

# Weekly Market Watch

Weekly Market Watch | Georgia  
December 2, 2019

## Economy

### Real GDP growth was 5.7% y/y in October 2019

Georgia's economy grew by 5.7% y/y in October 2019 after growing 5.2% y/y in previous month, according to Geostat's rapid estimates. In October 2019, real growth was recorded in manufacturing, construction, hotels & restaurants, and information & communication sectors. Meanwhile, real growth was down in mining and in arts, entertainment and recreation activities. Overall, real GDP growth was 5.1% y/y in 10M19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### NPLs at 2.7% in October 2019

In October 2019, the banking sector loan portfolio increased 14.0% y/y, after growing 14.6% in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.4% y/y and up 2.1% m/m to GEL 30.8bn (US\$ 10.4bn). Deposits were up 11.4% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 18.1% y/y and up 2.7% m/m to GEL 26.3bn (US\$ 8.9bn). Loan dollarization stood at 55.3% (-1.09ppts y/y and +0.32ppts m/m) and deposit dollarization reached 63.9% (+0.51ppts y/y and +0.03ppts m/m). NPLs was 2.7% in October 2019 (-0.15ppts y/y and +0.02ppts m/m).

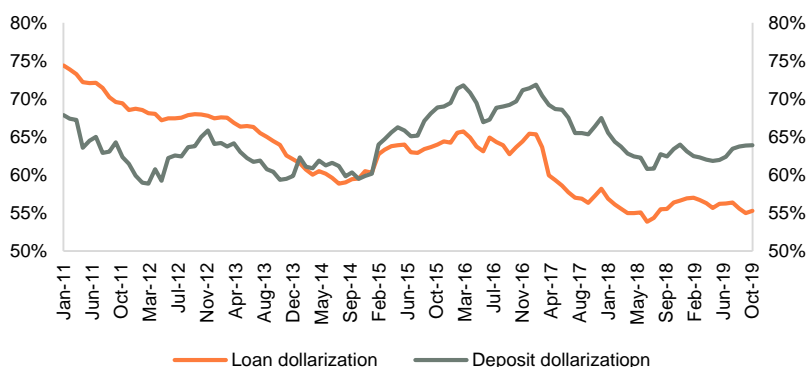
### NBG sold US\$ 20.0mn

On 26 November 2019, the NBG intervened on the FX market and sold US\$ 20.0mn. YTD, the NBG is a net buyer of US\$ 123mn as it purchased US\$ 216mn in 1H19 and sold US\$ 92.8mn during August-November 2019.

### Government targets a 2.5% deficit in the 2020 final budget

The government has submitted to the parliament the final draft of 2020 budget, which sets economic growth at 4.5% (revised down from 5.0% in initial draft) and GDP deflator at 3.5% (revised up from 3.0% in initial draft) for 2020. Fiscal deficit is set at 2.5% of GDP, total expenditures at 28.4% of GDP, and taxes at 23.2% of GDP on the consolidated budget level. Total public debt to GDP is set at 42.5% (2019E 40.9%), reflecting reduced share of external debt (2020F 32.2% vs. 2019E 32.5%) and increased share of domestic debt (2020F 10.3% vs. 2019E 8.4%). Importantly, all ratios to GDP are reduced due to GDP recalculation (see our note of 18 November 2019). Notably, in nominal terms tax revenues and expenditures were revised upwards significantly compared to initial draft, while fiscal deficit was revised up slightly. Moreover, government targets growth in deposits by GEL 700mn up from GEL 400mn in initial draft.

### Loan and deposit dollarization

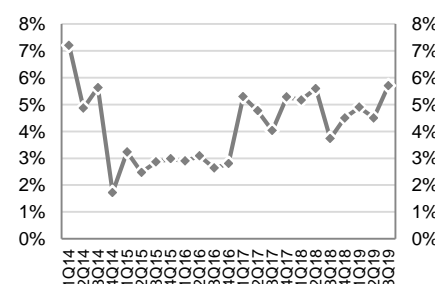


### Key macro indicators

	2016	2017	2018
GDP (% change)	2.9%	4.8%	4.8%
GDP per capita (ppp)	10,511	11,485	12,417
GDP per capita (US\$)	4,062	4,359	4,722
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)	12.4%	8.1%	6.8%
Fiscal deficit (% of GDP)	2.9%	2.7%	2.3%
Total public debt (% of GDP)	40.3%	39.4%	38.9%

Source: Official data, Galt & Taggart

### Real GDP growth, %



### 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

<b>STANDARD &amp; POOR'S</b>  <b>BB</b> Stable Upgraded Oct-2019	<b>Moody's</b> INVESTORS SERVICE  <b>Ba2</b> Stable Affirmed Sep-2019	<b>FitchRatings</b>  <b>BB</b> Stable Affirmed Aug-2019
---	---	--

Source: Rating agencies

# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.1bn (US\$ 712.5mn).

