



Economy

Real GDP growth accelerated to 11.0% y/y in Dec-22

The economic growth in Georgia accelerated to 11.0% y/y in Dec-22, after a 9.3% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth stood at 10.1% y/y in 2022, in line with our expectation. The observed growth in December was largely driven by the construction, manufacturing, transportation and storage, financial, trade and hospitality sectors. Meanwhile, real estate operations, professional activities and utilities sectors contracted. We forecast real GDP growth at 4.8% in 2023 and 5.0% in 2024 (see [here](#) more details).

Inflation eased to 9.4% in Jan-23

Annual CPI inflation eased to 9.4% in Jan-23 from a 9.8% inflation in previous month. Contrary, core inflation (non-food, non-energy, and non-tobacco) increased to 7.7% (+1.0ppts m/m) in January. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+15.0% y/y, 5.03ppts), housing, water, electricity, gas and other fuels (+13.1% y/y, 1.38ppts), transport (+5.2% y/y, 0.63ppts), alcoholic beverages and tobacco (+8.7% y/y, 0.58ppts), restaurants and hotels (+14.7% y/y, 0.58ppts), furnishings, household equipment and maintenance (+10.1% y/y, 0.52ppts) and healthcare (-3.2% y/y, -0.33ppts) categories. On a monthly basis, there was a 0.8% inflation in Jan-23, driven by price increase in food and non-alcoholic beverages (+1.4% m/m, 0.46ppts) category. We forecast average annual inflation at 5.2% in 2023 and 3.8% in 2024.

NBG keeps key rate unchanged at 11.0%

The NBG kept its key rate unchanged at 11.0% on 1 February 2023 meeting. According to the NBG's updated forecast, inflation will continue to decline and reach the target level in 2H23, due to the gradual neutralization of external factors and a stronger GEL along with the tight monetary policy and fiscal consolidation. However, the regulator warns that the current geopolitical situation still brings uncertainty and upward risks to inflation. The NBG also underlines inflationary pressure due to local wage growth outpacing labor productivity growth. Therefore, the NBG plans to keep a tight monetary policy throughout the year and begin monetary easing once inflation approaches the target. The next committee meeting is scheduled for 29 March 2023.

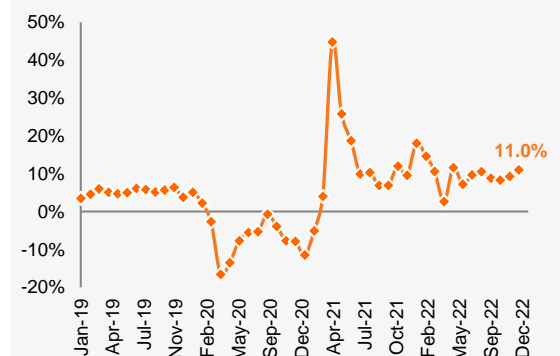
Key macro indicators

	2021	2022E
Real GDP growth (% change)	10.5%	10.1%
GDP per capita (ppp)	16,937	19,456
GDP per capita (US\$)	5,023	6,656
Population (mn)	3.7	3.7
Inflation (eop)	13.9%	9.8%
Gross reserves (US\$ bn)	4.3	4.9
CAD (% of GDP)	10.4%	3.1%
Fiscal deficit (% of GDP)	6.1%	3.1%
Total public debt (% of GDP)	49.6%	39.8%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

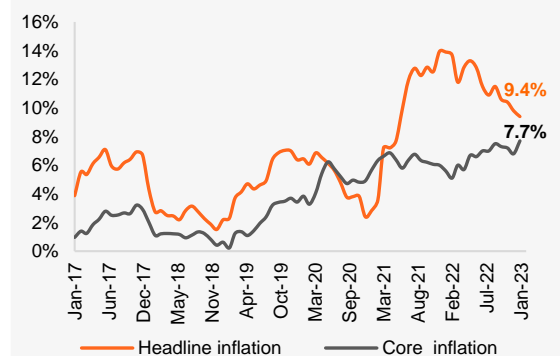
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Annual inflation in Georgia



Source: Geostat

Money market

Ministry of Finance T-Bills:

5-year GEL 90.0mn (US\$ 34.1mn) Benchmark bonds were sold at the auction held at NBG on January 31, 2023. Total demand was 2.0x higher and the weighted average yield was fixed at 8.679%, down by 0.147ppts from previous auction held in Dec-22.

