



Weekly Market Watch

Weekly Market Watch | Georgia
June 10, 2019

Economy

Tourist arrivals up 18.0% y/y in May 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 14.2% y/y to 0.62mn in May 2019, according to the Ministry of Internal Affairs. This growth was mostly driven by tourists arrivals (+18.0% y/y to 0.42mn trips, 68.6% of total), while same-day arrivals also increased by 6.7% y/y. Out of top countries, in May 2019, international visitors increased from Russia (+53.2% y/y), Azerbaijan (+3.0%), Armenia (+15.4% y/y), Israel (+9.3% y/y) and Ukraine (+17.7%). Visitors continued to decline from Turkey (-14.0% y/y) and Iran (-64.9% y/y). Visitors from the EU were up 19.3% y/y to over 46,500 visitors, with Poland, Germany and UK driving growth. In 5M19, total international visitors stood at 2.5mn (+4.7% y/y), of which tourist arrivals reached 1.7mn (+7.9% y/y). Meanwhile, tourism revenues reached US\$ 1.2bn (+11.1% y/y) in 5M19 by our estimates.

Inflation was 4.7% y/y and 0.5% m/m in May 2019

Annual CPI inflation was 4.7% in May 2019 up from 4.1% in April 2019, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) was 1.1% in May 2019 down from 1.4% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+7.9% y/y, +2.43ppts), alcoholic beverages and tobacco (+21.1% y/y, +1.38ppts) and transport (+3.2% y/y, +0.39ppts) categories. On a monthly basis, there was 0.5% inflation in May 2019, affected by price increase in food and non-alcoholic beverages (+1.2% m/m, +0.37ppts) and transport (+1.9 m/m, +0.22ppts).

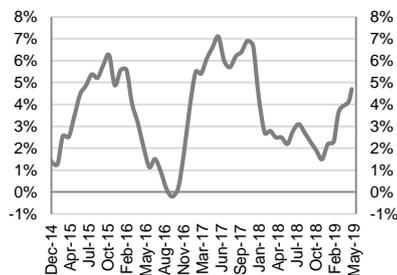
International reserves up 23.3% y/y in May 2019

Gross international reserves were up 23.3% y/y to US\$ 3.7bn in May 2019 according to NBG. On a monthly basis reserves were up 2.6%. There were no FX interventions by NBG in May. Growth in reserves were attributed to government and/or banking sector FX operations.

NBG purchased US\$ 30.0mn

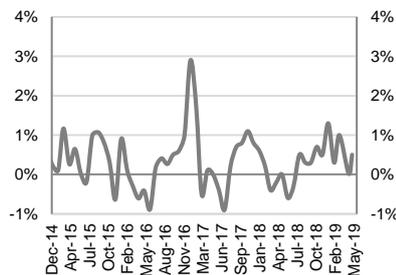
On 6 and 7 June 2019, the NBG intervened on the FX market and purchased US\$ 10.0mn and US\$ 20.0mn, respectively. YTD, the NBG purchased total of US\$ 216mn to build reserves, of which US\$ 165mn were purchased through 11 FX auctions and the rest via put option instrument.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

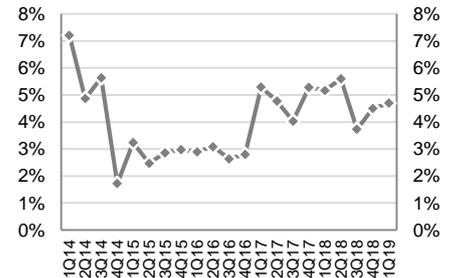


Key macro indicators

| | 2016 | 2017 | 2018 |
|------------------------------|-------|--------|--------|
| GDP (% change) | 2.8% | 4.8% | 4.7% |
| GDP per capita (ppp) | 9,991 | 10,679 | 11,485 |
| 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- Positive Affirmed Apr-2019 | Ba2 Stable Affirmed Sep-2018 | BB Stable Upgraded Feb-2019 |
|---|---|--|

Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 254.5mn).

