



Economy

Real GDP growth was 8.8% y/y in Sep-22

The economic growth in Georgia eased to 8.8% y/y in Sep-22, after a 10.5% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, in 9M22, the real growth came in at 10.2% y/y. Growth in September was recorded in transport, IT services, construction, hospitality and industry sectors, while it reduced in real estate sector.

Considering strong ongoing data, we revised 2022 growth projection upwards to 10.2%, from our baseline projection of 9.2% (see more [here](#)).

Inflation retreated to 10.6% y/y in Oct-22

Annual CPI inflation retreated to 10.6% in Oct-22 from a 11.5% inflation in previous month. Core inflation (non-food, non-energy, and non-tobacco) also retreated to 7.3% (-0.2ppts m/m) in October. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+15.8% y/y, 5.22ppts), transport (+11.6% y/y, 1.38ppts), housing, water, electricity, gas and other fuels (+13.5% y/y, 1.31ppts), and restaurants and hotels (+16.8% y/y, 0.71ppts) categories. On a monthly basis, there was a 0.5% inflation in Oct-22, driven by price changes in food and non-alcoholic beverages (+1.4% m/m) and transport (-2.0% m/m) categories.

Tourist arrivals recovery slowed in Oct-22

In Oct-22, international visitors to Georgia increased by 115.2% y/y to 442.6 thousand persons. This growth was mainly driven by increase in tourist arrivals (c.78% of total arrivals), as strong growth in same-day arrivals mostly reflect last year's low base. Despite high growth, tourist arrivals recovery slowed in October, accounting for 78.5% pre-pandemic level in Oct-22, down from 83.8% recovery in previous month. Meanwhile, same-day arrivals recovery stood at 43.3% of Oct-19 level, after a 44.0% recovery in Sep-22. Russia was the top source country by international arrivals (24.7% of total), followed by Turkey (18.3% of total), and Armenia (16.5% of total). Most visitors traveled to Georgia via land (65.1% of total), followed by air (34.0% of total).

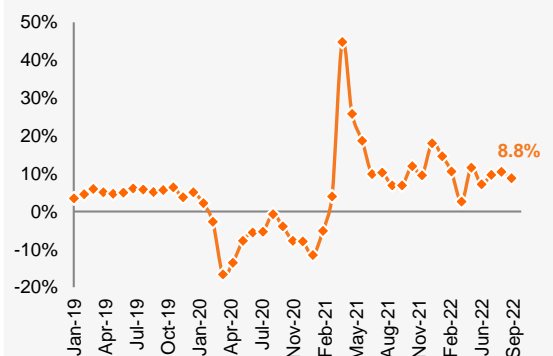
Overall, in 10M22 total international arrivals stood at 3.8mn persons (up 171.3% y/y, c.57% of 2019 level), of which tourist arrivals reached 3.0mn persons (up 137.9% y/y, 68.8% of 10M19 level). We estimate tourism revenues at US\$ 2.8bn in 10M22 (almost full recovery vs pre-pandemic level; revenues recover faster than arrivals mostly because of the influx of migrants from Russia, Belarus and Ukraine).

Key macro indicators

	2020	2021
Real GDP growth (% change)	-6.8%	10.4%
GDP per capita (ppp)	14,849	17,386
GDP per capita (US\$)	4,256	5,015
Population (mn)	3.7	3.7
Inflation (eop)	2.4%	13.9%
Gross reserves (US\$ bn)	3.9	4.3
CAD (% of GDP)	12.5%	10.4%
Fiscal deficit (% of GDP)	9.3%	6.1%
Total public debt (% of GDP)	60.2%	49.5%
Fitch/S&P/Moody's*	BB/BB/Ba2	

