

Weekly Market Watch

 Weekly Market Watch | Georgia
 December 7, 2020

Economy

Real GDP shrinks 3.9% y/y in October 2020

Georgia's economy contracted by 3.9% y/y in October 2020 after falling 0.7% y/y in September and 3.8% y/y in 3Q20, according to Geostat's rapid estimates. In October, positive real growth was recorded only in financial and insurance activities, while it decreased in other sectors. Overall, real GDP contracted by 5.1% y/y in 10M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 3.8% y/y and 0.9% m/m in November 2020

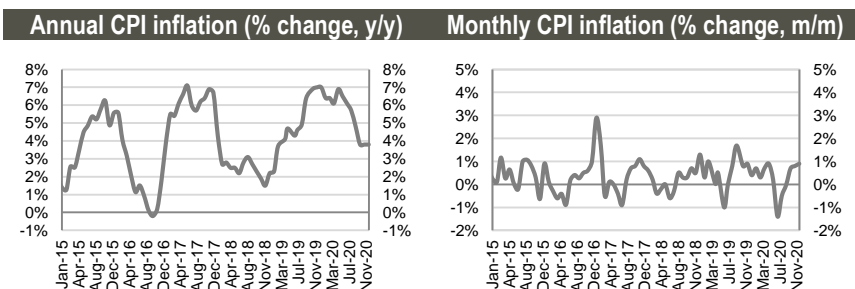
Annual CPI inflation was 3.8% in November 2020, unchanged since September 2020, according to Geostat. Core inflation (non-food, non-energy) came in at 5.1% in November 2020, while core inflation excluding tobacco was 4.8%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+6.0% y/y, +1.92pts) and health (+8.8% y/y, +0.71pts) categories and price drop in transport (-5.2% y/y, -0.64pts) category. On a monthly basis, inflation was 0.9% in November 2020.

NBG sold US\$ 19.8mn

On 3 December 2020, the NBG intervened on the FX market and sold US\$ 19.8mn out of offered US\$ 25mn to limit GEL volatility. This was 25th FX intervention YTD for a total sale of US\$ 843.2mn through FX auctions.

Government targets a 7.6% deficit in the 2021 final draft budget

The government has submitted to the parliament the final draft of 2021 budget, which sets economic growth at 4.3% (revised down from 5.0% in the initial draft) and GDP deflator at 3.8% (revised down from 4.0% in the initial draft) for 2021. Fiscal deficit is set at 7.6% of GDP with both operating expenditures (+3.8% y/y, 25.1% of GDP) and capital expenditures (+5.2% y/y, 8.1% of GDP) set to increase. The government expects a 9.0% y/y growth in tax revenues (22.5% of GDP). Total public debt to GDP is set at 60.1% (revised up from 55.9% in the initial draft) in 2021, reflecting US\$ 500mn Eurobond refinancing and no growth in domestic debt.



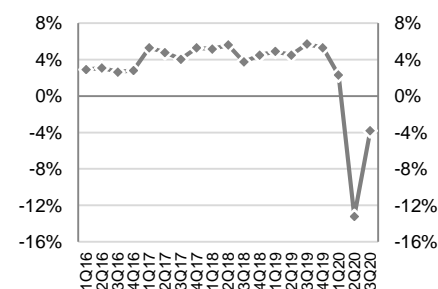
Source: Geostat

Key macro indicators

| | 2017 | 2018 | 2019 |
|------------------------------|--------|--------|--------|
| GDP (% change) | 4.8% | 4.8% | 5.0% |
| GDP per capita (ppp) | 13,596 | 14,584 | 15,634 |
| GDP per capita (US\$) | 4,359 | 4,722 | 4,696 |
| 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% | 5.5% |
| Fiscal deficit (% of GDP) | 2.7% | 2.3% | 2.1% |
| Total public debt (% of GDP) | 39.4% | 38.9% | 40.4% |

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 Affirmed Aug-2020 | Moody's INVESTORS SERVICE Ba2 Stable Affirmed Aug-2020 | FitchRatings BB Negative Affirmed Aug-2020 |
|---|---|--|

Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 21.1mn) Benchmark Bonds were sold at the auction held at NBG on December 1, 2020. Total demand was 2.5x higher and the weighted average yield was fixed at 8.167%, unchanged from previous auction held in November, 2020.

Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 6.0mn) T-Bills were sold at the auction held at NBG on December 1, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.088%, up 0.059ppts from previous auction held in November, 2020. The nearest treasury security auction is scheduled for December 8, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

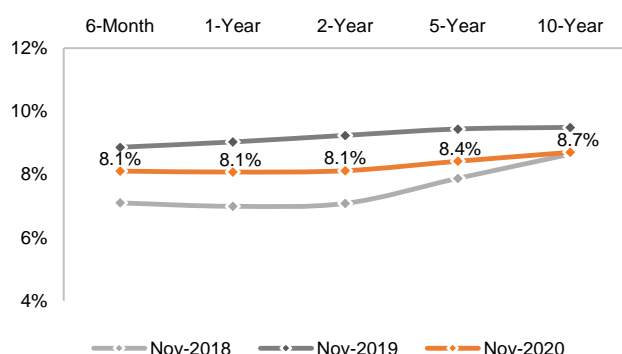
T-bills / T-notes in 2020

| Maturity | YTD placements, GEL mn | Remaining placements, GEL mn | Outstanding amount, GEL mn* |
|--------------|------------------------|------------------------------|-----------------------------|
| 6-month | 350 | 0 | 180 |
| 1-year | 610 | 50 | 680 |
| 2-year | 840 | 0 | 1,390 |
| 5-year | 880 | 80 | 2,088 |
| 10-year | 150 | 0 | 1,237 |
| Total | 2,830 | 150 | 5,575 |