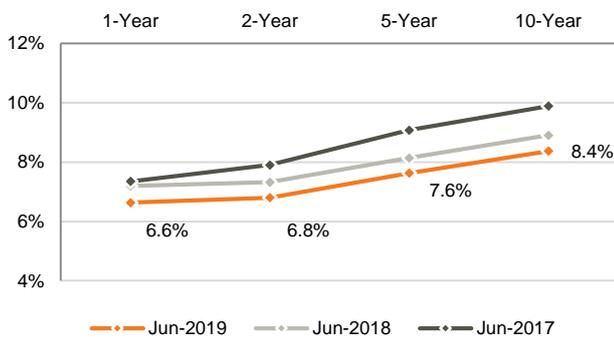
Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US\$ 14.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 4, 2019. The weighted average yield was fixed at 6.514%. The nearest treasury security auction is scheduled for June 11, 2019, where GEL 20.0mn nominal value 6-month T-Notes and GEL 60.0mn nominal value 2-year Benchmark Bonds will be sold.

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

| Date | Volume, GEL mn | Maturity |
|-----------|----------------|----------|
| 11-Jun-19 | 20 | 6 month |
| 11-Jun-19 | 60 | 2 year |
| 25-Jun-19 | 50 | 5 year |

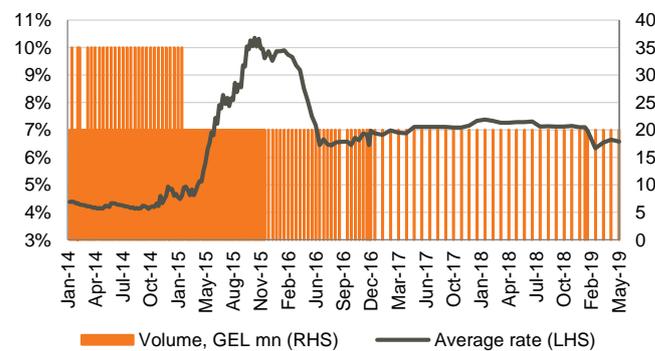
Source: MoF

T-bills / T-notes, yield curve



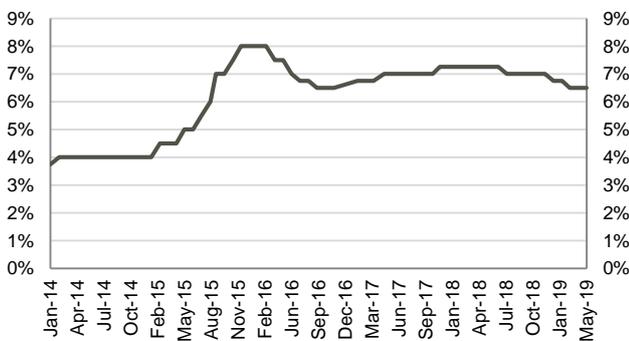
Source: NBG

Certificates of Deposits (weighted average rate)



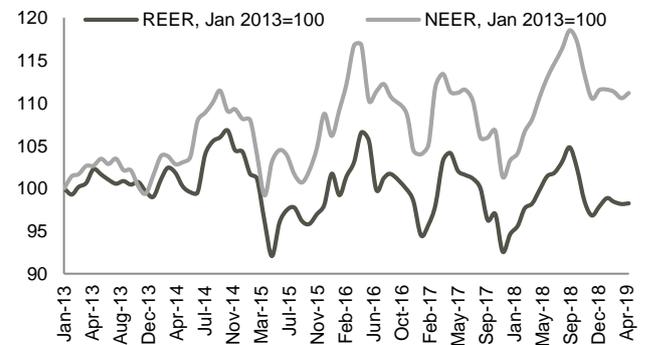
Source: NBG

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



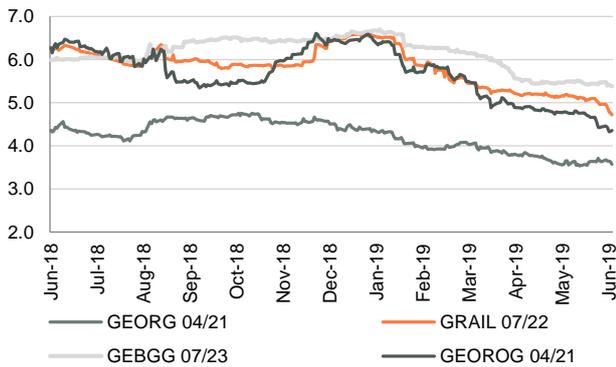
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.38% yield, trading at 102.25 (+0.31% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.35 (+0.29% w/w), yielding 7.30%.

