



Capital Market of Uzbekistan

Investors' View

Cbonds, Uzbekistan
September 13, 2018

Увидимся в **13 Сентября 2018**
Международная конференция CBONDS
«Рынок капитала Республики Узбекистан»

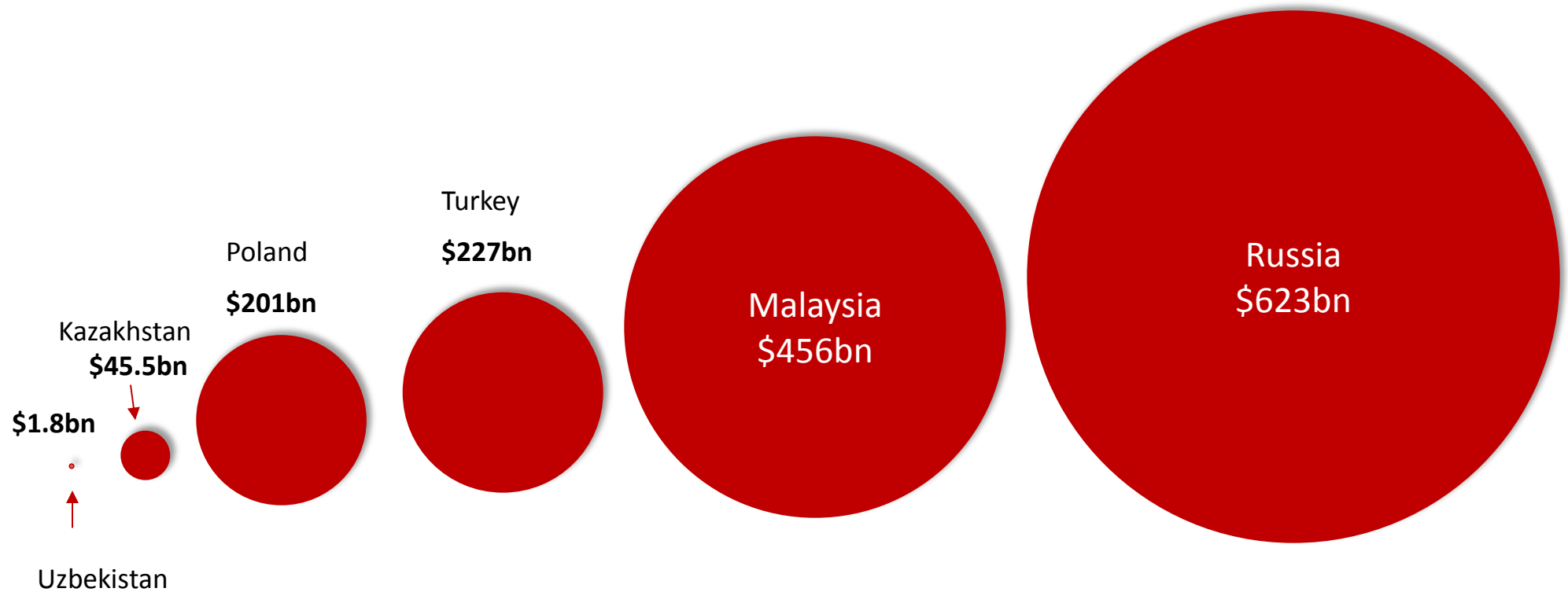
UZBEKISTAN



Outline

- ❖ Market size
- ❖ Key Companies
- ❖ Financing need
- ❖ Liquidity
- ❖ Supply of shares
- ❖ Valuations
- ❖ Benchmarking: sovereign credit rating

Small Market Size (by marketcap)...for now?!