Source: MoF

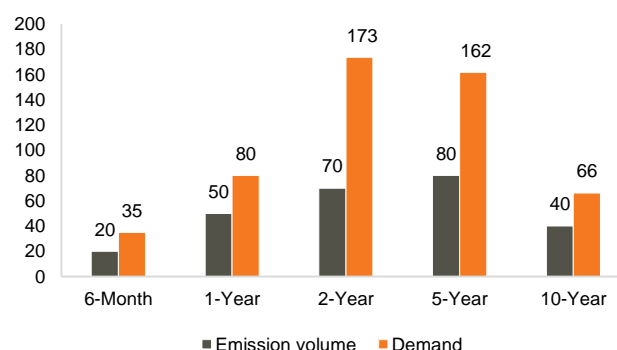
Note: * As of 31 October 2020

T-bills / T-notes, yield curve



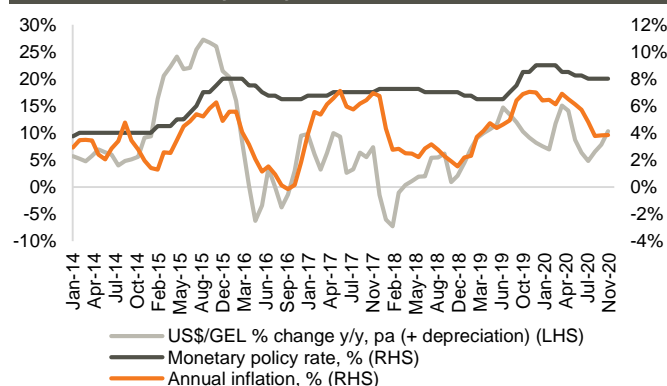
Source: NBG

Emission volume vs. demand on latest T-bill01s / T-notes auctions, GEL mn



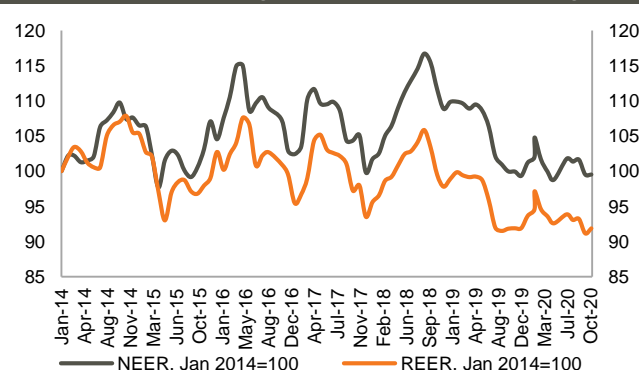
Source: NBG

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

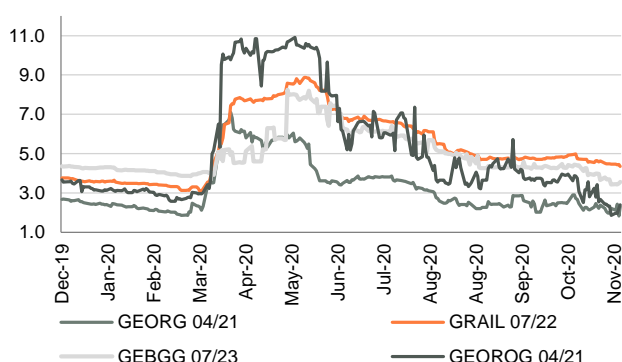
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.52% yield, trading at 106.18 (-0.26% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 100.27 (+0.62% w/w), yielding 6.03%.

GOGC Eurobonds (GEOROG) were trading at 101.64 (-0.31% w/w), yielding 2.42%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.25 (+0.18% w/w), yielding 4.30%.

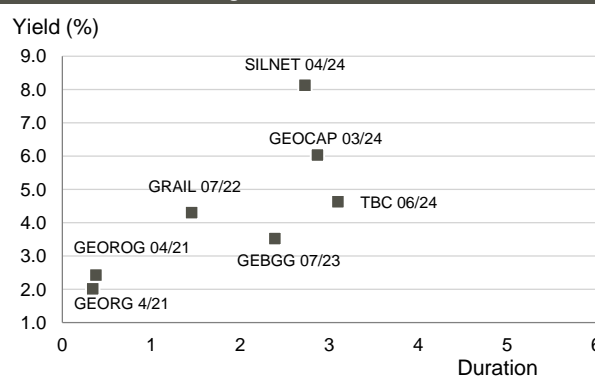
Georgian Sovereign Eurobonds (GEORG) closed at 101.66 (-0.02% w/w) at 2.01% yield to maturity.

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 | 101.66 | 2.01 | 177.59 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | Jul-22 | BB-/B+/- | 105.25 | 4.30 | 407.33 |
| GEOROG 04/21 | US\$ | 250 | 6.750% | Apr-21 | BB/BB/- | 101.64 | 2.42 | 219.45 |
| GEBGG 07/23 | US\$ | 350 | 6.000% | Jul-23 | BB-/B/Ba2 | 106.18 | 3.52 | 325.53 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.125% | n/a | B-/-/- | 105.18 | 9.25 | 904.99 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | Mar-24 | -B/B2 | 100.27 | 6.03 | 572.29 |
| SILKNET 04/24 | US\$ | 200 | 11.000% | Apr-24 | B+/-/B1 | 108.19 | 8.12 | 781.70 |
| TBC 06/24 | US\$ | 300 | 5.750% | Jun-24 | BB-/B/Ba2 | 103.61 | 4.63 | 430.13 |
| TBC PERP | US\$ | 125 | 10.775% | n/a | B-/-/- | 101.17 | 9.83 | 1,004.07 |
| GGU 07/25 | US\$ | 250 | 7.750% | Jul-25 | B+/-/B-/- | 101.82 | 7.28 | 683.39 |

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 | -/-/- | 100.51 | 7.00 | n/a |
| M2RE 10/22 | US\$ | 35 | 7.50% | Oct-22 | -/-/- | 100.84 | 7.00 | n/a |
| GLC 06/21 | US\$ | 5 | 6.50% | Jun-21 | -/-/- | n/a | n/a | n/a |
| GLC 08/21 | US\$ | 10 | 7.50% | Aug-21 | -/-/- | 99.98 | 7.50 | n/a |
| GLC 08/22 | US\$ | 10 | 7.50% | Aug-22 | -/-/- | n/a | n/a | n/a |
| CRYSTAL 02/21 | GEL | 15 | 13.00% | Feb-21 | B/-/- | 100.00 | 12.00 | 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-/-/- | 100.00 | 14.25 | 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/Baa2 | 101.66 | 2.01 | 177.59 |
| Azerbaijan | US\$ | 174 | 2.820% | Sep-21 | BB+/-/Ba2 | 100.86 | 1.64 | 141.96 |
| Belarus | US\$ | 800 | 6.875% | Feb-23 | B/B/B3 | 105.30 | 4.34 | 409.66 |
| Kazakhstan | US\$ | 1,500 | 3.875% | Oct-24 | BBB/BBB-/Baa3 | 111.07 | 0.94 | 58.03 |
| Russia | US\$ | 3,000 | 4.875% | Sep-23 | BBB/BBB-/Baa3 | 109.92 | 1.23 | 95.19 |
| Turkey | US\$ | 2,000 | 5.625% | Mar-21 | BB-/B2 | 100.97 | 2.46 | 223.31 |
| Ukraine | US\$ | 1,409 | 7.750% | Sep-21 | B/B/B3 | 104.00 | 2.20 | 198.17 |

