

Weekly Market Watch

 Weekly Market Watch | Georgia
 Apr 8, 2019

Economy

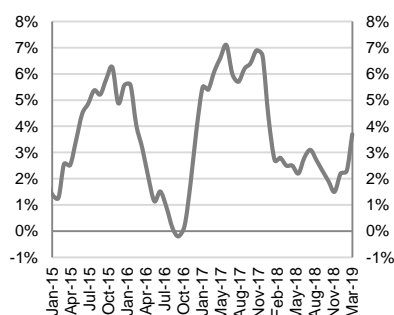
Inflation was 3.7% y/y and 1.0% m/m in March 2019

The annual CPI inflation accelerated to 3.7% in March 2019 from 2.4% in previous month, according to Geostat. Core inflation (non-food, non-energy) was 3.5% in March 2019, while core inflation excluding tobacco stood at 1.2%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+4.8% y/y, +1.50ppts), alcoholic beverages and tobacco (+20.8% y/y, +1.36ppts) and recreation and culture (+6.7% y/y, +0.38ppts) categories. On a monthly basis, there was 1.0% inflation in March 2019. Price increases in food and non-alcoholic beverages (+1.3% m/m, +0.40ppts), recreation and culture (+7.7% m/m, +0.42ppts) and alcoholic beverages and tobacco (+4.2% m/m, +0.30ppts) categories were the major drivers of monthly inflation dynamics.

Tourist arrivals up 4.3% y/y in March 2019

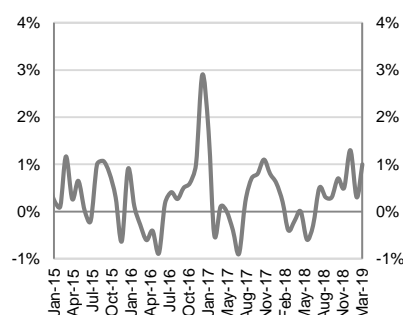
Total international arrivals (tourists and same-day arrivals) to Georgia increased by 4.6% y/y to 0.51mn in March 2019, according to the Ministry of Internal Affairs. This growth was mostly driven by tourists arrivals (+4.3% y/y to 0.33mn trips, 64.8% of total), while same-day arrivals also increased (+5.0% y/y). Out of top countries, in March 2019, international visitors increased from Azerbaijan (+11.3%), Russia (+32.2% y/y), Armenia (+1.2% y/y), Ukraine (+10.2%) and Israel (+73.0% y/y), while visitors were down from Turkey (-7.2% y/y) and Iran (-64.7% y/y). Visitors from the EU were up 25.9% y/y to over 20,900 visitors, with Poland, Germany and Latvia driving growth. In 1Q19, total international visitors stood at 1.33mn (+1.1% y/y), of which tourist arrivals reached 0.88mn (+5.1% y/y).

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

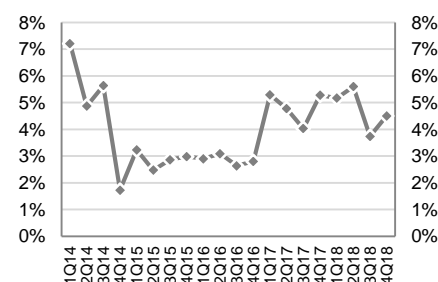


Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	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

STANDARD & POOR'S BB- Stable Affirmed May-2018	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2018	FitchRatings 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 430mn (US\$ 159.8mn).

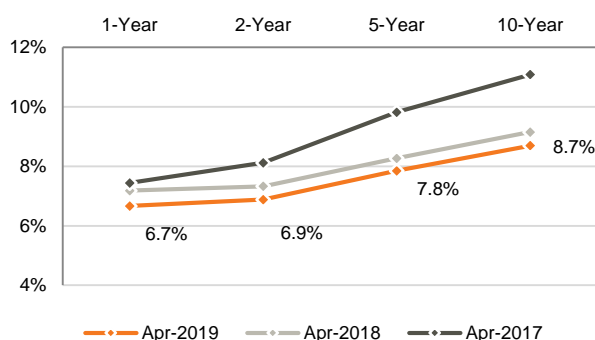
Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US\$ 14.9mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on April 2, 2019. The weighted average yield was fixed at 6.686%. The nearest treasury security auction is scheduled for April 8, 2019, where GEL 60.0mn nominal value 2-year Benchmark bonds and GEL 20.0mn nominal value 182-days T-Bills will be sold.

