



Weekly Market Watch

Weekly Market Watch | Georgia
June 22, 2020

Economy

Real GDP growth revised upwards to 2.2% in 1Q20

1Q20 economic growth in Georgia was revised upwards to 2.2% from 1.5% rapid estimate figure by Geostat. In 1Q20, the fastest growing sectors in real terms were: art, entertainment & recreation (+16.2% y/y), healthcare (+13.5% y/y), mining (+8.9% y/y), information & communication (+7.6% y/y), education (+7.5% y/y) and construction (+6.7% y/y). Meanwhile, real growth was down in professional, scientific activities (-13.1% y/y), electricity (-6.6% y/y) and financial & insurance activities (-6.1% y/y).

Trade deficit down 37.4% y/y in May 2020

In May 2020, exports decreased by 30.6% y/y to US\$ 234.4mn, imports fell by 34.3% y/y to US\$ 497.3mn. As a result, trade deficit narrowed by 37.4% y/y to US\$ 262.9mn, according to Geostat.

In May 2020, copper (-35.5% y/y), precious metals (+US\$ 34.8mn), wine (-7.5% y/y), ferro-alloys (-11.0% y/y) and cars (-77.3% y/y) were the top 5 exported commodities. A 28.5% of exports was directed to the EU (-21.5% y/y), 38.3% to the CIS (-49.0% y/y) and 33.2% to other countries (+1.7% y/y).

Copper (-20.7% y/y), cars (-57.7% y/y), petroleum (-63.2% y/y), pharmaceuticals (-28.7% y/y) and precious metals (+US\$ 17.7mn) represented the top 5 imported commodities in May 2020.

Overall, in 5M20, trade deficit was down 17.6% to US\$ 1.7bn as exports reduced by 16.2% y/y to US\$ 1.2bn and imports decreased by 17.0% y/y to US\$ 3.0bn.

Money transfers decreased by 9.6% y/y in May 2020

In May 2020, money transfers declined by 9.6% y/y to US\$ 131.8mn after decreasing 42.3% y/y in previous month, according to NBG. From major countries, money transfers were down from Russia (-43.2% y/y, 15.0%), USA (-4.8% y/y, 11.5%), Israel (-17.2% y/y, 8.6%) and Turkey (-4.3% y/y, 5.6%). Meanwhile remittances increased from Italy (+35.8% y/y, 20.9% of total), Greece (+13.1% y/y, 14.3% of total) and Germany (+26.1% y/y, 4.0% of total). Overall, in 5M20 money transfers were down 9.5% y/y to US\$ 599.8mn.

Producer price index up 12.7% y/y in May 2020

Annual PPI for industrial goods was up 12.7% in May 2020 according to Geostat. Rising prices in manufacturing (+11.6% y/y) contributed the most to the overall index change.

NBG sold US\$ 20mn

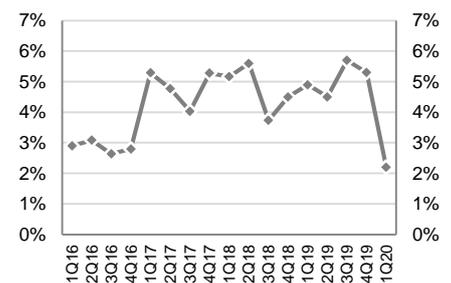
On 17 June 2020, the NBG intervened on the FX market and sold US\$ 20mn to limit GEL volatility. This was 7th FX intervention YTD for a total sale of US\$ 209.7mn through FX auctions.