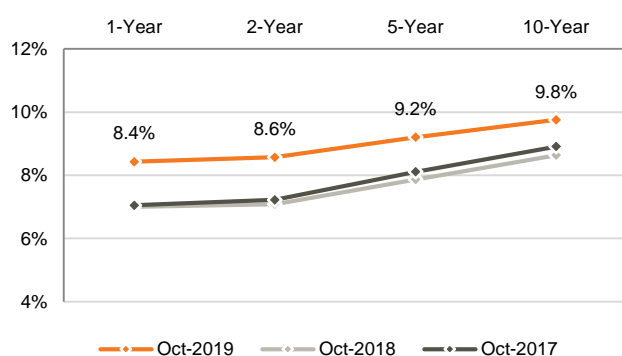
**Ministry of Finance Benchmark Bonds:** 5-year GEL 70.0mn (US\$ 23.5mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on November 26, 2019. The weighted average yield was fixed at 9.461%. The nearest treasury security auction is scheduled for December 3, 2019, where GEL 60.0mn nominal value 1-year T-Bills will be sold.

## T-bills / T-notes, Dec-19 emission calendar

Date	Volume, GEL mn	Maturity
3-Dec-19	60	1 year
10-Dec-19	70	6 month
10-Dec-19	70	2 year
17-Dec-19	30	10 year
24-Dec-19	70	5 year