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

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

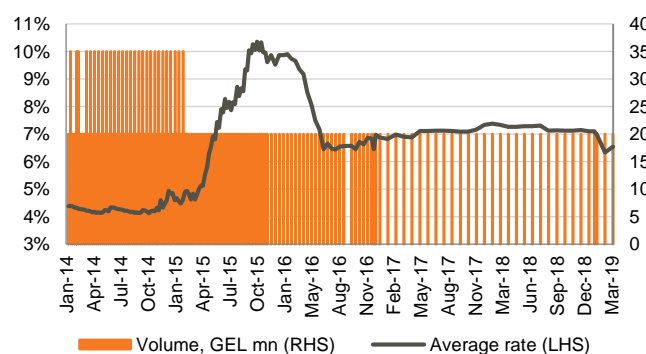
Source: MoF

T-bills / T-notes, yield curve



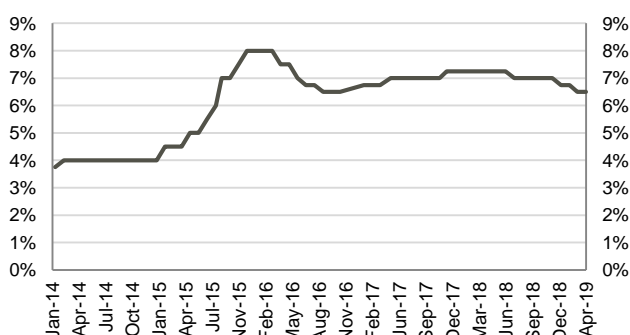
Source: NBG

Certificates of Deposits (weighted average rate)



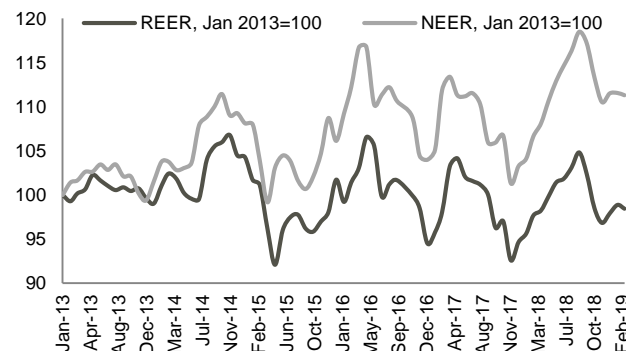
Source: NBG

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

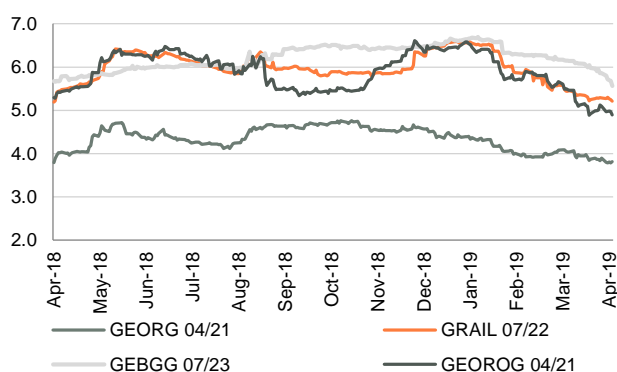
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.56% yield, trading at 101.64 (+1.10% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.37 (-0.04% w/w), yielding 7.51%.

GOGC Eurobonds (GEOROG) were trading at 103.58 (+0.36% w/w), yielding 4.89%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.49 (+0.17% w/w), yielding 5.21%.

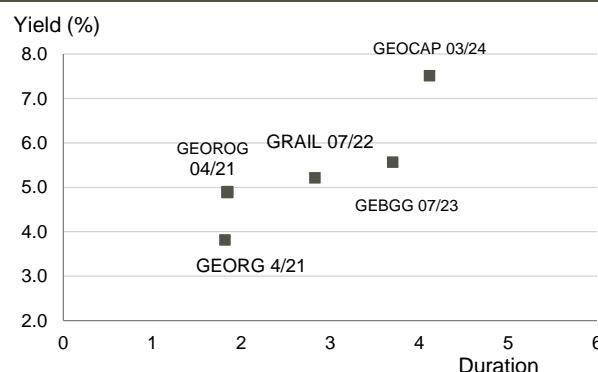
Georgian Sovereign Eurobonds (GEORG) closed at 105.87 (+0.11% w/w) at 3.81% yield to maturity.

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/-	105.87	3.81	132.78
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	107.49	5.21	284.45
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB-/B+/-/-	103.58	4.89	248.20
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/-	101.64	5.56	326.32
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-/-/-/-	103.03	10.75	798.03
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/-/2/-	94.37	7.51	517.29
SILKNET 04/24	US\$	200	11.00%	04/02/2024	B+/-/-/-/-	101.01	10.73	838.76

Georgian local bonds performance

GWP 12/21	GEL	30	10.000%	06/12/2021	BB-/B-/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/-/-/-	100.74	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+/-/-/-/-	100.33	6.75	n/a
GLC 06/21	US\$	10	6.500%	22/06/2021	B+/-/-/-/-	97.98	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/-/-/-/-	100.39	10.75	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	105.87	3.81	132.78
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.59	4.17	168.12
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	97.08	4.11	169.21
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	105.80	5.20	284.80
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	103.27	3.22	85.03
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	101.81	3.24	70.37
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/Baa3	100.01	5.62	326.18
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	100.42	7.55	517.27