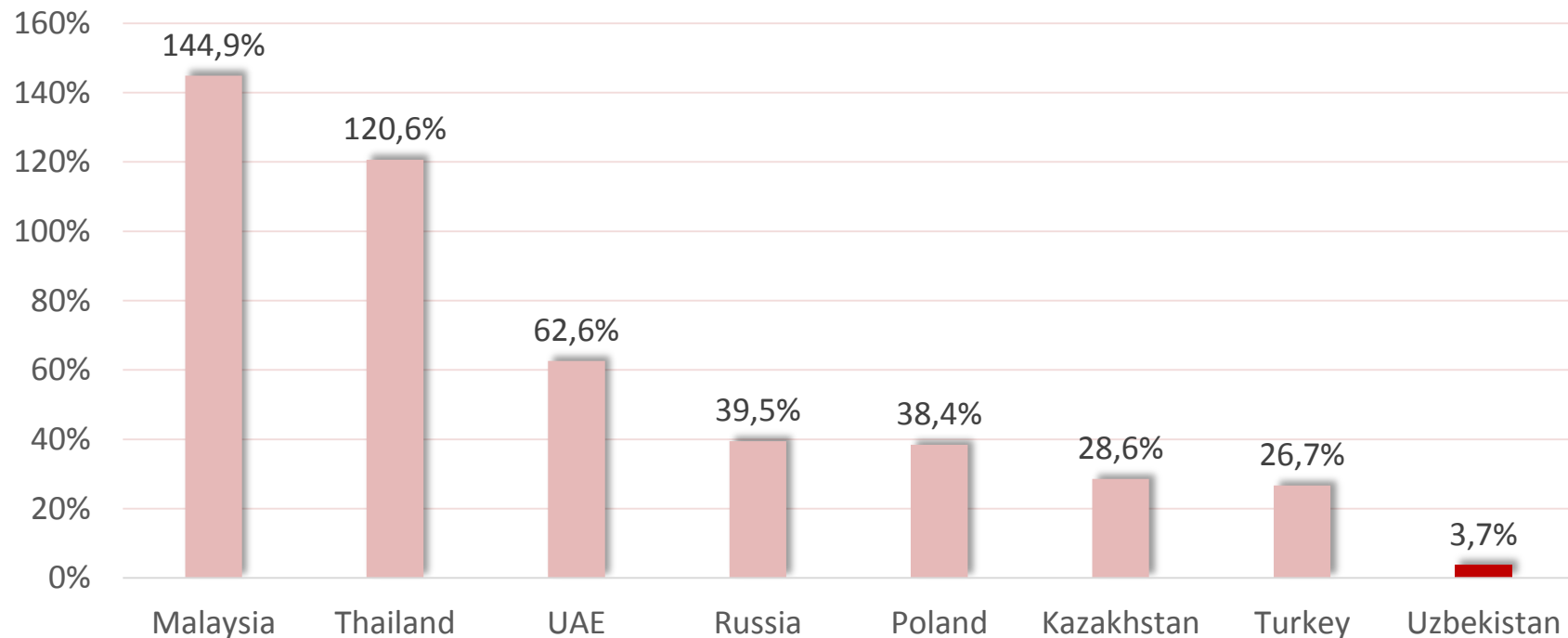


Key Companies not Represented

❖ 169 listed companies (1 July 2018)

❖ Only 3.7% of GDP

Marketcap-to-GDP (% of GDP)



Financing need is there...

- ❖ **28 banks** operate in Uzbekistan, incl. 11 with state ownership, 5 with foreign capital
- ❖ State-owned banks dominate the sector - 83.5% of all bank assets
- ❖ **Assets UZ\$185.1 trillion or \$23.5bn**, incl **loans UZ\$134.6 trillion or \$17.1bn** (Jul1, 2018, CBU)
- ❖ Banking sector is largely **undercapitalized**
- ❖ **Shareholder capital** at UZ\$23.5trln or **\$2.99bn**; and **deposits** UZ\$63trln or **\$8bn**
- ❖ Domestic banks are highly dependent on government financing - 51% of deposits and loans from the government (2017, IMF)
- ❖ Loans on preferential terms extended to state enterprises account 56% of all loans vs 23% to private sector (IMF, 2017).



