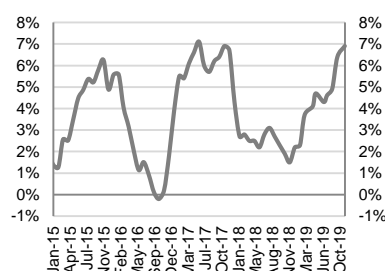
Inflation was 6.9% y/y and 0.8% m/m in October 2019

Annual CPI inflation was 6.9% in October 2019 up from 6.4% in previous month, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) came in at 3.4% up from 3.2% compared to the previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+13.5% y/y, +4.02ppts), alcoholic beverages and tobacco (+13.8% y/y, +0.92ppts), recreation and culture (+7.3% y/y, +0.41ppts) and transport (+3.0% y/y, +0.36ppts) categories, while prices were down in clothing and footwear (-5.9% y/y, -0.21ppts). On a monthly basis, there was 0.8% inflation in October 2019. Price increase in food and non-alcoholic beverages (+1.6% m/m, +0.5ppts) and clothing and footwear (+5.9% m/m, +0.18ppts) were the major drivers of monthly inflation dynamics.

International reserves stood at US\$ 3.4bn in October 2019

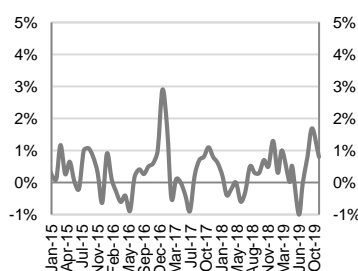
Gross international reserves were up 9.4% y/y to US\$ 3.4bn in October 2019, according to NBG. On a monthly basis, reserves were down 6.0% (-US\$ 216mn). There were no FX interventions in October and monthly decline in reserves is explained by a 5pp reduction in reserve requirement on banking sector FX deposits.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

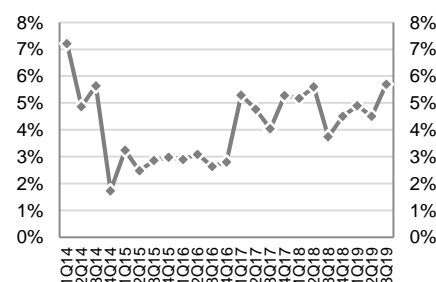


Key macro indicators

	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

 BB Stable Upgraded Oct-2019	 Ba2 Stable Affirmed Sep-2019	 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 2.3bn (US\$ 759.9mn).

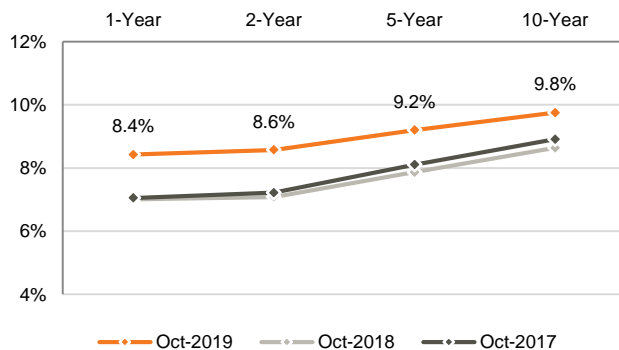
Ministry of Finance Treasury Bills: 1-year GEL 60.0mn (US\$ 20.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on November 5, 2019. The weighted average yield was fixed at 9.072%. The nearest treasury securities auction is scheduled for November 12, 2019, where GEL 70.0mn nominal value 6-month T-bills and GEL 70.0mn nominal value 2-year Benchmark Bonds will be sold.