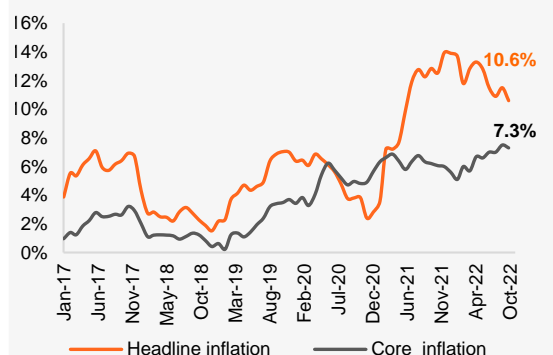
Source: Official data, Rating agencies, Galt & Taggart
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Annual inflation in Georgia



Source: Geostat

Money market

Ministry of Finance T-Bills:

2-year GEL 80.0mn (US\$ 28.8mn) Benchmark bonds were sold at the auction held at NBG on November 1, 2022. Total demand was c.1.9x higher and the weighted average yield was fixed at 9.205%, down by 0.218ppts from previous auction held in Oct-22.

6-month GEL 20.0mn (US\$ 7.2mn) T-Bills were sold at the auction held at NBG on November 1, 2022. Total demand was 1.5x higher and the weighted average yield was fixed at 9.973%, down by 0.103ppts from previous auction held in Oct-22.

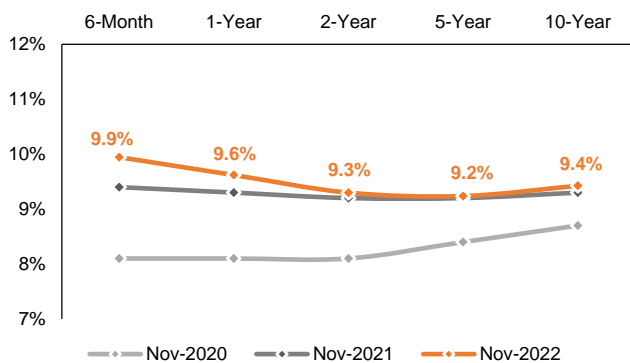
The nearest treasury security auction is scheduled for November 8, 2022, where GEL 30.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	220	20	120
1-year	235	60	295
2-year	820	80	1,300
5-year	882	180	3,307
10-year	100	200	1,371
Total	2,257	540	6,393