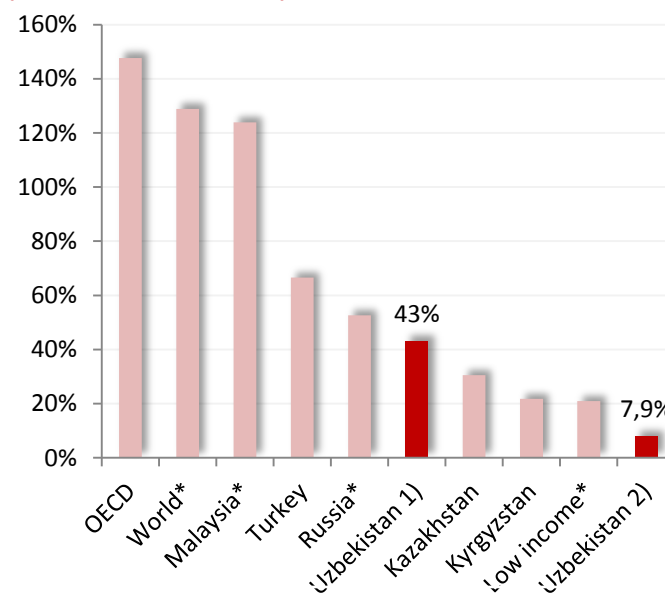
\$2.85bn equity
\$27bn assets

vs

\$2.91bn equity
\$22.4bn assets



Domestic credit to private sector (% of GDP, 2017)



Source: World Bank, IMF, CBU

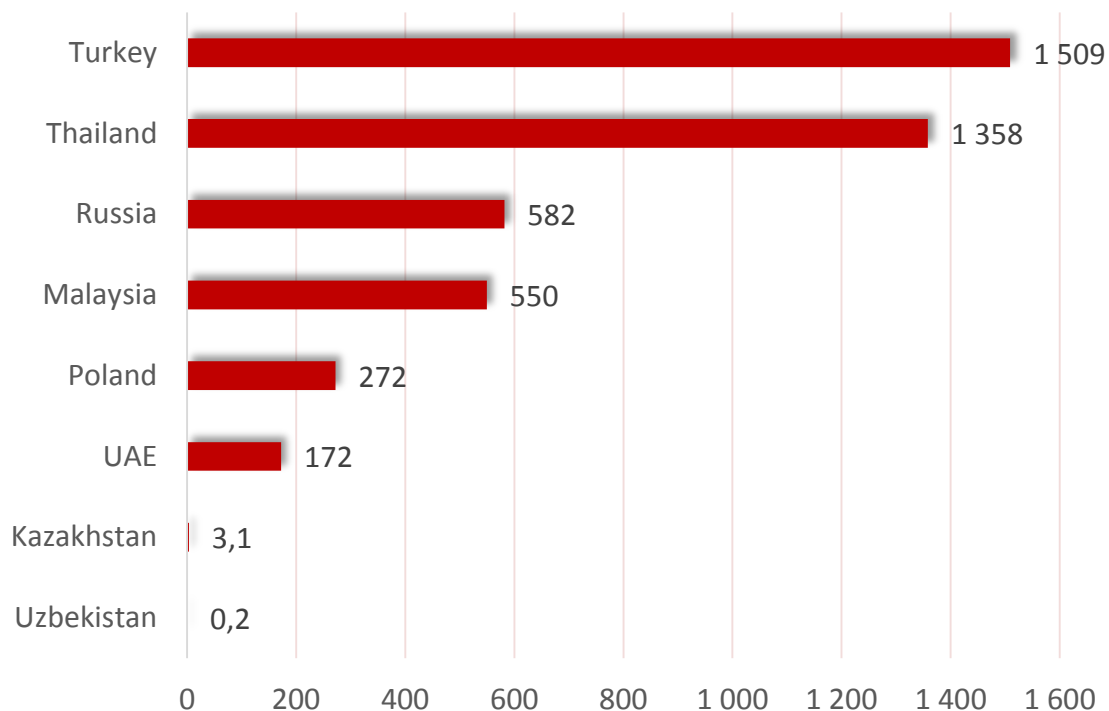
*2016 data

1) credit to the economy (IMF)

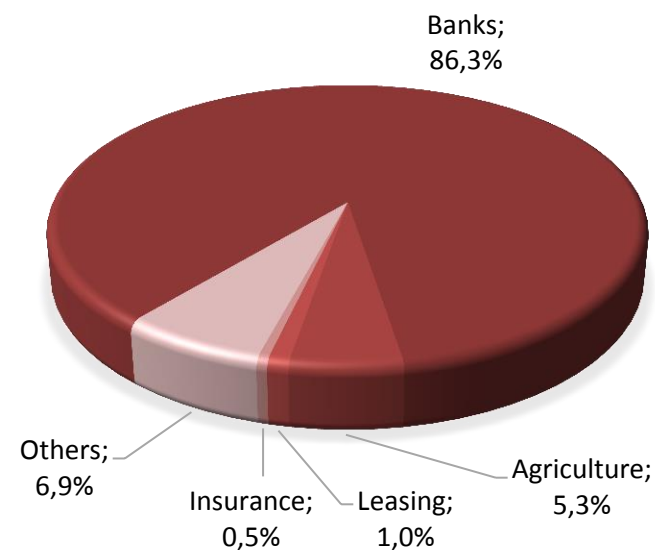
2) credit to small and private entrepreneurship (CBU)