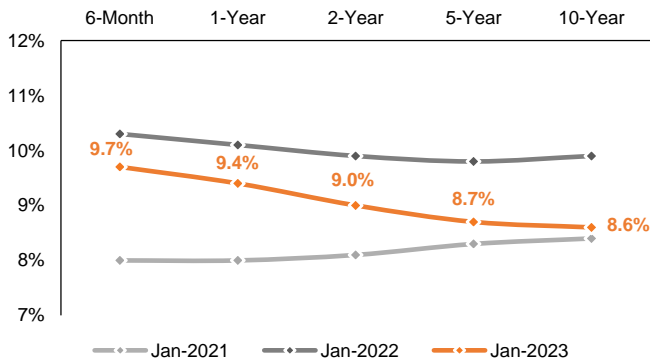
The nearest treasury security auction is scheduled for February 7, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	20	220	120
1-year	20	220	295
2-year	43	440	1,197
5-year	99	990	3,598
10-year	60	660	1,596
Total	242	2,530	6,806

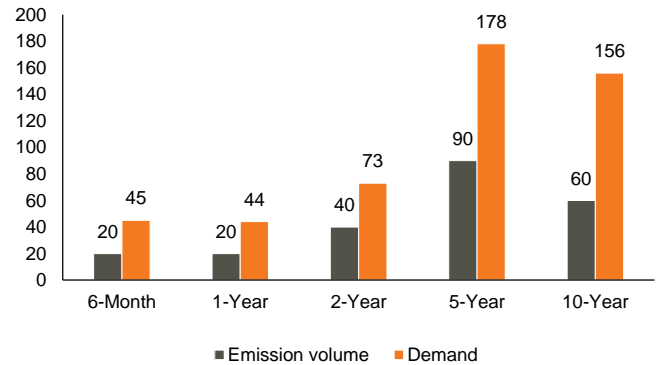
Source: MoF
*As of December 2022

T-bills / T-notes, yield curve



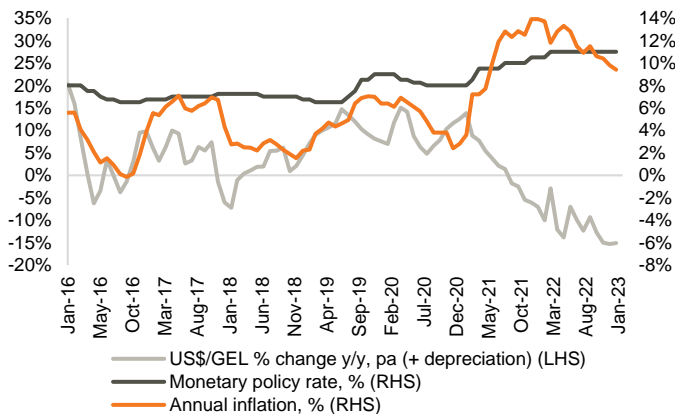
Source: NBG

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



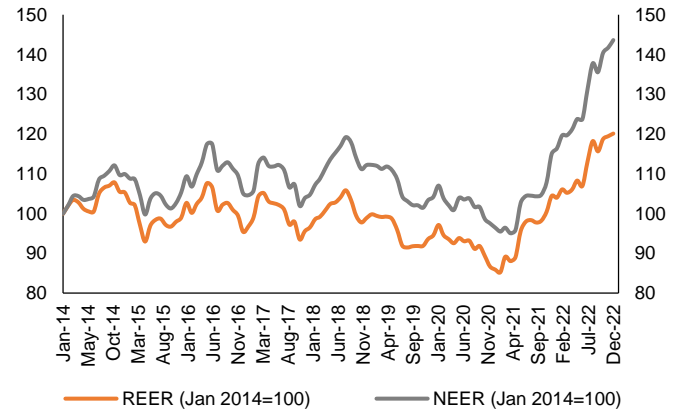
Source: NBG

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

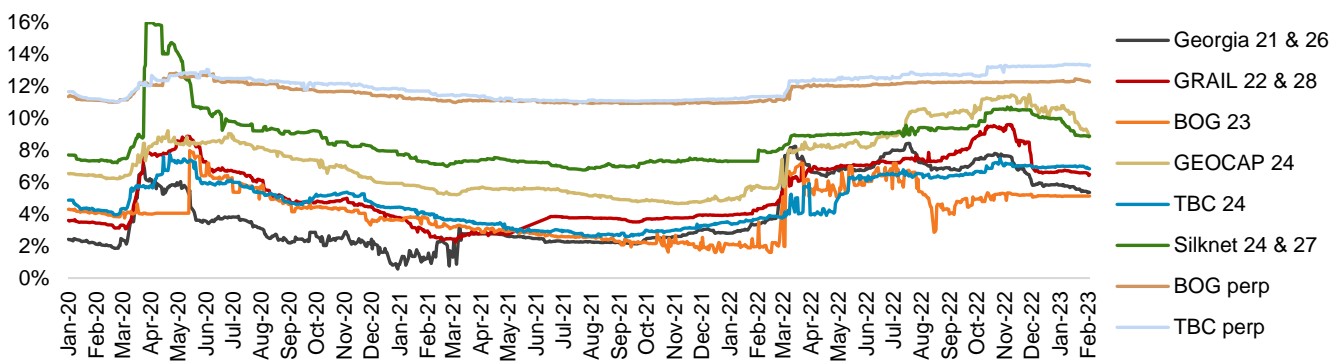
Fixed income

Corporate Eurobonds: Georgia Capital Eurobonds (GEOCAP) were trading at 97.22 (+0.46% w/w), yielding 8.85%.

Georgian Railway Eurobonds (GRAIL) traded at 88.94 (+0.55% w/w), yielding 6.47%.

Georgian Sovereign Eurobonds (GEORG) closed at 92.41 (+0.27% w/w) at 5.35% 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	92.41	5.35	158.03