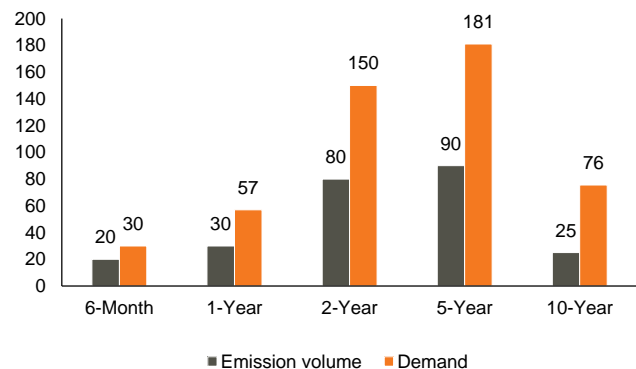
Source: MoF
*As of September 2022

T-bills / T-notes, yield curve



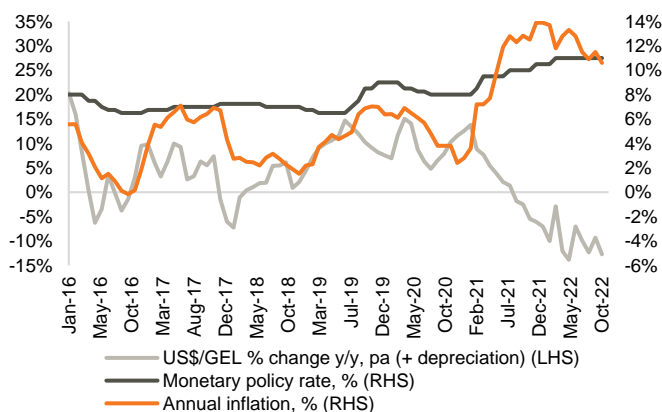
Source: NBG

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



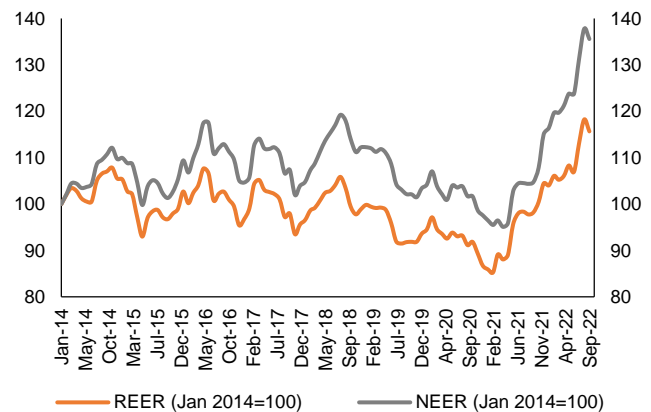
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



Source: NBG

Note: Index growth/decline means appreciation/depreciation of exchange rate

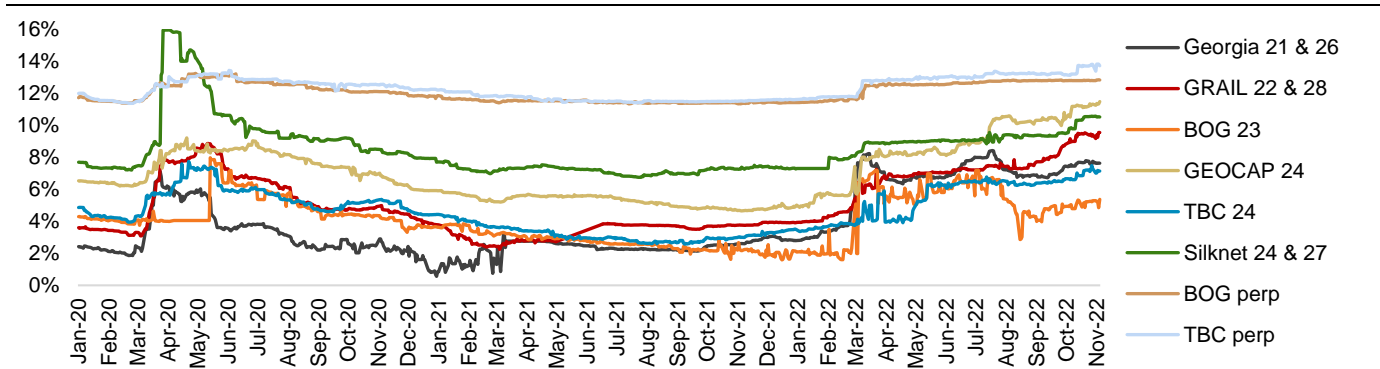
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.37% yield, trading at 100.46 (-0.03% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.51 (-0.11% w/w), yielding 11.49%.

Georgian Railway Eurobonds (GRAIL) traded at 76.29 (-0.56% w/w), yielding 9.56%.

Georgian Sovereign Eurobonds (GEORG) closed at 85.39 (+0.46% w/w) at 7.64% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	85.39	7.64	328.24
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	76.29	9.56	544.95
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.46	5.37	60.09
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-	99.48	12.84	664.01
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	93.51	11.49	662.38
SILKNET 01/27	USD	300	8.375%	Jan-27	B-/B1	92.78	10.53	625.74
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	97.90	7.14	231.25
TBC PERP	USD	125	10.775%	n/a	B-/-	93.93	13.73	975.60