Low Liquidity

Daily liquidity, 2017 (stocks, \$mn)



Trading Volumes by Sectors, 2017



Limited Supply

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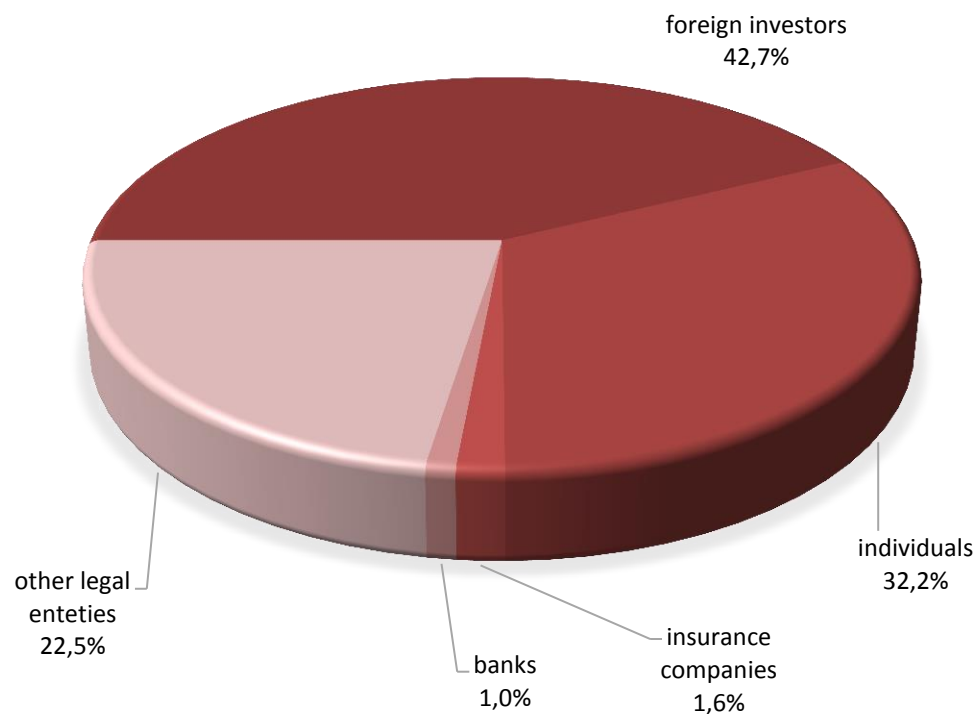
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Buyers mostly local

- ❖ In 2017 **foreign investors** prevailed at the TSE with **43% of all traded volumes** (Ziraat Bank deal)
- ❖ **Retail investors** accounted for 74% of all volumes in 1H 2018