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

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

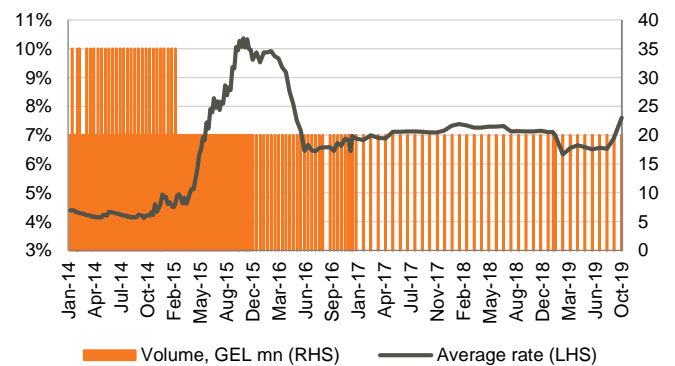
Source: MoF

T-bills / T-notes, yield curve



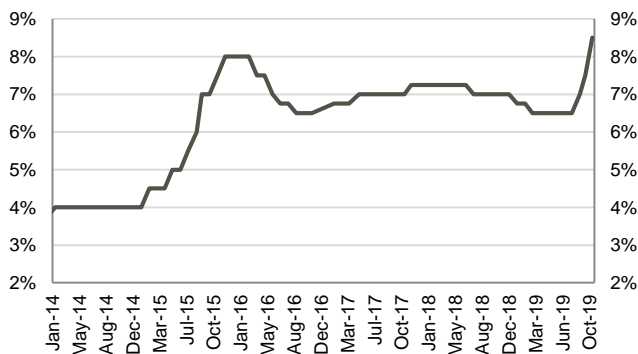
Source: NBG

Certificates of Deposits (weighted average rate)



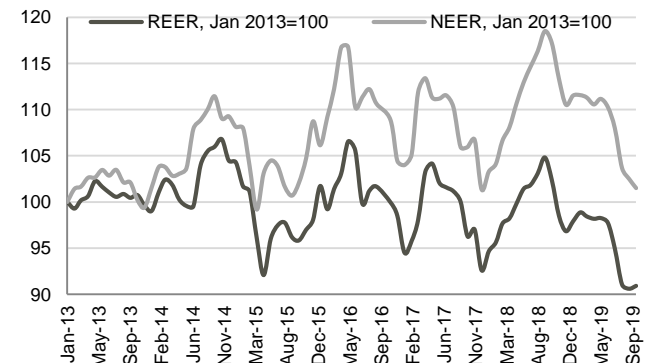
Source: NBG

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

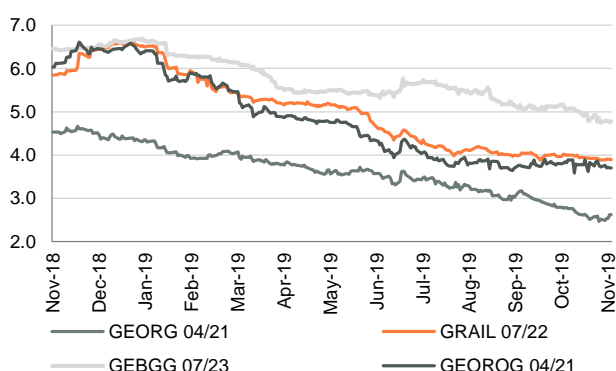
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.78% yield, trading at 104.10 (-0.12% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.00 (+0.04% w/w), yielding 7.50%.

GOGC Eurobonds (GEOROG) were trading at 104.28 (-0.03% w/w), yielding 3.70%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.64 (-0.10% w/w), yielding 3.90%.

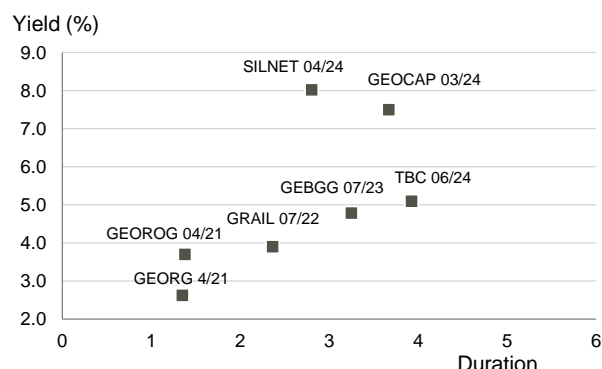
Georgian Sovereign Eurobonds (GEORG) closed at 105.86 (-0.23% w/w) at 2.62% yield to maturity.

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	105.86	2.62	88.24
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.64	3.90	218.44
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.28	3.70	196.26
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	104.10	4.78	306.86
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	104.19	10.26	823.66
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	95.00	7.50	578.22
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	110.84	8.02	629.08
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	102.65	5.10	337.64
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	101.97	10.58	849.52

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	-/-/-	100.74	7.13	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.32	7.38	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.06	5.63	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.05	7.13	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.62	7.25	n/a
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B-/B-/	100.17	11.75	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/B-/	100.85	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-/	101.58	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/Baa2	105.86	2.62	88.24
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.51	3.09	128.51
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.56	3.07	134.88
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.33	4.45	274.23
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.44	2.48	75.12
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.38	1.99	8.72
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.68	3.62	187.51
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	105.00	4.81	308.20