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
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%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

Source: Official data, Galt & Taggart

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 Mar-2020	 BB Negative Affirmed Apr-2020
---	--	---

Source: Rating agencies



Money market

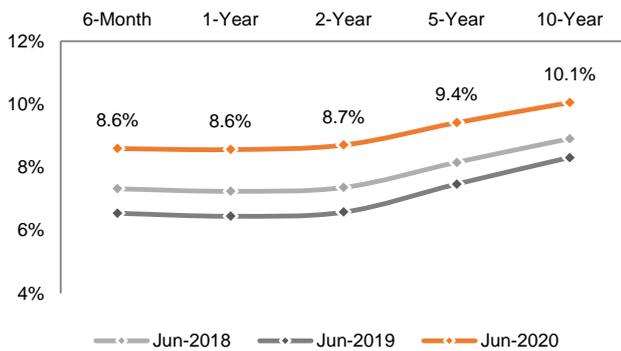
There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for June 23, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	230	60	250
1-year	360	240	620
2-year	420	420	1,280
5-year	400	560	1,743
10-year	70	80	563
Total	1,480	1,360	4,455

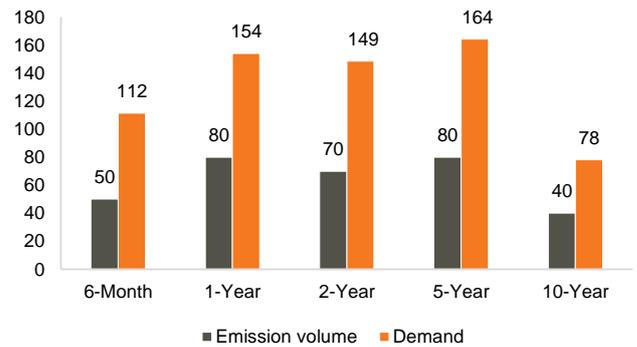
Source: MoF
Note: * As of 31 May 2020

T-bills / T-notes, yield curve



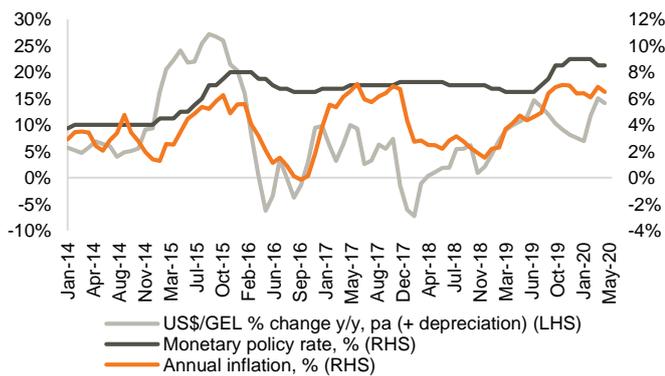
Source: NBG

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



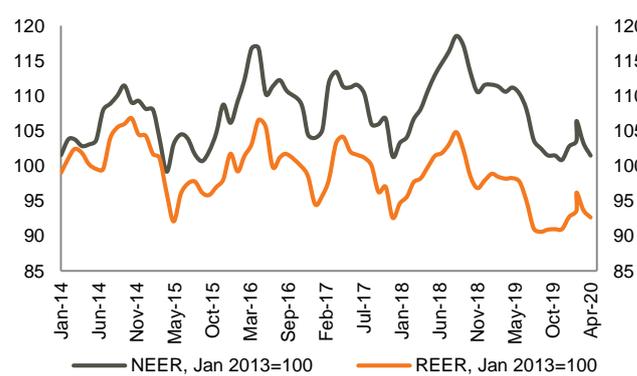
Source: NBG

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



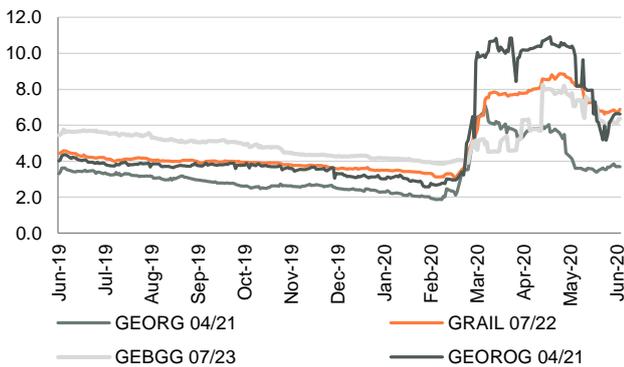
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.37% yield, trading at 98.97 (-0.50% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.59 (+0.13% w/w), yielding 8.49%.