Source: Bloomberg



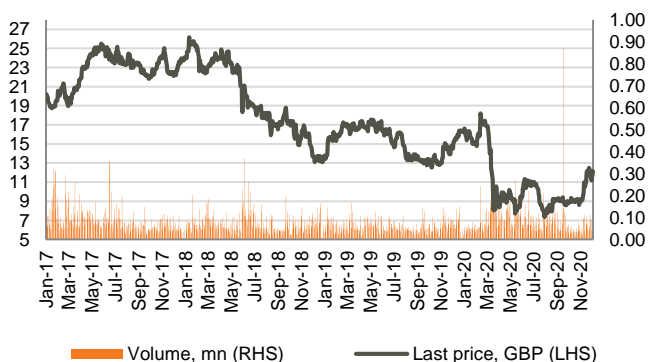
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 12.14/share (+3.76% w/w and +32.39% m/m). More than 275k shares traded in the range of GBP 11.04 - 12.48/share. Average daily traded volume was 68k in the last 4 weeks. The volume of BGEO shares traded was at 0.56% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.55/share (+16.47% w/w and +48.40% m/m). More than 219k shares traded in the range of GBP 4.78 - 5.65/share. Average daily traded volume was 72k in the last 4 weeks. The volume of CGEO shares traded was at 0.60% of its capitalization.

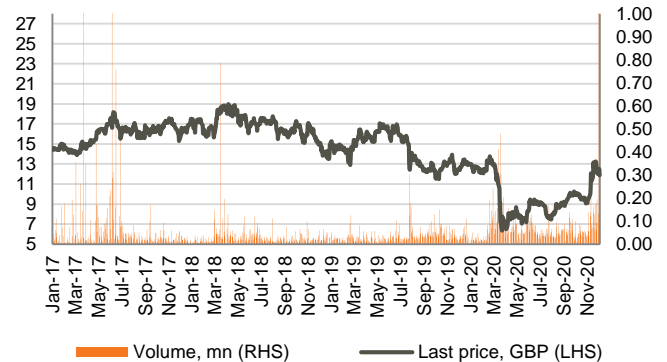
TBC Bank Group (TBCG LN) closed the week at GBP 11.88/share (-1.98% w/w and +24.79% m/m). More than 1721k shares changed hands in the range of GBP 11.64 - 12.92/share. Average daily traded volume was 180k in the last 4 weeks. The volume of TBCG shares traded was at 3.13% of its capitalization.

Bank of Georgia Group (BGEO LN)