Source: Bloomberg

Equities

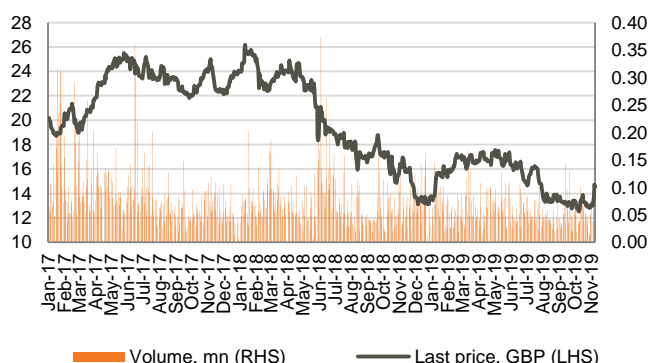
Bank of Georgia Group (BGEO LN) shares closed at GBP 14.55/share (+11.07% w/w and +16.21% m/m). More than 417k shares traded in the range of GBP 12.92 - 15.05/share. Average daily traded volume was 58k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.99% w/w and 6.02% m/m. The volume of BGEO shares traded was at 0.85% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.16/share (+3.99% w/w and +3.04% m/m). More than 160k shares traded in the range of GBP 9.51 - 10.30/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.44% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.50/share (+3.69% w/w and +12.88% m/m). More than 184k shares changed hands in the range of GBP 12.94 - 13.90/share. Average daily traded volume was 47k in the last 4 weeks. The volume of TBCG shares traded was at 0.34% of its capitalization.

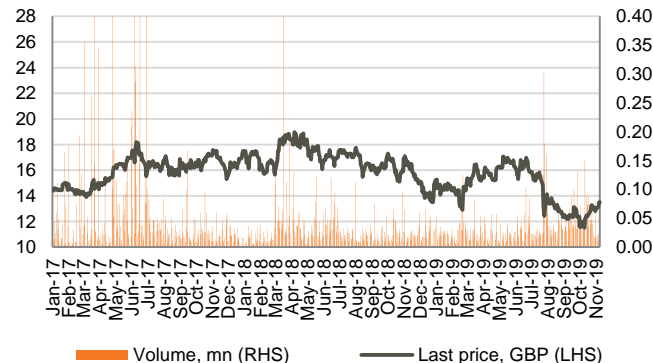
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.80/share (unchanged w/w and -14.08% m/m). More than 111k shares were traded in the range of GBP 1.73 - 1.80/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.08% of its capitalization.

Bank of Georgia Group (BGEO LN)



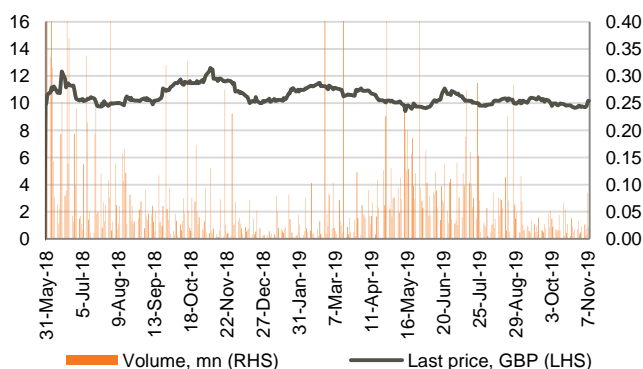
Source: Bloomberg

TBC Bank Group (TBCG LN)