GOGC Eurobonds (GEOROG) were trading at 104.26 (+0.11% w/w), yielding 4.36%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 108.60 (+0.64% w/w), yielding 4.72%.

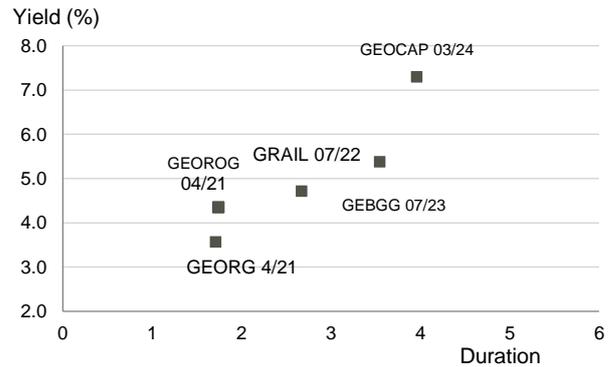
Georgian Sovereign Eurobonds (GEORG) closed at 105.82 (+0.05% w/w) at 3.57% yield to maturity.

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% | 04/12/2021 | BB/BB-/Ba2/- | 105.82 | 3.57 | 149.05 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | 07/11/2022 | BB-/B+/-/- | 108.60 | 4.72 | 279.84 |
| GEOROG 04/21 | US\$ | 250 | 6.750% | 04/26/2021 | BB/B+/-/- | 104.26 | 4.36 | 241.12 |
| GEBGG 06/20 | GEL | 500 | 11.000% | 06/01/2020 | BB-/B2/- | n/a | n/a | n/a |
| GEBGG 07/23 | US\$ | 350 | 6.000% | 07/26/2023 | BB-/B2/- | 102.25 | 5.38 | 344.20 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.130% | n/a | B-/-/- | 103.45 | 10.46 | 826.85 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | 03/09/2024 | -/B+/B2/- | 95.35 | 7.30 | 539.73 |
| SILKNET 04/24 | US\$ | 200 | 11.00% | 04/02/2024 | B+/-/-/- | 104.40 | 9.82 | 788.54 |

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 | -/-/-/- | 100.63 | 5.50 | n/a |
| M2CA 12/21 | US\$ | 30 | 7.500% | 31/12/2021 | -/-/-/- | 101.75 | 6.75 | n/a |
| GLC 08/20 | US\$ | 10 | 7.000% | 29/08/2020 | B+/-/-/- | 99.55 | 7.38 | n/a |
| GLC 06/21 | US\$ | 5 | 6.500% | 22/06/2021 | B+/-/-/- | 97.67 | 7.75 | 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/-/-/- | 100.13 | 10.75 | n/a |
| Crystal 02/21 | GEL | 15 | 10.500% | 01/02/2021 | B/-/-/- | 99.63 | 10.75 | n/a |
| Swiss Cap. 09/21 | GEL | 10 | 12.750% | 13/09/2021 | B-/-/-/- | 100.00 | 13.00 | n/a |
| Tegeta 04/22 | GEL | 30 | 10.750% | 30/04/2022 | -/-/BB- | n/a | n/a | 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 | Mid yield, % | Z-spread, bps |
|------------|----------|------------|--------|---------------|------------------------------|-----------|--------------|---------------|
| Georgia | US\$ | 500 | 6.875% | 4/12/2021 | BB/BB-/Ba2 | 105.82 | 3.57 | 149.05 |
| Armenia | US\$ | 500 | 6.000% | 9/30/2020 | B+/-/B1 | 102.62 | 3.91 | 172.64 |
| Azerbaijan | US\$ | 174 | 2.820% | 9/1/2021 | BB+/-/Ba2 | 98.22 | 3.66 | 175.15 |
| Belarus | US\$ | 800 | 6.875% | 2/28/2023 | B/B/B3u | 105.38 | 5.26 | 335.07 |
| Kazakhstan | US\$ | 1,500 | 3.875% | 10/14/2024 | BBB/BBB-/Baa3 | 104.74 | 2.91 | 98.62 |
| Russia | US\$ | 3,500 | 5.000% | 4/29/2020 | BBB-/BBB-/Baa3 | 102.00 | 2.69 | 48.67 |
| Turkey | US\$ | 2,000 | 5.625% | 3/30/2021 | BB-/Ba3 | 99.94 | 5.65 | 383.86 |
| Ukraine | US\$ | 1,409 | 7.750% | 9/1/2021 | B-/B-/Caa1 | 102.52 | 6.51 | 454.71 |