Trading by type of Investors, 2017



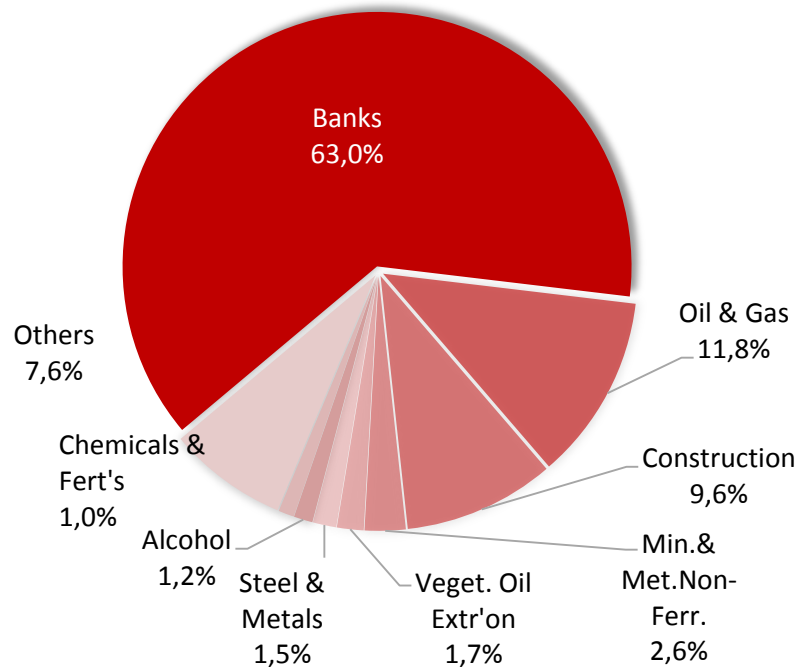
Top-20 Stocks: Banking play

#	Company	Industry	MarketCap, \$ mn 31 Dec 2017
1	Asaka Bank	Banking	261.0
2	Agro Bank	Banking	193.7
3	O'zsanoatqurilish Bank	Banking	140.7
4	Qishloq Qurilish Bank	Banking	132.3
5	Ohangaronsement	Const. Materials	91.0
6	Ipoteka Bank	Banking	88.7
7	O'ztransgaz	Oil & Gas	72.1
8	Qizilqumsement	Const. Materials	71.6
9	O'zneftgazqazibchiqarish	Oil & Gas	70.0
10	Mikrokredit Bank	Banking	62.2
11	InFin Bank	Banking	54.2
12	Olmalik KMK	Min.& Met.Non-Ferr.	47.4
13	O'zneftmahsulot	Oil & Gas	46.3
14	Turon Bank	Banking	34.4
15	Aloqa Bank	Banking	29.4
16	Ziraat Bank Uzbekistan	Banking	28.1
17	O'zmetkombinat	Steel & Metals	27.2
18	Orient Finans Bank	Banking	21.0
19	Ipak Yo'li Bank	Banking	18.1
20	Asia Alliance Bank	Banking	17.9
	Total		1,507.4

Source: Tashkent Stock Exchange, Silk Capital estimates

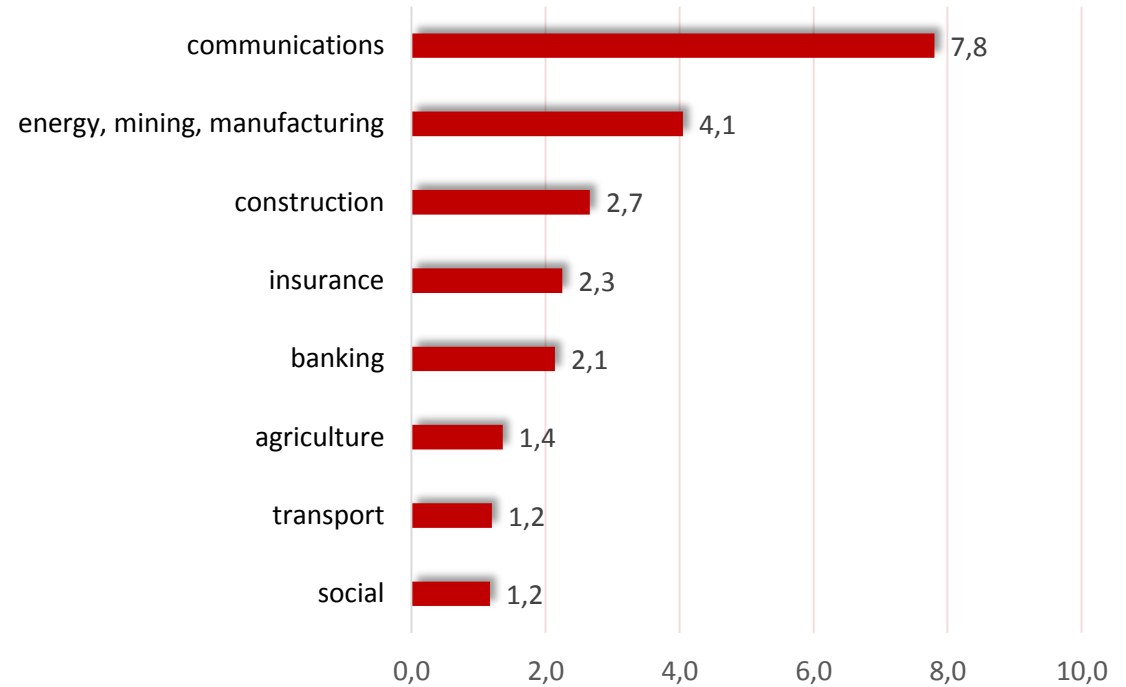
Selective approach needed...