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB/-	88.94	6.47	303.62
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	n/a	n/a	38.23
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-	99.75	12.27	662.93
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	97.22	8.85	402.19
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.33	8.88	522.89
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.59	6.84	215.90
TBC PERP	USD	125	10.775%	n/a	B-/-	93.54	13.30	1,079.40

Georgian local bonds performance

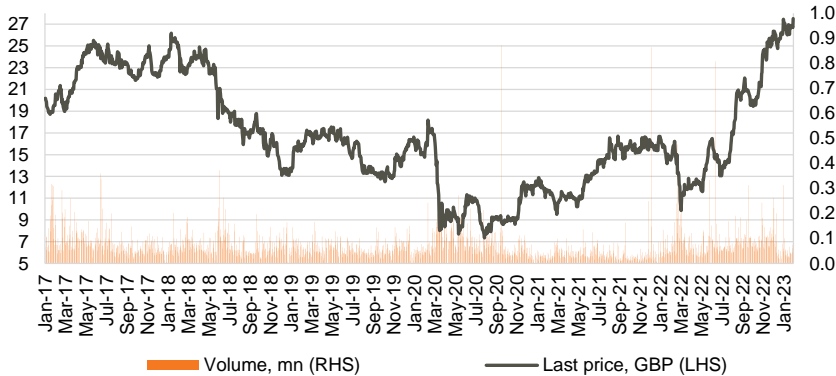
GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	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

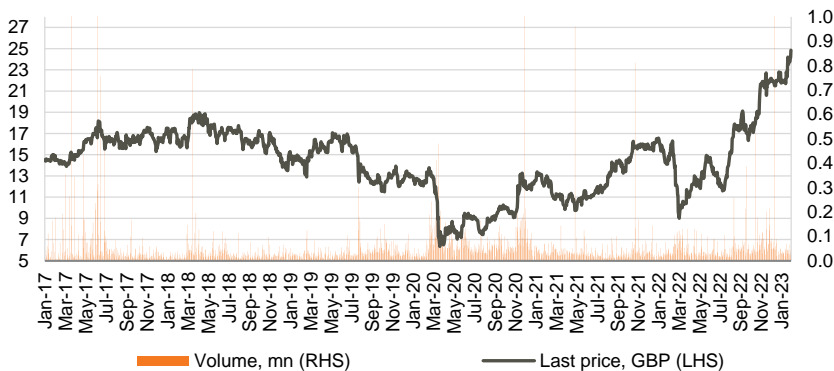
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 27.50/share (+2.42% w/w and +5.16% m/m). More than 259k shares traded in the range of GBP 26.00 - 27.65/share. Average daily traded volume was 46k in the last 4 weeks. The volume of BGEO shares traded was at 0.53% of its capitalization.