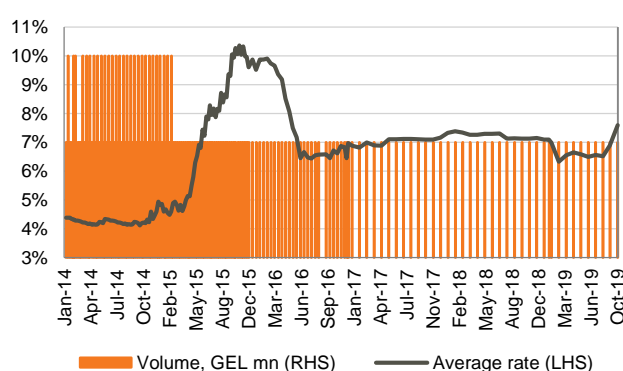
Source: MoF

## T-bills / T-notes, yield curve



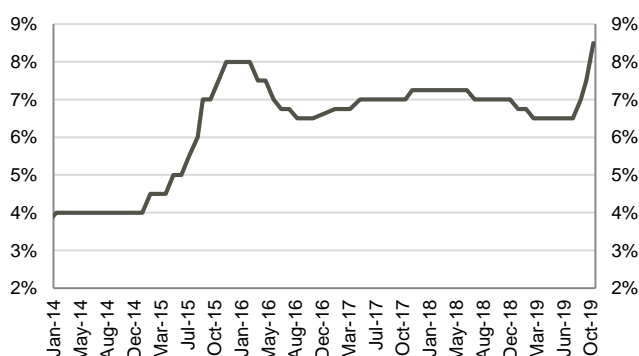
Source: NBG

## Certificates of Deposits (weighted average rate)



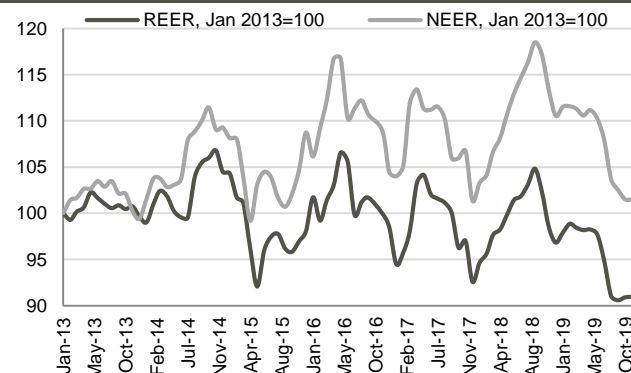
Source: NBG

## 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

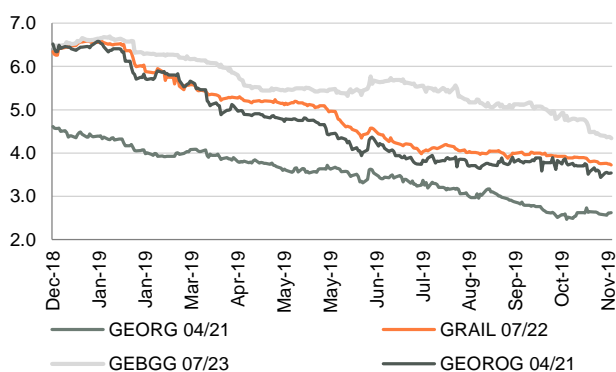
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.34% yield, trading at 105.54 (+0.21% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.66 (-0.70% w/w), yielding 7.04%.

GOGC Eurobonds (GEOROG) were trading at 104.34 (-0.19% w/w), yielding 3.54%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.90 (+0.01% w/w), yielding 3.73%.

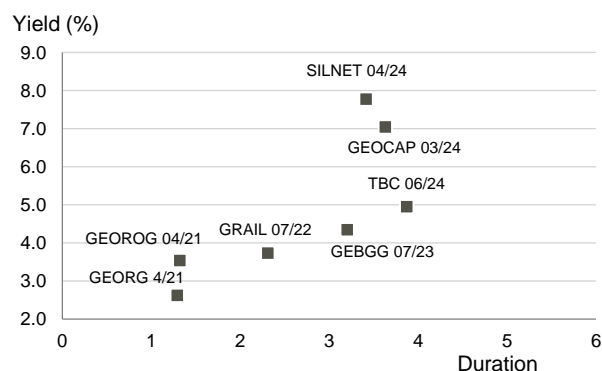
**Georgian Sovereign Eurobonds (GEORG)** closed at 105.64 (-0.12% w/w) at 2.62% yield to maturity.

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	105.64	2.62	90.72
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.90	3.73	206.36
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.34	3.54	175.90
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	105.54	4.34	277.49
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-/	104.59	10.16	822.31
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	96.66	7.04	525.12
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	111.65	7.78	600.33
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B-/Ba2	103.23	4.95	332.68
TBC PERP	US\$	125	10.775%	n/a	B-/B-/	102.33	10.47	854.03

#### Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/B-/B-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-/-	99.81	7.00	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+/-/-/-	101.45	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-/-	99.07	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-/-	102.44	6.50	n/a
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B/-/-/-	100.10	11.75	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B/-/-/-	100.81	11.75	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	11.00%	Apr-24	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-/B-	101.54	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	105.64	2.62	90.72
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.61	2.78	91.38
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.07	2.78	111.97
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.91	4.55	290.95
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.95	2.35	74.07
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.20	2.00	6.77
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.91	3.36	163.20
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	104.89	4.79	308.74

Source: Bloomberg

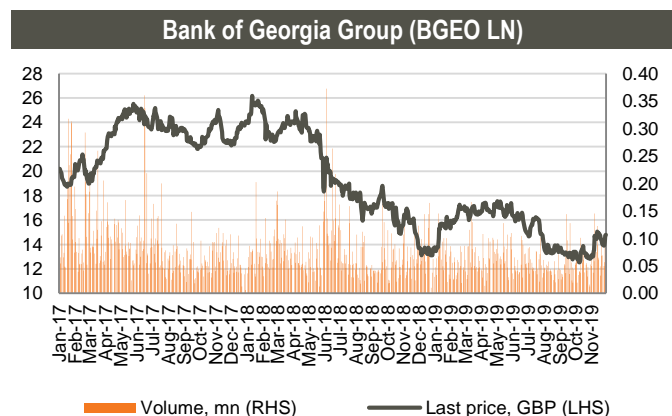
## Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 14.80/share (+5.71% w/w and +15.53% m/m). More than 367k shares traded in the range of GBP 13.83 - 14.94/share. Average daily traded volume was 76k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.60% w/w and 3.19% m/m. The volume of BGEO shares traded was at 0.75% of its capitalization.