Market cap by sectors
(% of total, 31 Dec 2017)

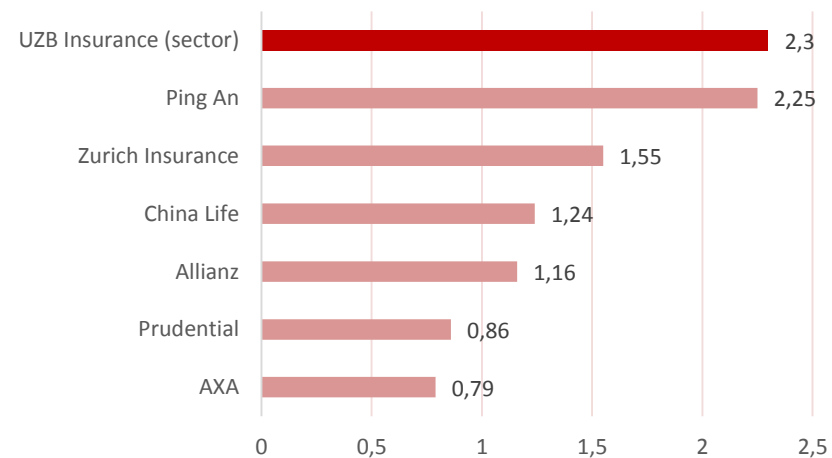
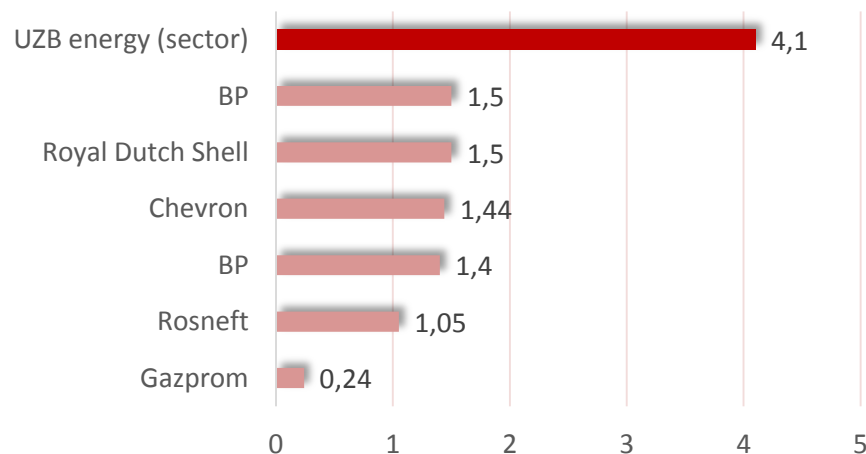
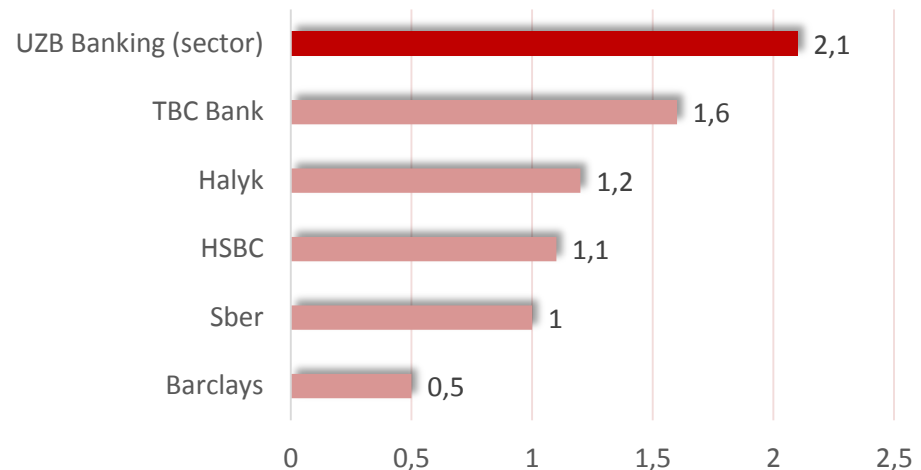
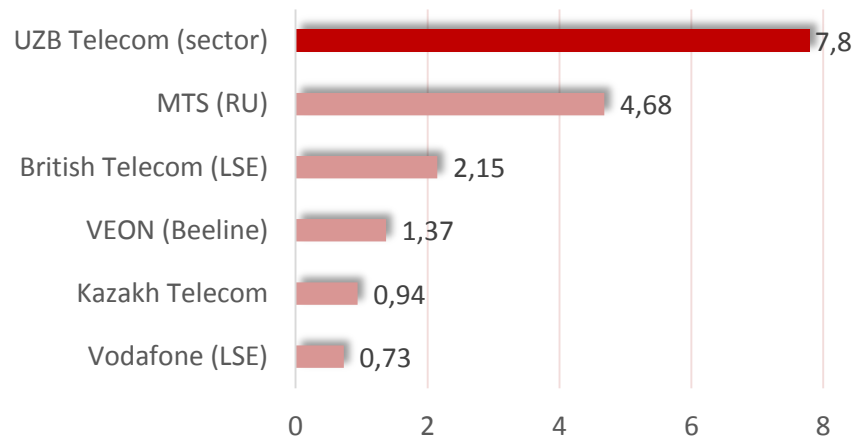