Source: Bloomberg



Equities

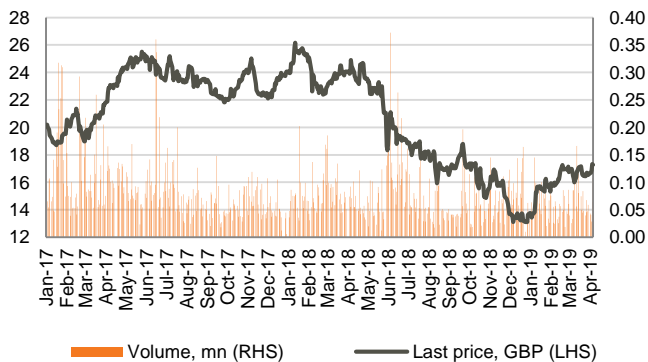
Bank of Georgia Group (BGEO LN) shares closed at GBP 17.29/share (+4.60% w/w and +3.22% m/m). More than 284k shares traded in the range of GBP 16.50 - 17.45/share. Average daily traded volume was 66k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained +2.20% w/w and +0.49% m/m. The volume of BGEO shares traded was at 0.58% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.90/share (unchanged w/w and -1.00% m/m). More than 197k shares traded in the range of GBP 10.90 - 11.38/share. Average daily traded volume was 56k in the last 4 weeks. The volume of CGEO shares traded was at 0.52% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.98/share (+3.50% w/w and +4.31% m/m). More than 144k shares changed hands in the range of GBP 15.06 - 16.26/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.26% of its capitalization.

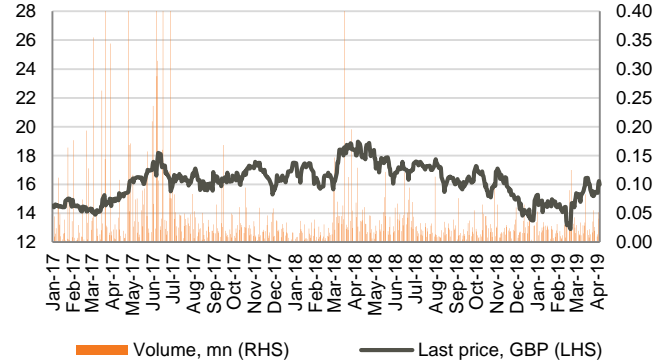
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.96/share (-2.25% w/w and -5.33% m/m). More than 117k shares were traded in the range of GBP 1.96 - 2.17/share. Average daily traded volume was 13k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

Bank of Georgia Group (BGEO LN)



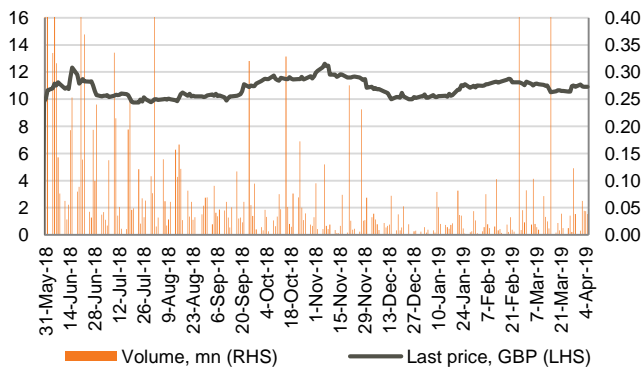
Source: Bloomberg

TBC Bank Group (TBCG LN)