Source: Bloomberg

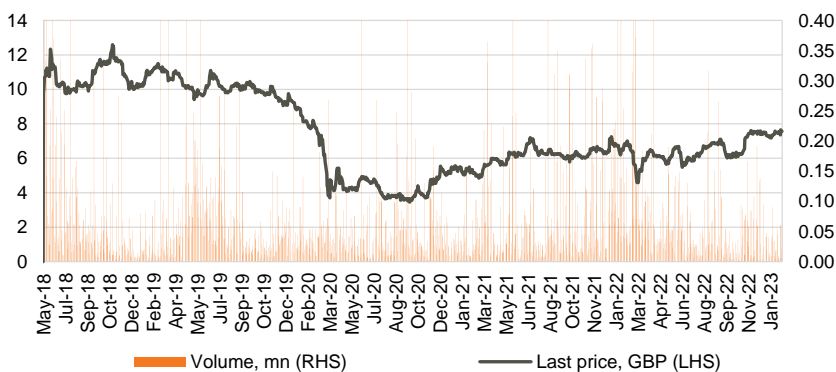
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 24.85/share (+5.30% w/w and +9.23% m/m). More than 187k shares changed hands in the range of GBP 23.40 - 24.95/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.34% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 7.57/share (+0.26% w/w and +4.27% m/m). More than 152k shares traded in the range of GBP 7.35 - 7.65/share. Average daily traded volume was 28k in the last 4 weeks. The volume of CGEO shares traded was at 0.33% 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	27.50	1,352	69.3%	89.4%	5.6%	4.58x	3.40x	4.44x	1.06x	1.06x	0.88x
TBC	TBC	GBP	24.85	1,371	69.7%	67.5%	9.5%	4.75x	4.62x	4.37x	1.04x	1.00x	0.86x
Halyk Bank	HSBK	USD	11.50	3,136	22.3%	-16.3%	3.6%	2.60x	3.04x	3.07x	0.76x	0.77x	0.65x
Akbank	AKBNK	TRY	16.51	85,852	85.7%	112.5%	-15.5%	6.04x	1.49x	2.16x	0.96x	0.67x	0.45x
Garanti	GARAN	TRY	23.58	99,036	58.9%	97.5%	-21.5%	7.12x	1.83x	2.29x	1.20x	0.74x	0.57x
Isbank	ISCTR	TRY	10.57	47,565	86.7%	181.6%	-17.2%	2.87x	0.89x	1.08x	0.99x	0.51x	0.45x
PKO	PKO	PLN	32.72	40,900	33.0%	-33.4%	8.0%	6.63x	11.64x	6.32x	0.86x	1.18x	1.01x
PEKAO	PEO	PLN	93.40	24,515	27.1%	-32.1%	8.0%	9.22x	8.16x	5.86x	0.84x	1.08x	0.92x
Millennium	MIL	PLN	5.08	6,162	36.7%	-42.4%	10.9%	na	2.61x	2.93x	0.81x	1.30x	1.03x
Mbank	MBK	PLN	320.00	13,563	48.0%	-35.3%	8.1%	na	na	6.46x	0.83x	1.09x	0.91x
BRD	BRD	RON	13.98	9,743	5.4%	-32.5%	7.5%	6.06x	7.66x	6.68x	0.81x	1.54x	1.17x
Banca Transilvania	TLV	RON	19.98	126,103	-2.3%	-16.7%	0.3%	na	na	na	1.24x	1.39x	1.20x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	8.75x	8.37x	0.65x	0.66x	0.56x
Komerčni	KOMB	CZK	743.50	141,302	21.5%	-25.0%	13.5%	11.10x	8.64x	9.09x	1.14x	1.15x	1.06x
Mean								6.34x	5.23x	4.86x	0.94x	1.01x	0.84x
Median								6.06x	4.01x	4.44x	0.91x	1.07x	0.90x

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	7.57	353	16.8%	11.2%	3.7%	1.80x	4.12x	3.07x	0.41x	na	na
Tinc Comm	TINC	EUR	12.56	457	-4.3%	-6.3%	0.5%	13.85x	na	na	0.94x	na	na
Sabancı Holding	SAHOL	TRY	40.36	82,351	89.1%	169.2%	-10.5%	5.61x	2.21x	3.37x	1.31x	0.87x	0.65x
Deutsche Beteiligungs	DBAN	EUR	29.60	557	4.2%	-18.9%	6.1%	2.57x	na	7.32x	0.68x	1.13x	0.88x
Eurazeo	RF	EUR	65.35	5,177	-1.4%	-7.2%	12.5%	2.91x	14.97x	10.21x	0.72x	0.74x	0.69x
Carlyle Group	CG	USD	37.81	13,471	-2.5%	-23.9%	26.7%	3.34x	8.76x	9.28x	1.87x	3.25x	2.59x
Wendel SE	MF	EUR	99.45	4,450	12.1%	4.7%	14.0%	3.45x	8.39x	8.09x	1.35x	1.59x	1.36x
HgCapital Trust	HGT	GBP	3.77	1,716	3.6%	-12.3%	7.6%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.70	685	3.3%	-14.0%	-1.9%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.57	816	11.5%	1.7%	8.9%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.40	650	-14.0%	-30.1%	11.4%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.44	225	-6.4%	2.1%	-2.0%	1.78x	na	na	0.45x	na	na
Mean								4.27x	7.69x	6.89x	0.92x	1.52x	1.23x
Median								3.10x	8.39x	7.71x	0.72x	1.13x	0.88x

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