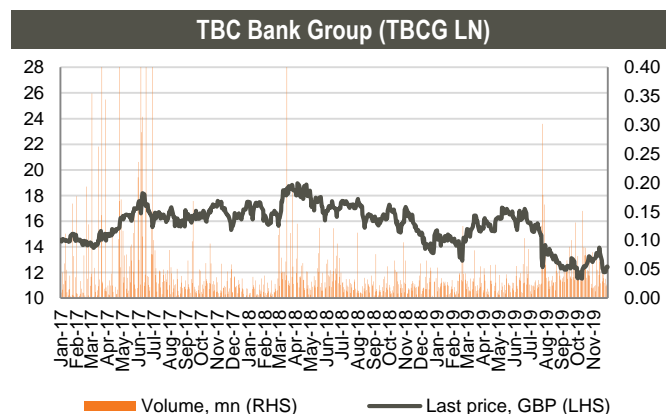
**Georgia Capital (CGEO LN)** shares closed at GBP 9.44/share (-0.63% w/w and -3.77% m/m). More than 208k shares traded in the range of GBP 9.26 - 9.60/share. Average daily traded volume was 43k in the last 4 weeks. The volume of CGEO shares traded was at 0.57% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 12.40/share (+3.33% w/w and -4.02% m/m). More than 106k shares changed hands in the range of GBP 11.90 - 12.56/share. Average daily traded volume was 35k in the last 4 weeks. The volume of TBCG shares traded was at 0.19% of its capitalization.

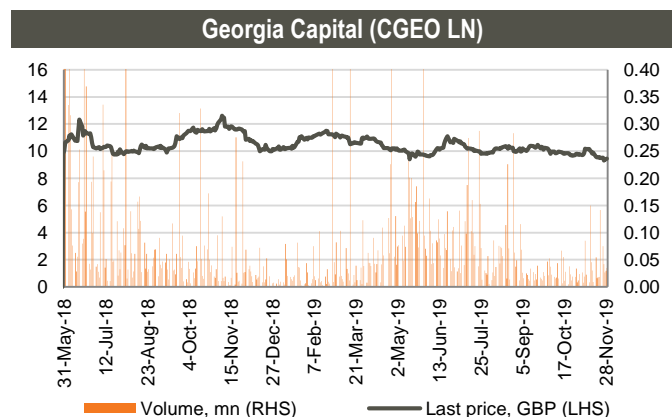
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 1.65/share (-0.15% w/w and -12.02% m/m). More than 625k shares were traded in the range of GBP 1.64 - 1.70/share. Average daily traded volume was 66k in the last 4 weeks. The volume of GHG shares traded was at 0.48% of its capitalization.



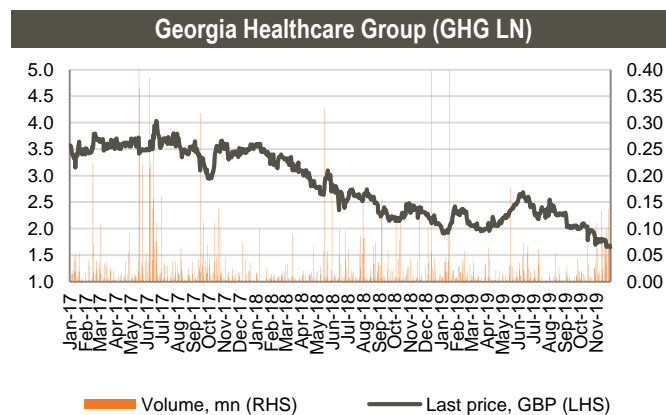
Source: Bloomberg



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	14.80	728	-14.8%	5.3%	7.5%	5.89x	5.64x	1.39x	1.10x
TBC	TBC	GBP	12.40	682	-23.9%	-17.0%	-18.5%	5.33x	4.96x	0.98x	0.86x
Halyk Bank	HSBK	US\$	13.35	3,923	14.6%	28.4%	29.0%	5.05x	4.90x	1.18x	1.05x
VTB Bank	VTBR	US\$	1.38	8,943	19.9%	6.4%	24.5%	3.69x	3.51x	0.56x	0.42x
Akbank	AKBNK	TRY	7.77	40,404	35.6%	20.1%	32.0%	7.46x	5.02x	0.78x	0.68x
Garanti	GARAN	TRY	10.10	42,420	35.2%	24.7%	26.9%	6.41x	4.44x	0.78x	0.69x
Isbank	ISCTR	TRY	6.15	27,675	25.3%	45.7%	35.8%	4.85x	3.92x	0.50x	0.44x
PKO	PKO	PLN	36.14	45,175	-5.0%	-13.3%	-8.4%	10.18x	9.79x	1.08x	1.05x
PEKAO	PEO	PLN	104.80	27,507	1.0%	-4.2%	-3.9%	12.24x	10.47x	1.18x	1.13x
Millennium	MIL	PLN	5.52	6,696	-40.9%	-40.7%	-37.8%	9.34x	7.56x	0.73x	0.68x
Mbank	MBK	PLN	372.20	15,758	-6.6%	-12.1%	-12.3%	12.64x	11.51x	0.96x	0.90x
BRD	BRD	RON	15.30	10,663	34.7%	8.8%	34.2%	6.94x	9.24x	1.39x	1.38x
Banca Transilvania	TLV	RON	2.55	13,301	21.7%	16.1%	37.8%	9.03x	9.48x	1.50x	1.48x
OTP	OTPD	USD	21.20	11,872	-5.4%	8.2%	8.2%	9.09x	9.06x	0.80x	0.70x
Komercni	KOMB	CZK	794.00	150,899	-8.7%	-12.0%	-6.3%	10.02x	10.66x	1.43x	1.37x
<b>Mean</b>								<b>7.88x</b>	<b>7.34x</b>	<b>1.02x</b>	<b>0.93x</b>
<b>Median</b>								<b>7.46x</b>	<b>7.56x</b>	<b>0.98x</b>	<b>0.90x</b>

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	9.44	347	-2.9%	-17.8%	-7.5%	13.61x	10.67x	0.95x	0.89x
Tinc Comm	TINC	EUR	13.80	376	15.8%	20.7%	20.7%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	9.10	18,568	24.8%	10.3%	21.0%	4.66x	3.84x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	40.55	610	16.4%	14.1%	20.9%	18.86x	17.44x	1.34x	1.27x
Eurazeo	RF	EUR	61.85	4,872	-1.4%	-3.3%	5.1%	13.71x	11.54x	0.88x	0.83x
Carlyle Group	CG	USD	29.80	3,298	49.4%	61.7%	89.2%	17.14x	5.56x	3.22x	1.99x
<b>Mean</b>								<b>13.60x</b>	<b>9.81x</b>	<b>1.39x</b>	<b>1.09x</b>
<b>Median</b>								<b>13.71x</b>	<b>10.67x</b>	<b>0.95x</b>	<b>0.89x</b>

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	1.65	217	-33.0%	-28.5%	-19.2%	16.48x	12.14x	7.51x	6.31x
Mouwasat	MOUWASAT	SAR	83.60	8,360	-1.6%	11.5%	3.9%	20.87x	18.59x	15.01x	13.35x
Fortis	FORH	INR	138.75	104,750	9.7%	-6.0%	-1.2%	1.74x	1.58x	6.65x	6.74x
Raffles	RFMD	SGD	1.00	1,819	-3.4%	-15.0%	-9.5%	30.46x	30.21x	19.37x	18.54x
IHH	IHH	MYR	5.37	47,116	-2.4%	-2.4%	-0.4%	54.88x	38.54x	15.37x	13.90x
Bangkok Chain	BCH	THB	17.40	43,391	10.1%	-5.4%	4.2%	35.74x	31.74x	19.43x	17.67x
Netcare	NTC	ZAR	20.00	29,037	8.3%	-24.0%	-24.3%	13.62x	12.19x	8.09x	7.54x
Life Healthcare	LHC	ZAR	24.72	36,273	7.1%	-7.8%	-6.4%	21.51x	15.54x	8.61x	7.95x
Mediclinic	MDC	GBP	3.87	2,850	25.1%	5.8%	19.9%	14.34x	14.64x	9.23x	8.86x
Apollo Hospitals	APHS	INR	1,441.20	200,507	19.8%	15.7%	14.5%	70.26x	54.95x	21.81x	15.85x
KPJ Healthcare	KPJ	MYR	0.91	3,878	-2.2%	-15.4%	-13.0%	20.67x	19.13x	9.40x	9.51x
NMC	NMC	GBP	25.09	5,238	3.0%	-29.2%	-8.3%	21.33x	16.45x	13.50x	11.46x
<b>Mean</b>								<b>26.83x</b>	<b>22.14x</b>	<b>12.83x</b>	<b>11.47x</b>
<b>Median</b>								<b>21.10x</b>	<b>17.52x</b>	<b>11.45x</b>	<b>10.49x</b>

Source: Bloomberg, S&P Capital IQ

## Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

### **Galt & Taggart**

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

**Tel:** + (995) 32 2401 111

**Email:** gt@gt.ge