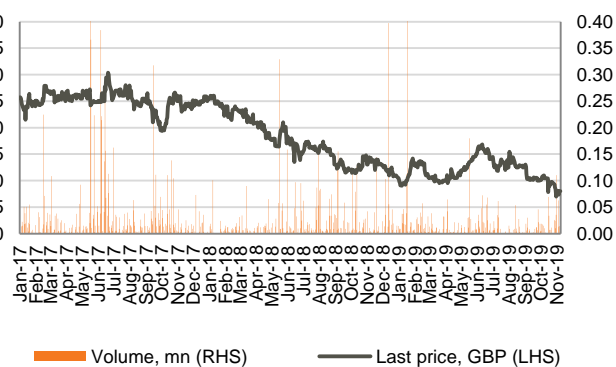
Source: Bloomberg

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	14.55	715	-16.9%	-13.6%	5.7%	5.69x	5.44x	1.51x	1.08x
TBC	TBC	GBP	13.50	743	-20.9%	-18.9%	-11.3%	5.87x	5.28x	1.06x	0.92x
Halyk Bank	HSBK	US\$	13.30	3,908	18.2%	15.7%	28.5%	5.03x	4.87x	1.10x	1.04x
VTB Bank	VTBR	US\$	1.43	9,260	27.4%	10.9%	29.0%	3.77x	3.50x	0.58x	0.43x
Akbank	AKBNK	TRY	7.34	38,168	25.9%	17.2%	24.7%	7.12x	4.88x	0.73x	0.65x
Garanti	GARAN	TRY	9.79	41,118	26.3%	23.6%	23.0%	6.09x	4.33x	0.75x	0.67x
Isbank	ISCTR	TRY	6.15	27,675	17.8%	51.5%	35.8%	4.73x	3.83x	0.50x	0.44x
PKO	PKO	PLN	39.00	48,750	3.2%	-7.5%	-1.2%	10.88x	10.61x	1.16x	1.13x
PEKAO	PEO	PLN	105.05	27,572	-2.2%	-6.0%	-3.6%	12.24x	10.42x	1.17x	1.13x
Millennium	MIL	PLN	5.90	7,157	-35.4%	-38.3%	-33.5%	9.98x	8.02x	0.78x	0.72x
Mbank	MBK	PLN	382.80	16,207	-7.8%	-8.9%	-9.8%	12.99x	11.84x	0.98x	0.92x
BRD	BRD	RON	14.42	10,049	6.8%	6.3%	26.5%	7.61x	8.56x	1.32x	1.30x
Banca Transilvania	TLV	RON	2.42	12,596	22.0%	10.4%	30.5%	8.75x	8.97x	1.50x	1.39x
OTP	OTPD	USD	21.20	11,872	-5.4%	20.5%	8.2%	9.56x	9.18x	0.81x	0.71x
Komerční	KOMB	CZK	788.00	149,759	-9.7%	-12.5%	-7.0%	10.03x	10.55x	1.41x	1.37x
Mean								8.02x	7.35x	1.02x	0.93x
Median								7.61x	8.02x	1.06x	0.92x

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	10.16	373	0.4%	-18.5%	-0.5%	14.39x	11.28x	1.03x	0.96x
Tinc Comm	TINC	EUR	14.00	382	16.7%	15.2%	18.6%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	8.60	17,547	19.1%	11.3%	14.4%	4.40x	3.63x	0.51x	0.45x
Deutsche Beteiligungs	DBAN	EUR	38.35	577	9.4%	6.4%	14.3%	19.24x	16.49x	1.27x	1.21x
Eurazeo	RF	EUR	62.35	4,911	-4.7%	-0.3%	5.9%	13.12x	12.07x	0.89x	0.84x
Carlyle Group	CG	USD	27.39	3,032	30.6%	29.8%	73.9%	15.86x	5.42x	2.96x	1.83x
Mean								13.40x	9.78x	1.33x	1.06x
Median								14.39x	11.28x	1.03x	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	1.80	237	-18.9%	-25.9%	-11.8%	18.53x	11.94x	7.31x	6.15x
Mouwasat	MOUWASAT	SAR	84.90	8,490	-1.3%	17.9%	5.5%	22.36x	18.75x	15.65x	13.54x
Fortis	FORH	INR	152.05	114,791	13.8%	7.3%	8.2%	1.91x	1.72x	6.70x	6.75x
Raffles	RFMD	SGD	1.01	1,846	-3.8%	-6.5%	-8.2%	30.60x	30.55x	19.93x	18.82x
IHH	IHH	MYR	5.51	48,345	0.0%	10.4%	2.2%	47.07x	38.12x	16.29x	14.22x
Bangkok Chain	BCH	THB	16.60	41,396	-7.8%	-12.6%	-0.6%	33.70x	30.39x	18.70x	16.97x
Netcare	NTC	ZAR	17.10	24,827	-28.5%	-33.3%	-35.3%	11.50x	10.86x	7.03x	6.57x
Life Healthcare	LHC	ZAR	24.11	35,378	-9.1%	-7.4%	-8.7%	20.64x	15.35x	8.41x	7.52x
Mediclinic	MDC	GBP	3.74	2,760	8.3%	0.7%	16.1%	13.72x	14.42x	8.98x	8.44x
Apollo Hospitals	APHS	INR	1,418.60	197,363	21.2%	25.4%	12.7%	69.60x	53.26x	21.63x	16.22x
KPJ Healthcare	KPJ	MYR	0.93	3,963	-5.6%	-15.9%	-11.1%	21.17x	19.61x	10.30x	9.69x
NMC	NMC	GBP	23.18	4,839	-15.2%	-34.0%	-15.3%	19.47x	15.01x	12.62x	10.70x
Mean								25.86x	21.67x	12.80x	11.30x
Median								20.90x	17.05x	11.46x	10.19x

Source: Bloomberg, S&P Capital IQ

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