Source: Tashkent Stock Exchange, Silk Capital

PB ratios by sector
(31 May 2018)



First impression: valuations (PB) not cheap...



Benchmarking is key

- ❖ **Sovereign credit rating** to be obtained by end-2018, led by *JPMorgan Chase*
- ❖ **McKinsey, BCG** on development strategy, investment climate
- ❖ **\$1BN sovereign bond issue** in 2018
- ❖ **Uzbekistan** - the only **one of two remaining medium-sized frontier economies that does not have credit rating or international bond issue** (Myanmar is the other country)
- ❖ **Hamkor Bank Uzbek Sum “Samarkand Bonds”**, first ever Uzbekistan sum bonds listed on the London Stock Exchange on June 20, 2018
 - issued by triple-A rated **IFC**
 - raised **UZS 160bn (\$20mn)**
 - Terms: **2 years, 9.5% coupon rate**
 - **IFC VP Georgina Baker** says first-ever Uzbek Soum bond listed on LSE is “*an important capital markets innovation. We see this pioneering issuance having a positive flow-on effect, connecting international investor demand with a wide range of Uzbekistan’s financing needs*”
 - **Nikhil Rathi, CEO, London Stock Exchange Plc** “*As a world first, the successful issuance of IFC’s inaugural Uzbek Soum bonds highlights London Stock Exchange’s ability to finance global growth without issuer foreign exchange currency risk.*”

JPMORGAN
CHASE & CO.

 **HAMKORBANK**


**International
Finance
Corporation**
WORLD BANK GROUP



London
Stock Exchange

Sovereign Credit Rating

S&P SOVEREIGN RATINGS OF MSCI FM COUNTRIES

(as of 31 MARCH 2018)

RANKING	COUNTRY	RATING		RANKING	COUNTRY	RATING
1	KUWAIT	AA		12	CROATIA	BB+
2	ESTONIA	AA-		13	SERBIA	BB
3	SLOVENIA	A+		14	OMAN	BB
4	LITHUANIA	A		15	BANGLADESH	BB-
5	BOTSWANA	A-		16	VIETNAM	BB-
6	T&T	BBB+		17	JORDAN	B+
7	PANAMA	BBB		18	BAHRAIN	B+
8	ROMANIA	BBB-		19	ARGENTINA	B+
9	BULGARIA	BBB-		20	SRI LANKA	B+
10	MOROCCO	BBB-		21	KENYA	B+
11	KAZAKHSTAN	BBB-		22	BOSNIA HERZEGOVINA	B
				23	JAMAICA	B
				24	NIGERIA	B
				25	LEBANON	B-
				26	GHANA	B-
				27	UKRAINE	B-
				28	MAURITIUS	NR
				29	TUNISIA	NR
				30	ZIMBABVE	NR

Uzbekistan
could be here?

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