Source: Bloomberg

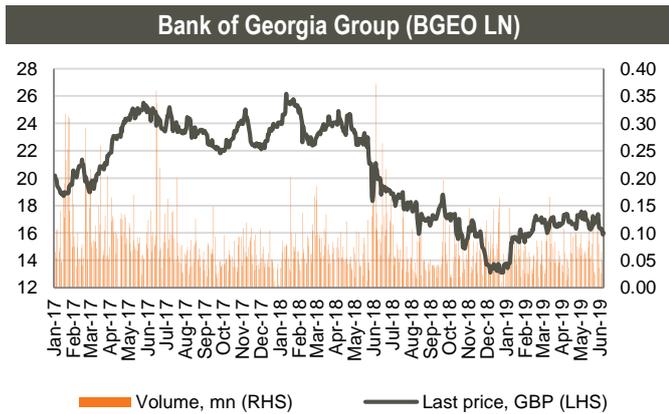
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.03/share (-2.26% w/w and -5.59% m/m). More than 222k shares traded in the range of GBP 15.52 - 16.59/share. Average daily traded volume was 65k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.38% w/w and lost 1.20% m/m. The volume of BGEO shares traded was at 0.45% of its capitalization.

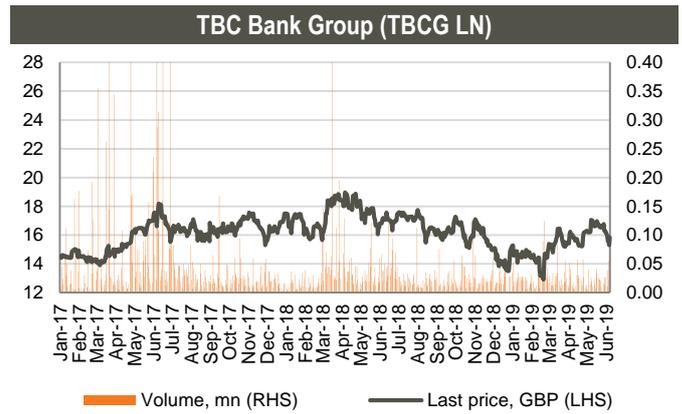
Georgia Capital (CGEO LN) shares closed at GBP 9.77/share (+1.03% w/w and -2.69% m/m). More than 432k shares traded in the range of GBP 9.60 - 9.81/share. Average daily traded volume was 174k in the last 4 weeks. The volume of CGEO shares traded was at 1.14% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.82/share (-2.83% w/w and -2.47% m/m). More than 141k shares changed hands in the range of GBP 14.82 - 16.16/share. Average daily traded volume was 23k in the last 4 weeks. The volume of TBCG shares traded was at 0.26% of its capitalization.