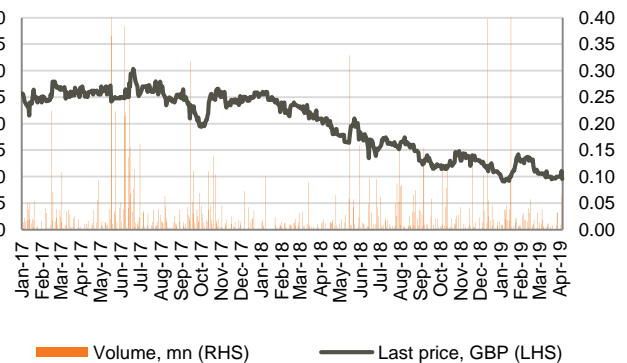
Source: Bloomberg

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	17.29	850	-0.3%	-30.5%	25.6%	6.61x	5.84x	1.41x	1.20x
TBC	TBC	GBP	15.98	877	-4.9%	-12.7%	5.0%	6.48x	5.61x	1.16x	1.02x
Halyk Bank	HSBK	US\$	11.65	3,423	6.4%	-15.0%	12.6%	5.17x	4.84x	1.03x	0.90x
VTB Bank	VTBR	US\$	1.16	7,517	-9.8%	-43.1%	4.7%	2.68x	2.83x	0.50x	0.44x
Akbank	AKBNK	TRY	6.58	34,216	28.0%	-21.2%	11.8%	6.41x	4.38x	0.67x	0.60x
Garanti	GARAN	TRY	9.01	37,842	33.5%	-16.7%	13.2%	6.17x	4.00x	0.72x	0.64x
Isbank	ISCTR	TRY	5.87	26,415	44.6%	-13.2%	29.6%	4.06x	3.41x	0.48x	0.43x
PKO	PKO	PLN	39.61	49,513	-5.8%	-0.3%	0.4%	12.20x	11.19x	1.20x	1.14x
PEKAO	PEO	PLN	113.20	29,712	8.4%	-8.0%	3.9%	12.30x	10.87x	1.27x	1.21x
Millennium	MIL	PLN	9.39	11,385	3.8%	12.4%	5.8%	13.98x	11.58x	1.24x	1.16x
Mbank	MBK	PLN	430.00	18,205	0.7%	-1.3%	1.4%	14.40x	12.52x	1.10x	1.05x
BRD	BRD	RON	13.22	9,213	-1.3%	-13.6%	16.0%	10.89x	10.90x	1.20x	1.23x
Banca Transilvania	TLV	RON	2.17	10,449	-9.2%	-9.9%	8.2%	9.39x	9.52x	1.27x	1.18x
OTP	OTPD	USD	22.80	12,768	26.0%	0.0%	16.3%	10.89x	10.38x	0.84x	0.75x
Komerční	KOMB	CZK	939.00	178,456	3.4%	-1.7%	10.9%	12.26x	12.16x	1.70x	1.61x
Mean								8.93x	8.00x	1.05x	0.97x
Median								9.39x	9.52x	1.16x	1.05x

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	-5.0%	n/a	6.8%	14.11x	11.72x	0.84x	0.79x
Tinc Comm	TINC	EUR	12.15	331	-1.2%	3.4%	3.0%	22.09x	19.49x	na	na
Sabanci Holding	SAHOL	TRY	8.18	16,691	14.1%	-21.9%	8.8%	4.34x	3.97x	0.49x	0.43x
Deutsche Beteiligungs	DBAN	EUR	33.50	504	-3.9%	-14.3%	-0.1%	16.79x	11.00x	1.13x	1.06x
Eurazeo	RF	EUR	67.05	5,132	-0.6%	-6.1%	8.5%	11.48x	10.06x	na	0.85x
Carlyle Group	CG	USD	18.50	2,016	-15.9%	-11.5%	17.5%	2.95x	2.13x	1.83x	0.86x
Mean								11.96x	9.73x	1.07x	0.80x
Median								12.80x	10.53x	0.99x	0.85x

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	-11.1%	-34.8%	-4.2%	16.75x	12.11x	7.38x	6.06x
Mouwasat	MOUWASAT	SAR	83.50	8,350	3.7%	-9.2%	3.7%	21.66x	19.21x	15.71x	14.14x
Fortis	FORH	INR	136.75	103,240	1.5%	-0.8%	-2.7%	1.75x	1.63x	6.85x	6.68x
Raffles	RFMD	SGD	1.08	1,942	-4.4%	-6.1%	-1.8%	32.42x	31.46x	20.98x	19.65x
IHH	IHH	MYR	5.60	49,108	9.8%	-7.1%	3.9%	44.60x	35.30x	16.58x	14.02x
Bangkok Chain	BCH	THB	17.20	42,892	-10.4%	1.8%	3.0%	33.52x	29.56x	18.58x	16.80x
Netcare	NTC	ZAR	24.03	34,893	-1.8%	-13.8%	-9.1%	14.47x	13.46x	8.56x	7.95x
Life Healthcare	LHC	ZAR	27.99	41,071	17.0%	2.2%	6.0%	20.01x	16.04x	8.83x	8.02x
Mediclinic	MDC	GBP	3.21	2,369	-27.6%	-43.9%	-0.4%	11.99x	10.84x	8.22x	7.60x
Apollo Hospitals	APHS	INR	1,245.00	173,211	17.8%	14.9%	-1.1%	63.25x	40.64x	19.84x	16.45x
KPJ Healthcare	KPJ	MYR	1.00	4,314	-9.1%	16.3%	-3.8%	22.24x	20.42x	11.79x	11.06x
NMC	NMC	GBP	25.26	5,259	-23.1%	-26.4%	-7.7%	18.49x	15.08x	14.07x	11.73x
Mean								25.10x	20.48x	13.12x	11.68x
Median								20.84x	17.63x	12.93x	11.40x

Source: Bloomberg, S&P Capital IQ

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