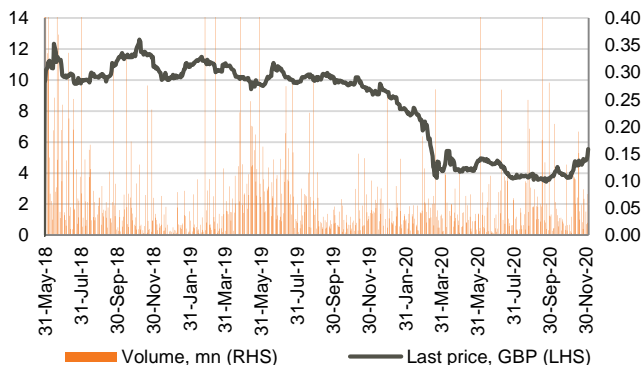
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Capital (CGEO 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 | |
|--------------------|--------|----------|-------------|----------|--------|---------|---------|---------------|--------------|--------------|--------------|
| | | | | | | | | 2020F | 2021F | 2020F | 2021F |
| Bank of Georgia | BGEO | GBP | 12.14 | 597 | 19.7% | -19.0% | -25.3% | 8.49x | 5.00x | 0.97x | 0.81x |
| TBC | TBC | GBP | 11.88 | 654 | 30.4% | -6.3% | -8.6% | 8.19x | 5.53x | 0.95x | 0.83x |
| Halyk Bank | HSBK | US\$ | 11.80 | 3,467 | 0.4% | -11.6% | -11.6% | 4.92x | 4.47x | 0.95x | 0.90x |
| VTB Bank | VTBR | US\$ | 1.00 | 6,464 | -4.1% | -26.8% | -31.8% | 7.56x | 3.51x | 0.36x | 0.34x |
| Akbank | AKBNK | TRY | 6.18 | 32,136 | 6.0% | -19.8% | -23.8% | 7.89x | 5.88x | 0.78x | 0.68x |
| Garanti | GARAN | TRY | 9.11 | 38,262 | 11.9% | -10.7% | -18.2% | 7.99x | 5.74x | 0.86x | 0.73x |
| Isbank | ISCTR | TRY | 6.61 | 29,745 | 29.9% | 7.1% | 3.1% | 6.84x | 5.09x | 0.65x | 0.58x |
| PKO | PKO | PLN | 28.07 | 35,088 | 23.9% | -19.8% | -18.5% | 12.24x | 11.63x | 0.76x | 0.73x |
| PEKAO | PEO | PLN | 59.66 | 15,659 | 8.5% | -38.1% | -40.6% | 12.29x | 11.14x | 0.60x | 0.58x |
| Millennium | MIL | PLN | 3.08 | 3,736 | 0.8% | -43.9% | -47.4% | 10.29x | 9.53x | 0.40x | 0.40x |
| Mbank | MBK | PLN | 168.50 | 7,134 | -25.5% | -53.0% | -56.7% | 19.83x | 14.59x | 0.40x | 0.40x |
| BRD | BRD | RON | 14.60 | 10,175 | 11.5% | -5.8% | -7.8% | 12.40x | 12.52x | 1.10x | 1.16x |
| Banca Transilvania | TLV | RON | 2.26 | 11,788 | 11.5% | -4.4% | -4.2% | 12.10x | 10.69x | 1.54x | 1.49x |
| OTP | OTPD | USD | 22.80 | 12,768 | 0.0% | 7.5% | 7.5% | 12.70x | 11.69x | 0.71x | 0.66x |
| Komerční | KOMB | CZK | 616.00 | 117,070 | 10.0% | -22.2% | -25.7% | 14.11x | 12.31x | 0.99x | 0.96x |
| Mean | | | | | | | | 10.52x | 8.62x | 0.80x | 0.75x |
| Median | | | | | | | | 10.29x | 9.53x | 0.78x | 0.73x |

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 | |
|-----------------------|--------|----------|-------------|----------|--------|---------|---------|---------------|--------------|--------------|--------------|
| | | | | | | | | 2020F | 2021F | 2020F | 2021F |
| Georgia Capital | CGEO | GBP | 5.55 | 204 | 15.6% | -40.0% | -39.8% | n/a | n/a | n/a | n/a |
| Tinc Comm | TINC | EUR | 12.90 | 352 | -1.5% | -5.1% | -3.4% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 10.20 | 20,812 | 13.1% | 12.0% | 6.9% | 6.72x | 5.89x | 0.83x | 0.71x |
| Deutsche Beteiligungs | DBAN | EUR | 33.50 | 504 | 5.7% | -17.3% | -15.1% | n/mf | 11.29x | 1.10x | 1.05x |
| Eurazeo | RF | EUR | 55.00 | 4,332 | 13.7% | -9.3% | -9.8% | 30.92x | 8.44x | 0.75x | 0.70x |
| Carlyle Group | CG | USD | 28.88 | 3,196 | -2.9% | -1.2% | -10.0% | 5.00x | 4.20x | 4.54x | 4.70x |
| Mean | | | | | | | | 14.21x | 7.46x | 1.81x | 1.79x |
| Median | | | | | | | | 6.72x | 7.17x | 0.97x | 0.88x |

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