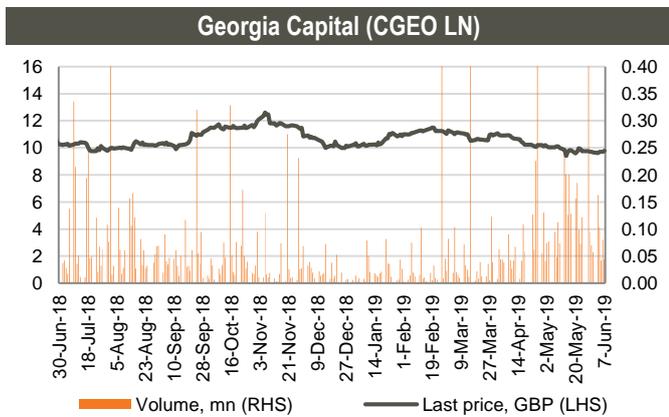
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.61/share (+4.40% w/w and +15.49% m/m). More than 81k shares were traded in the range of GBP 2.50 - 2.68/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



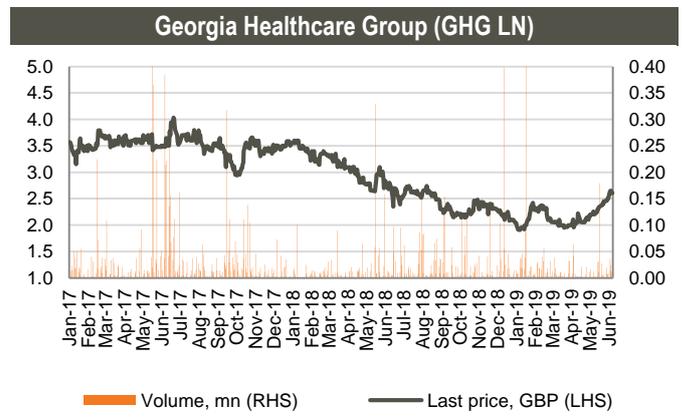
Source: Bloomberg



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 | 16.03 | 788 | 18.5% | -20.9% | 16.4% | 6.39x | 5.81x | 1.33x | 1.13x |
| TBC | TBC | GBP | 15.82 | 858 | 7.8% | -7.5% | 3.9% | 5.93x | 5.44x | 1.13x | 0.99x |
| Halyk Bank | HSBK | US\$ | 11.40 | 3,350 | 5.6% | -4.6% | 10.1% | 4.15x | 3.96x | 0.96x | 0.87x |
| VTB Bank | VTBR | US\$ | 1.23 | 7,958 | -0.6% | -18.1% | 10.8% | 3.89x | 2.89x | 0.49x | 0.44x |
| Akbank | AKBNK | TRY | 6.38 | 33,176 | 7.9% | -2.7% | 8.4% | 6.29x | 4.27x | 0.64x | 0.58x |
| Garanti | GARAN | TRY | 8.40 | 35,280 | 5.4% | -3.6% | 5.5% | 5.76x | 3.91x | 0.67x | 0.59x |
| Isbank | ISCTR | TRY | 5.21 | 23,445 | 26.8% | -12.0% | 15.0% | 3.96x | 3.14x | 0.42x | 0.38x |
| PKO | PKO | PLN | 42.04 | 52,550 | 5.0% | 5.0% | 6.5% | 12.54x | 11.80x | 1.27x | 1.20x |
| PEKAO | PEO | PLN | 111.55 | 29,279 | 2.6% | -8.3% | 2.3% | 12.64x | 10.79x | 1.25x | 1.20x |
| Millennium | MIL | PLN | 9.60 | 11,645 | 6.5% | 13.5% | 8.2% | 15.38x | 11.77x | 1.26x | 1.18x |
| Mbank | MBK | PLN | 426.60 | 18,061 | 2.5% | -0.8% | 0.6% | 14.44x | 12.66x | 1.10x | 1.04x |
| BRD | BRD | RON | 11.94 | 8,321 | -15.8% | -7.4% | 4.7% | 8.23x | 10.55x | 1.08x | 1.09x |
| Banca Transilvania | TLV | RON | 2.28 | 10,954 | -6.4% | 5.5% | 13.5% | 9.39x | 9.70x | 1.35x | 1.24x |
| OTP | OTPD | USD | 21.20 | 11,872 | 8.2% | 8.7% | 8.2% | 9.70x | 9.13x | 0.77x | 0.68x |
| Komercni | KOMB | CZK | 890.00 | 169,144 | 0.2% | -1.7% | 5.1% | 11.57x | 11.42x | 1.58x | 1.49x |
| Mean | | | | | | | | 8.68x | 7.82x | 1.02x | 0.94x |
| Median | | | | | | | | 8.23x | 9.13x | 1.10x | 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 | 9.77 | 371 | -9.1% | -13.1% | -4.3% | 12.78x | 10.59x | 0.75x | 0.70x |
| Tinc Comm | TINC | EUR | 12.65 | 345 | 6.8% | 4.1% | 7.2% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 8.14 | 16,609 | 7.5% | -11.0% | 8.2% | 6.38x | 3.87x | 0.51x | 0.43x |
| Deutsche Beteiligungs | DBAN | EUR | 32.40 | 487 | -3.3% | -9.5% | -3.4% | 16.67x | 10.63x | 1.06x | 0.99x |
| Eurazeo | RF | EUR | 63.85 | 4,887 | 6.2% | 1.3% | 8.5% | 41.40x | 9.58x | 0.91x | 0.85x |
| Carlyle Group | CG | USD | 21.54 | 2,347 | 22.7% | -5.9% | 36.8% | 5.51x | 3.87x | 2.28x | 1.07x |
| Mean | | | | | | | | 16.55x | 7.71x | 1.10x | 0.81x |
| Median | | | | | | | | 12.78x | 9.58x | 0.91x | 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 | 2.61 | 344 | 18.6% | -5.1% | 27.9% | 22.54x | 15.35x | 9.55x | 7.62x |
| Mouwasiat | MOUWASAT | SAR | 85.20 | 8,520 | 9.7% | -10.3% | 5.8% | 20.86x | 18.79x | 15.16x | 13.71x |
| Fortis | FORH | INR | 122.45 | 92,444 | -16.8% | -16.0% | -12.8% | 1.56x | 1.45x | 6.79x | 6.65x |
| Raffles | RFMD | SGD | 1.01 | 1,815 | -12.2% | -6.5% | -8.2% | 29.93x | 29.79x | 19.39x | 18.14x |
| IHH | IHH | MYR | 5.51 | 48,319 | 2.8% | -9.1% | 2.2% | 44.55x | 35.31x | 16.56x | 14.16x |
| Bangkok Chain | BCH | THB | 16.60 | 41,396 | -12.6% | 4.4% | -0.6% | 32.98x | 29.77x | 18.21x | 16.55x |
| Netcare | NTC | ZAR | 18.69 | 27,139 | -27.5% | -36.7% | -29.3% | 12.32x | 11.95x | 7.38x | 6.95x |
| Life Healthcare | LHC | ZAR | 23.91 | 35,084 | -9.7% | -9.3% | -9.4% | 20.08x | 14.86x | 8.01x | 7.25x |
| Mediclinic | MDC | GBP | 3.12 | 2,301 | -5.5% | -43.8% | -3.2% | 11.40x | 12.05x | 8.05x | 7.72x |
| Apollo Hospitals | APHS | INR | 1,398.20 | 194,524 | 15.6% | 44.0% | 11.1% | 70.39x | 49.46x | 21.84x | 17.92x |
| KPJ Healthcare | KPJ | MYR | 0.94 | 4,034 | -14.2% | -15.0% | -10.1% | 21.15x | 19.46x | 10.26x | 9.98x |
| NMC | NMC | GBP | 22.00 | 4,581 | -30.5% | -37.0% | -19.6% | 17.55x | 14.16x | 11.02x | 10.79x |
| Mean | | | | | | | | 25.44x | 21.03x | 12.69x | 11.45x |
| Median | | | | | | | | 21.01x | 17.07x | 10.64x | 10.38x |

Source: Bloomberg, S&P Capital IQ

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