GOGC Eurobonds (GEOROG) were trading at 100.09 (-0.41% w/w), yielding 6.63%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.60 (-0.28% w/w), yielding 6.90%.

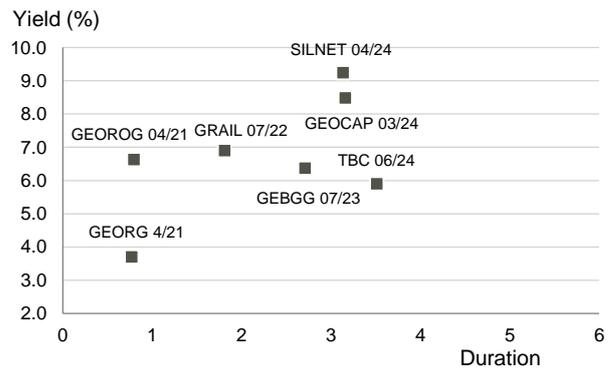
Georgian Sovereign Eurobonds (GEORG) closed at 102.49 (-0.09% w/w) at 3.70% yield to maturity.

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	102.49	3.70	346.86
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	101.60	6.90	649.64
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	100.09	6.63	616.33
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	98.97	6.37	610.33
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	97.56	9.99	1,164.44
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.59	8.49	822.43
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.46	9.24	895.53
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	99.48	5.90	559.86
TBC PERP	US\$	125	10.775%	n/a	B-/-	96.21	10.32	1,155.70

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	99.63	7.75	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	99.47	7.75	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	92.55	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	99.75	6.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.72	7.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-	100.00	12.50	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	14.75	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/Ba2	102.49	3.70	346.86
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.98	6.01	564.68
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.49	2.40	218.96
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	102.69	5.77	546.98
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.52	1.58	124.14
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.19	2.73	244.14
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	102.62	5.43	515.11

Source: Bloomberg

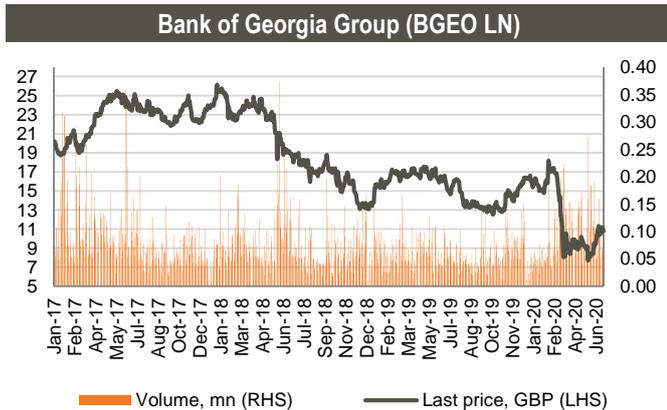
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 10.78/share (+2.67% w/w and +33.91% m/m). More than 554k shares traded in the range of GBP 10.14 - 11.48/share. Average daily traded volume was 101k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 3.57% w/w and 8.38% m/m. The volume of BGEO shares traded was at 1.13% of its capitalization.

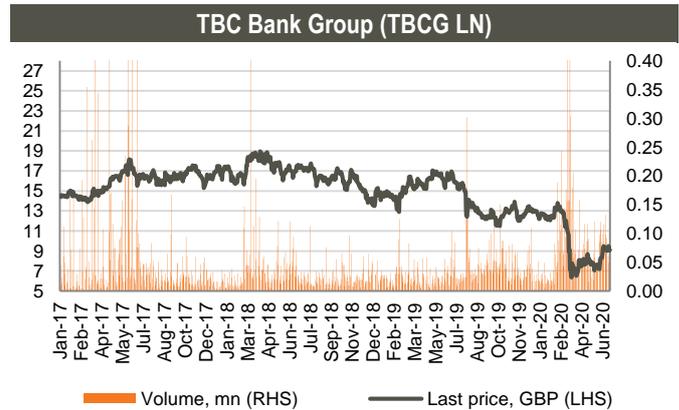
Georgia Capital (CGEO LN) shares closed at GBP 4.72/share (-1.77% w/w and +10.94% m/m). More than 218k shares traded in the range of GBP 4.62 - 4.95/share. Average daily traded volume was 56k in the last 4 weeks. The volume of CGEO shares traded was at 0.60% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 9.11/share (+1.11% w/w and +20.03% m/m). More than 327k shares changed hands in the range of GBP 8.80 - 9.69/share. Average daily traded volume was 85k in the last 4 weeks. The volume of TBCG shares traded was at 0.59% of its capitalization.

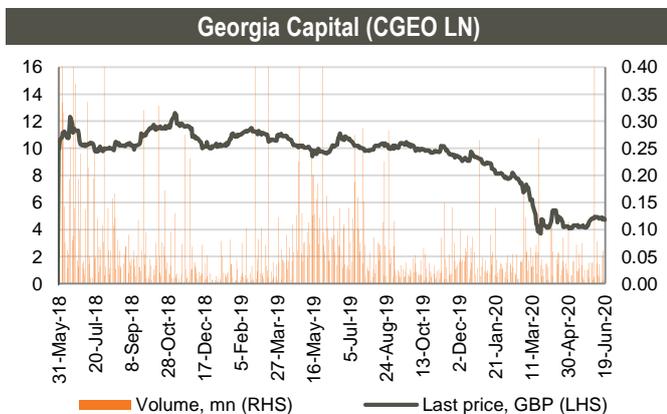
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.86/share (-4.00% w/w and -1.82% m/m). More than 286k shares were traded in the range of GBP 0.83 - 0.95/share. Average daily traded volume was 64k in the last 4 weeks. The volume of GHG shares traded was at 0.22% of its capitalization.



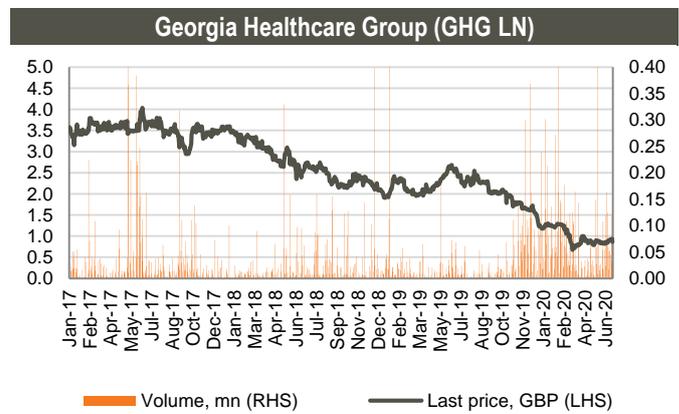
Source: Bloomberg



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		
							2019	2020F	2019	2020F	
Bank of Georgia	BGEO	GBP	10.78	530	-34.1%	-35.1%	-33.7%	4.12x	8.42x	0.90x	0.86x
TBC	TBC	GBP	9.11	501	-31.0%	-44.8%	-29.9%	3.52x	8.09x	0.68x	0.66x
Halyk Bank	HSBK	US\$	12.20	3,585	-9.3%	4.7%	-8.6%	4.27x	5.07x	1.02x	0.98x
VTB Bank	VTBR	US\$	0.99	6,415	-32.9%	-22.3%	-32.3%	2.45x	4.96x	0.37x	0.34x
Akbank	AKBNK	TRY	5.99	31,148	-25.9%	-9.0%	-26.1%	5.01x	5.11x	0.52x	0.52x
Garanti	GARAN	TRY	8.33	34,986	-22.5%	-2.3%	-25.2%	4.69x	4.65x	0.56x	0.56x
Isbank	ISCTR	TRY	5.30	23,850	-13.5%	-4.0%	-17.3%	3.55x	4.19x	0.37x	0.38x
PKO	PKO	PLN	23.00	28,750	-34.3%	-46.5%	-33.3%	6.43x	12.53x	0.66x	0.66x
PEKAO	PEO	PLN	54.94	14,420	-45.4%	-52.0%	-45.3%	6.21x	11.50x	0.59x	0.60x
Millennium	MIL	PLN	3.31	4,015	-42.7%	-65.8%	-43.4%	5.13x	15.85x	0.42x	0.44x
Mbank	MBK	PLN	242.40	10,262	-35.5%	-43.1%	-37.8%	7.81x	18.55x	0.59x	0.60x
BRD	BRD	RON	11.90	8,293	-22.7%	-1.3%	-24.9%	5.28x	10.55x	1.02x	0.94x
Banca Transilvania	TLV	RON	2.16	11,240	-16.8%	1.5%	-17.0%	5.98x	13.55x	1.23x	1.43x
OTP	OTPD	USD	22.80	12,768	7.5%	7.5%	7.5%	9.60x	17.40x	0.82x	0.77x
Komercni	KOMB	CZK	581.00	110,419	-27.7%	-35.4%	-30.0%	6.94x	13.90x	0.99x	0.96x
Mean								5.40x	10.29x	0.72x	0.71x
Median								5.13x	10.55x	0.66x	0.66x

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		
							2019	2020F	2019	2020F	
Georgia Capital	CGEO	GBP	4.72	173	-51.4%	-56.3%	-48.9%	6.26x	4.14x	0.44x	n/a
Tinc Comm	TINC	EUR	13.05	356	-2.2%	6.0%	-2.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.20	18,772	-1.5%	9.0%	-3.6%	4.28x	3.50x	0.50x	0.49x
Deutsche Beteiligungs	DBAN	EUR	29.50	444	-24.0%	-12.2%	-25.2%	10.87x	n/mf	0.97x	1.15x
Eurazeo	RF	EUR	47.82	3,767	-22.9%	-24.1%	-21.6%	11.63x	27.73x	0.70x	0.68x
Carlyle Group	CG	USD	29.85	3,304	-4.6%	32.3%	-7.0%	17.23x	6.10x	1.85x	4.34x
Mean								10.05x	10.37x	0.89x	1.67x
Median								10.87x	5.12x	0.70x	0.92x

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		
							2019	2020F	2019	2020F	
GHG	GHG	GBP	0.86	114	-45.5%	-65.7%	-29.8%	8.87x	6.79x	4.55x	4.57x
Mouwasset	MOUWASAT	SAR	89.50	8,950	2.6%	0.0%	1.7%	22.98x	23.84x	15.76x	15.24x
Fortis	FORH	INR	122.40	92,407	-11.0%	-7.8%	-7.2%	1.42x	1.35x	6.43x	6.65x
Raffles	RFMD	SGD	0.90	1,636	-7.7%	-15.6%	-10.5%	26.70x	32.93x	17.07x	19.13x
IHH	IHH	MYR	5.40	47,380	-2.5%	-4.3%	-1.3%	51.16x	54.12x	14.92x	16.37x
Bangkok Chain	BCH	THB	14.50	36,159	-14.2%	-13.2%	-15.2%	29.54x	31.16x	16.41x	16.74x
Netcare	NTC	ZAR	13.88	20,152	-29.2%	-22.7%	-28.7%	8.02x	17.82x	5.36x	9.69x
Life Healthcare	LHC	ZAR	17.58	25,796	-28.8%	-21.5%	-28.7%	12.95x	38.06x	6.01x	8.15x
Mediclinic	MDC	GBP	2.69	1,985	-33.4%	-12.2%	-34.6%	9.54x	10.63x	7.31x	7.19x
Apollo Hospitals	APHS	INR	1,370.70	190,699	-1.8%	1.4%	-4.9%	62.92x	56.50x	19.84x	14.40x
KPJ Healthcare	KPJ	MYR	0.85	3,642	-8.6%	-10.5%	-10.1%	18.81x	23.23x	9.13x	10.54x
NMC	NMC	GBP	9.38	1,959	-38.9%	-61.4%	-46.9%	n/a	n/a	n/a	n/a
Mean								22.99x	26.95x	11.16x	11.70x
Median								18.81x	23.84x	9.13x	10.54x

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