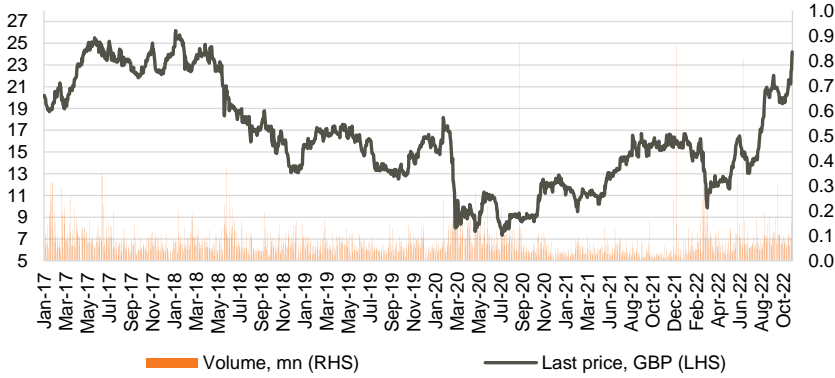
Georgian local bonds performance

KTW	USD	10	9.00%	Dec-22	-/-/-	99.88	9.50	n/a
GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.73	8.65	n/a
Geo. Beer Company	GEL	25	15.50%	Dec-23	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	13.60%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.62%	Nov-24	-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	58.4	13.37%	Mar-23	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	n/a	n/a	-/-/-

Source: Bloomberg

Equities

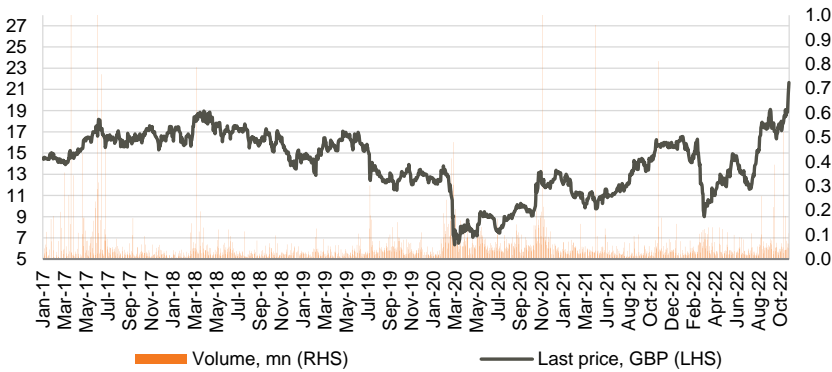
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 24.20/share (+13.35% w/w and +21.73% m/m). More than 763k shares traded in the range of GBP 21.10 - 24.50/share. Average daily traded volume was 94k in the last 4 weeks. The volume of BGEO shares traded was at 1.55% of its capitalization.

Source: Bloomberg

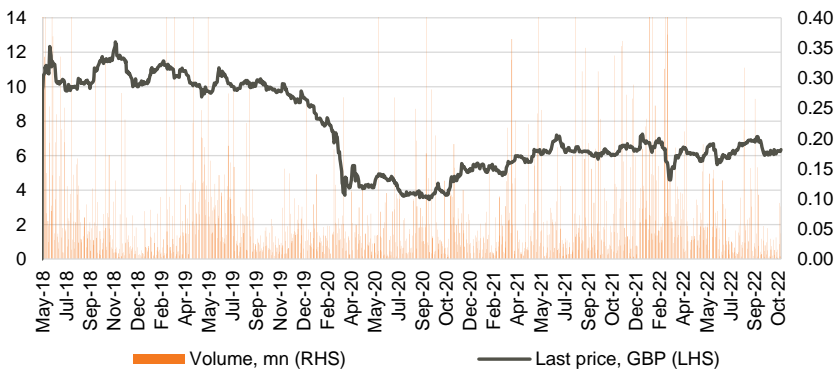
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 21.65/share (+14.31% w/w and +23.71% m/m). More than 327k shares changed hands in the range of GBP 18.46 - 21.90/share. Average daily traded volume was 79k in the last 4 weeks. The volume of TBCG shares traded was at 0.59% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 6.35/share (+1.11% w/w and +2.42% m/m). More than 251k shares traded in the range of GBP 6.10 - 6.55/share. Average daily traded volume was 23k in the last 4 weeks. The volume of CGEO shares traded was at 0.54% of its capitalization.

Source: Bloomberg

Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E			P/B		
								2021	2022F	2023F	2021	2022F	2023F
Bank of Georgia	BGEO	GBP	24.20	1,190	100.3%	59.0%	45.1%	4.58x	4.55x	4.77x	1.06x	1.21x	1.03x
TBC	TBC	GBP	21.65	1,194	76.0%	36.2%	31.2%	4.75x	4.84x	4.59x	1.04x	1.05x	0.90x
Halyk Bank	HSBK	USD	10.14	2,765	4.5%	-44.3%	-38.5%	2.60x	2.74x	3.04x	0.76x	0.66x	0.56x
Akbank	AKBNK	TRY	14.57	75,764	63.3%	130.5%	102.4%	6.04x	1.83x	2.81x	0.96x	0.72x	0.65x
Garanti	GARAN	TRY	23.60	99,120	57.5%	125.8%	109.4%	7.12x	2.38x	3.51x	1.20x	0.92x	0.78x
Isbank	ISCTR	TRY	8.95	40,275	88.9%	221.8%	176.6%	2.87x	1.17x	1.40x	0.99x	0.83x	0.64x
PKO	PKO	PLN	25.65	32,063	-18.9%	-48.5%	-42.9%	6.63x	8.02x	6.55x	0.86x	1.09x	0.94x
PEKAO	PEO	PLN	75.82	19,900	-18.4%	-41.5%	-37.9%	9.22x	9.91x	6.58x	0.84x	0.95x	0.91x
Millennium	MIL	PLN	4.43	5,376	-11.2%	-51.6%	-45.9%	na	2.47x	3.37x	0.81x	1.26x	0.86x
Mbank	MBK	PLN	265.80	11,266	-6.9%	-53.4%	-38.6%	na	7.50x	5.56x	0.83x	0.98x	0.89x
BRD	BRD	RON	11.42	7,959	-32.4%	-38.3%	-35.5%	6.06x	6.90x	6.53x	0.81x	1.39x	1.11x
Banca Transilvania	TLV	RON	17.80	112,344	-14.2%	-21.7%	-22.6%	na	na	na	1.24x	1.36x	1.24x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	13.44x	11.82x	0.65x	0.74x	0.70x
Komercni	KOMB	CZK	730.00	138,736	-4.7%	-20.7%	-21.9%	11.10x	9.69x	10.46x	1.14x	1.27x	1.22x
Mean								6.34x	5.80x	5.46x	0.94x	1.03x	0.89x
Median								6.06x	4.84x	4.77x	0.91x	1.01x	0.89x

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		
								2021	2022F	2023F	2021	2022F	2023F
Georgia Capital	CGEO	GBP	6.35	296	4.1%	5.3%	-10.9%	1.80x	3.95x	2.99x	0.41x	na	na
Tinc Comm	TINC	EUR	12.38	450	-9.9%	-10.5%	-7.9%	13.85x	na	na	0.94x	na	na
Sabanci Holding	SAHOL	TRY	34.22	69,823	70.8%	191.5%	158.7%	5.61x	4.70x	4.27x	1.31x	1.11x	0.83x
Deutsche Beteiligungs	DBAN	EUR	25.90	487	-12.2%	-33.8%	-35.0%	2.57x	na	8.65x	0.68x	1.03x	0.93x
Eurazeo	RF	EUR	58.15	4,607	-17.0%	-26.9%	-24.3%	2.91x	na	na	0.72x	0.73x	0.69x
Carlyle Group	CG	USD	27.85	9,923	-31.3%	-52.8%	-49.3%	3.34x	6.85x	6.26x	1.87x	3.00x	2.31x
Wendel SE	MF	EUR	80.95	3,622	-13.0%	-30.7%	-23.2%	3.45x	7.70x	7.60x	1.35x	1.46x	1.27x
HgCapital Trust	HGT	GBP	3.37	1,532	-14.3%	-17.1%	-20.0%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.90	693	6.0%	-10.9%	-14.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	3.83	683	-11.0%	-0.1%	-8.6%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	8.00	553	-34.0%	-43.3%	-44.6%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.42	218	-24.3%	-9.8%	2.4%	1.78x	na	na	0.45x	na	na
Mean								4.27x	5.80x	5.95x	0.92x	1.46x	1.21x
Median								3.10x	5.77x	6.26x	0.72x	1.11x	0.93x

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: 3 A. Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge