



# Georgia Capital Investor Day

27 June 2019 | Tbilisi

# Forward looking statements

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# Financial Overview & Risk Management

**Giorgi Alpaidze**

*Chief Financial Officer, Georgia Capital*

# Today's key messages

- 1 Consistent valuation methodology to measure financial performance**
- 2 Significant value creation momentum in private portfolio**
- 3 Prudent capital allocation decisions drive NAV per share uplift**
- 4 Cost discipline and robust risk management**

# Valuation methodology

Comprehensive valuation methodology involving rigorous process and multiple stages of review



# DCF valuation methodology

## In-house developed cost of equity build up methodology for DCF

### COE components

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#### 1) Total risk-free rate

Risk-free rate (FC)

4.5%

Local currency risk premium

0%-4.0%

#### 2) Industry specific equity risk premium

Industry risk premium

1.0%-3.0%

Regulatory risk premium

1.0%-3.0%

#### 3) Company specific risk premium

Competition

0%-0.75%

Management

0.25%-0.75%

Leverage

0% - 0.5%

#### 4) Size risk premium

1.0%-3.6%

# NAV Statement | 31-Mar-19

NAV Statement		① Value Creation	② Capital Allocation	③ Operating Expenses	④ Net Interest income	④ Liquidity management	Other	31-Mar-19	Change%
<i>GEL thousands unless otherwise noted</i>	31-Dec-18								
<b>Listed Portfolio Companies</b>	<b>977,827</b>	<b>118,683</b>	-	-	-	-	-	<b>1,096,510</b>	<b>12.1%</b>
GHG <sup>1</sup>	520,332	7,706	-	-	-	-	-	528,038	1.5%
BoG <sup>1</sup>	457,495	110,977	-	-	-	-	-	568,472	24.3%
<b>Private Portfolio Companies</b>	<b>905,547</b>	<b>18,465</b>	<b>3,784</b>	-	-	-	-	<b>927,795</b>	<b>2.5%</b>
<b>Late Stage</b>	<b>628,326</b>	<b>21,105</b>	<b>(18,735)</b>	-	-	-	-	<b>630,695</b>	<b>0.4%</b>
Water Utility	431,017	18,429	-	-	-	-	-	449,446	4.3%
Housing Development	66,785	-	(18,735)	-	-	-	-	48,050	-28.1%
P&C Insurance	130,524	2,676	-	-	-	-	-	133,200	2.1%
<b>Early Stage</b>	<b>271,288</b>	<b>(3,966)</b>	<b>20,438</b>	-	-	-	-	<b>287,760</b>	<b>6.1%</b>
Renewable energy	61,182	-	1,703	-	-	-	-	62,885	2.8%
Hospitality and Commercial	149,079	-	18,735	-	-	-	-	167,814	12.6%
Beverages	61,027	(3,966)	-	-	-	-	-	57,061	-6.5%
Wine	56,771	290	-	-	-	-	-	57,061	0.5%
Beer	4,256	(4,256)	-	-	-	-	-	-	-100.0%
<b>Pipeline</b>	<b>5,933</b>	<b>1,326</b>	<b>2,081</b>	-	-	-	-	<b>9,340</b>	<b>57.4%</b>
Education	7,071	-	1,472	-	-	-	-	8,543	20.8%
Auto service	(1,326)	1,326	-	-	-	-	-	-	NMF
Other	188	-	609	-	-	-	-	797	NMF
<b>Total Portfolio Value</b>	<b>1,883,374</b>	<b>137,148</b>	<b>3,784</b>	-	-	-	-	<b>2,024,306</b>	<b>7.5%</b>
<b>Net Debt</b>	<b>(196,916)</b>	-	<b>(15,296)</b>	<b>(4,114)</b>	<b>2,384</b>	-	<b>(79)</b>	<b>(214,020)</b>	<b>8.7%</b>
of which, Cash and liquid funds	299,650	-	(15,296)	(4,114)	7,031	34,291	4,354	325,916	8.8%
of which, Loans issued	305,480	-	-	-	6,911	(58,985)	1,250	254,656	-16.6%
of which, Gross Debt	(802,045)	-	-	-	(11,558)	24,694	(5,683)	(794,593)	-0.9%
Net other assets/ (liabilities)	1,762	-	-	-	-	-	(2,363)	(601)	-134.1%
Share - based compensation	-	-	-	(3,148)	-	-	3,148	-	NMF
<b>Net Asset Value</b>	<b>1,688,220</b>	<b>137,148</b>	<b>(11,512)</b>	<b>(7,262)</b>	<b>2,384</b>	-	<b>706</b>	<b>1,809,685</b>	<b>7.2%</b>
Shares outstanding	35,816,947	-	(313,000)	323,692	-	-	-	35,827,639	0.0%
<b>Net Asset Value per share</b>	<b>47.13</b>	-	-	-	-	-	-	<b>50.51</b>	<b>7.2%</b>
<b>Net Asset Value per share (GBP)</b>	<b>13.88</b>	-	-	-	-	-	-	<b>14.37</b>	<b>3.5%</b>

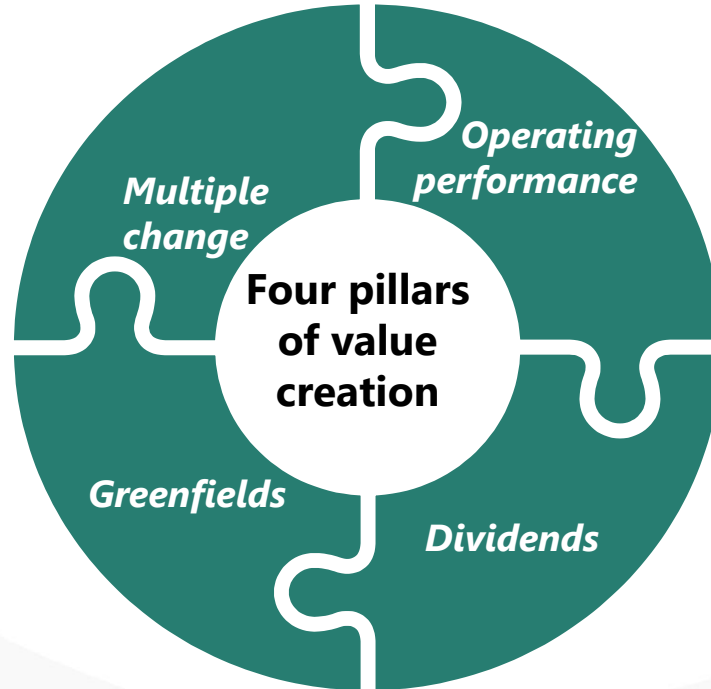


(1) Number of shares owned in GHG and BoG were 75,118,503 and 9,784,716, respectively.

# Value creation

*How we look at value creation*

Disciplined investment process drives consistent value creation





# Value creation

## Value creation in private portfolio | 1Q19

Private Portfolio Businesses	Dividends	Operating Performance	Greenfields	Multiple Change	Value Creation
<i>GEL thousands</i>	(1)	(2)	(3)	(4)	(1)+(2)+(3)+(4)
<b>Late Stage</b>	-	<b>21,105</b>	-	-	<b>21,105</b>
<i>Water Utility</i>	-	18,429	-	-	18,429
<i>Housing Development</i>	-	-	-	-	-
<i>P&amp;C Insurance</i>	-	2,676	-	-	2,676
<b>Early Stage</b>	-	<b>(3,966)</b>	-	-	<b>(3,966)</b>
<i>Renewable energy</i>	-	-	-	-	-
<i>Hospitality and Commercial</i>	-	-	-	-	-
<i>Beverages</i>	-	(3,966)	-	-	(3,966)
<i>of which, Wine</i>	-	290	-	-	290
<i>of which, Beer</i>	-	(4,256)	-	-	(4,256)
<b>Pipeline</b>	-	-	<b>1,326</b>	-	<b>1,326</b>
<i>Education</i>	-	-	-	-	-
<i>Auto Service</i>	-	-	1,326	-	1,326
<b>Total private businesses</b>	-	<b>17,138</b>	<b>1,326</b>	-	<b>18,465</b>

# Water Utility

Valuation highlights   31-March-2019		% change from YE18
LTM EBITDA	GEL 85 million	+2.5%
EV/EBITDA multiple	8.8	NMF
Enterprise value	GEL 756 million	+ 2.5%
Net debt	GEL (306) million	- 0.1%
Equity fair value	GEL 449 million	+ 4.3%
LTM ROIC <sup>1</sup>	10.1%	- 0.2ppt

Valuation peer group					
Company	Country	Ticker	Stock Exchange	EV/EBITDA 31-Mar-19	Free float %
Aguas Andinas	Chile	AGUAS-A	Sant Comerc	10.5x	45%
Manila Water	Philippines	MWC	Philippines	9.0x	56%
EASTW <sup>2</sup>	Thailand	EASTW	Bangkok	10.9x	36%
Tallinna Vesi	Estonia	TVEAT	Tallinn	7.5x	30%

## Value creation drivers

- Operating efficiencies
- Growth in third party electricity sales
- Electricity market deregulation

# P&C Insurance

Valuation highlights   31-March-2019		% change from YE18
Net income <sup>1</sup>	18	+2.1%
P/E multiple	7.4	NMF
Equity fair value	GEL 133 million	+ 2.1%
LTM ROAE <sup>1</sup>	33.7%	- 0.7ppt

Valuation peer group					
Company	Country	Ticker	Stock Exchange	P/E multiple 31-Mar-19	Free float %
Dhipaya Insurance	Thailand	TIP	Thailand	8.8x	86%
Zavarovalnica Triglav	Slovenia	ZVTG	Ljubljana	9.4x	37%
Pozavarovalnica Sava	Slovenia	POSR	Ljubljana	6.2x	62%
Aksigorta	Turkey	AKGRT	Istanbul	5.8x	28%
Anadolu Sigorta	Turkey	ANSGR	Istanbul	6.1x	36%

## Value creation drivers

- Introduction of compulsory local TPL<sup>2</sup>
- Low penetration
- Digitalization

# Housing Development

## Valuation highlights | 31-March-2019

Equity fair value

GEL 48 million

Valuation methodology

DCF

% change  
from YE18

*flat*

## Dividend track record

- Cash received – GEL **10mln**
- In kind dividends – GEL **101mln**

## Value creation drivers

- Full development of existing land bank
- Franchise deals
- Construction projects
- Development of commercial properties

# Renewable Energy

Valuation highlights   31-March-2019		% change from YE18
Equity fair value	GEL 63 million	+ 2.8%
Ownership	65%	
Valuation methodology	Cost (EV/EBITDA after launch)	

Valuation peer group					
Company	Country	Ticker	Stock Exchange	EV/EBITDA 31-Mar-19	Free float %
Super Energy Corp.	Thailand	SUPER	Bangkok	10.7x	61%
Eltech Anemos	Greece	ANEMOS	Athens	7.9x	29%
BCPG	Thailand	BCPG	Bangkok	16.6x	28%
Azure Power Global	India	AZRE	NYSE	12.0x	17%

Mestiachala HPP value creation	
Investment GEL 165 million	
Implied yield 8.5%	
	<u>Range</u>
<b>EBITDA</b>	<b>GEL 15mln – GEL 20mln</b>
<b>ROIC (\$)</b>	<b>9% - 12%</b>
<b>Value created (GCAP share)</b>	<b>GEL 7mln – GEL 46mln</b>

# Hospitality & Commercial Real Estate

## Valuation highlights | 31-March-2019

% change  
from YE18

Equity fair value

**GEL 168 million**

**+ 12.6%**

➤ *Hospitality*

*GEL 114 million*

➤ *Commercial real estate*

*GEL 54 million*

LTM ROIC<sup>1</sup>

**13.4%**

**- 3.0ppt**

Valuation methodology

**NAV**

## Value creation drivers

- **Strong hotels development pipeline**
- **Operate efficiently**

## Value creation

### Ramada hotel

<i>Investment</i>	<b>US\$ 12.1 million</b>
<i>Stabilized NOI<sup>2</sup></i>	<b>US\$ 1.8 million</b>
<i>ROIC (\$)</i>	<b>15%</b>
<i>Current yield</i>	<b>10.5%</b>
<i>Value creation<sup>3</sup></i>	<b>US\$ 5.2 million</b>
<i>Target yield</i>	<b>10%</b>

### Pipeline hotels

<i>Total investment</i>	<b>US\$ 106 million</b>
<i>Weighted average ROIC (\$)</i>	<b>14%</b>
<i>Target yield</i>	<b>10%</b>
<i>Potential value creation</i>	<b>US\$ 46 million</b>

### Commercial real estate

- **Yield appreciation**
- **Current yield at 10%**

# Wine business (86% ownership<sup>1</sup>)

## Valuation highlights | 31-March-2019

% change  
from YE18

LTM EBITDA<sup>2</sup>

GEL 4.8 million

-0.9%

EV/EBITDA multiple

9.3

+ 2.2%

Enterprise value

GEL 45 million

- 1.7%

Net debt

GEL (5) million

- 28.1%

Kindzmarauli at cost

GEL 26 million

NMF

Equity fair value

GEL 57 million

+ 0.5%

LTM ROIC<sup>3</sup>

11.0%

- 1.1ppt

## Valuation peer group

Company	Country	Ticker	Stock Exchange	EV/EBITDA 31-Mar-19	Free float %
Purcari Wineries	Moldova Romania	Wine	Bucharest	8.6x	49%
Vina Concha Y Toro	Chile	CONCHA	Sant Comerc	15.0x	48%
Vina San Pedro	Chile	VSPT	Sant Comerc	8.0x	4%
Bodegas Esmeralda	Argentina	ESME	Buenos Aires	7.6x	100%

## Value creation drivers

- Kindzmarauli revaluation
- Business growth
- Improvements to ROIC

# Beer business (86% ownership\*)

Valuation highlights   31-March-2019		% change from YE18	Valuation peer Group					
LTM Sales	GEL 28.7 million	+2.1%	Company	Country	Ticker	Stock exchange	EV/Sales 31-Mar-19	Free float %
EV/Sales multiple	2.2	NMF	Anadolu Efes	Turkey	AEFES	Istanbul	1.3x	33%
Enterprise value	62 million	+ 3.8%	Grupa Zywiec	Poland	ZWC PW	Warsaw	1.7x	35%
Net debt	(66) million	+ 14.4%	Turk Tuborg	Turkey	TBORG	Istanbul	1.7x	4%
Equity fair value	-	NMF	Cerveceria San Juan	Peru	SNJUANI1	Lima	3.8x	4%
LTM ROIC <sup>1</sup>	-22.8%	- 0.8ppt						

## Value creation drivers

- Improvements in operating performance
- Beer portfolio expansion
- Breakeven EBITDA expected in 2H19

## Beer portfolio





# Value creation

## *Drivers for NAV growth*

### Comprehensive analysis of value creation potential across our private portfolio

#### *Upcoming value creation*

#### Late stage businesses

Business growth and operating efficiencies

#### Early stage businesses

- *Hotels*
- *Mestiachala HPP*
- *Wine business*
- *Beer business*

#### Pipeline businesses

- *PTI business (Auto service) ~ 1H19*
- *Education ~ 2020*
- *Digital services ~ 2020*

# Capital allocations

## Buybacks and capital allocations overview

### Capital allocations | 1Q19

GEL millions

*Renewable energy business* **1.7**

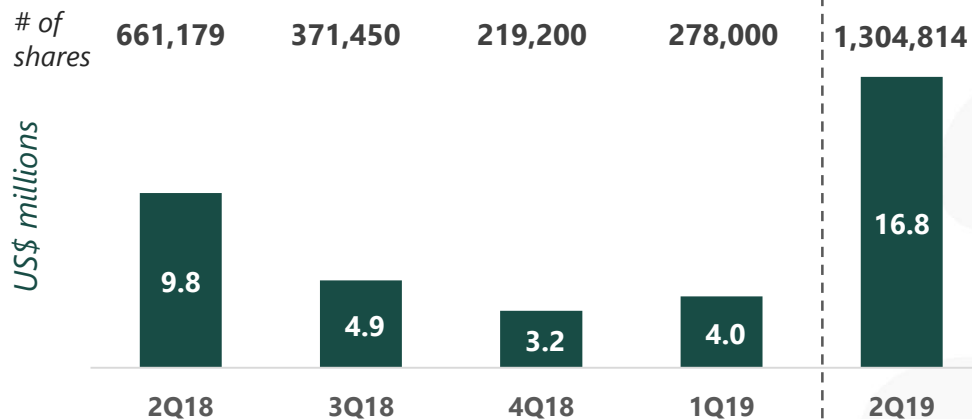
*Education* **1.5**

*Other* **0.6**

**Total** **3.8**

### Buybacks,

under US\$45 million buyback programme



➤ **2.8 million shares bought back for GEL 101.2 million**

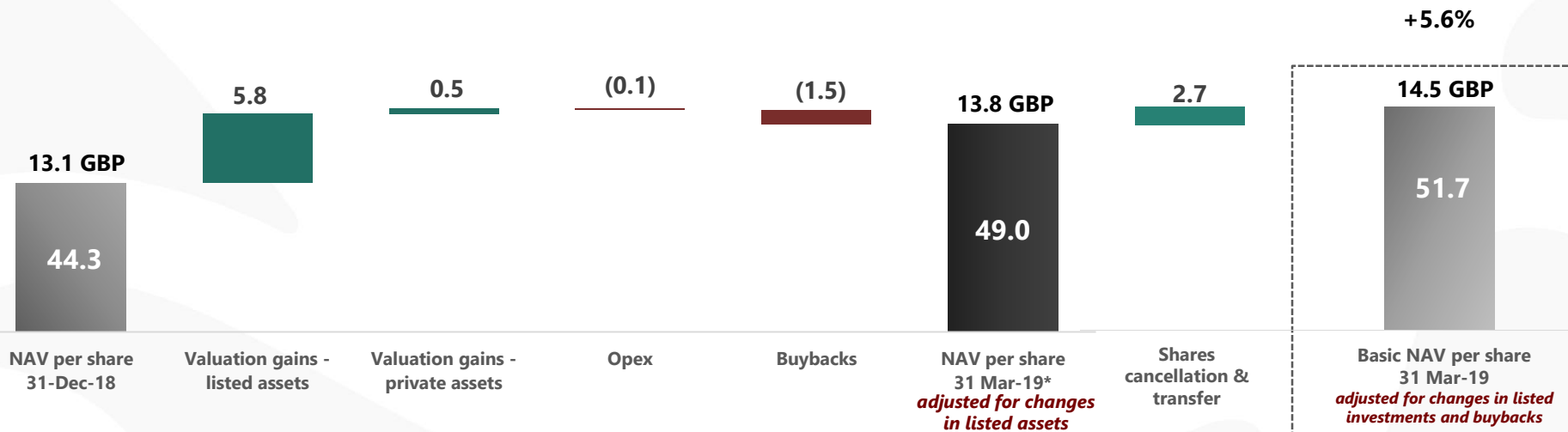
# Capital allocations

## Net Asset Value per share movement | 1Q19

- We cancelled **2,000,000 treasury shares** on 12 June 2019
- **686,468 treasury shares** were transferred Management Trust
- Only unawarded management trust shares are deducted from number of shares issued under updated NAV per share methodology

**2 million shares cancelation drives NAV per share up by 5.6%**

GEL



# Aligned income statement with fair value NAV statement

Starting from 1H19 we will be reporting fair value management income statement on a semi-annual basis

Fair value management income statement	
<i>GEL thousands unless otherwise noted</i>	
	1Q19
Dividend income	-
Interest income	11,250
Realized/Unrealized gains on liquid funds	3,827
Interest expense	(12,694)
<b>Gross operating income</b>	<b>2,383</b>
Operating expenses	(7,262)
<b>GCAP net operating income</b>	<b>(4,879)</b>
<b>Fair Value changes of portfolio companies</b>	
<b>Listed Equity Investments</b>	<b>118,683</b>
<i>of which, GHG PLC</i>	7,706
<i>of which, BoG PLC</i>	110,977
<b>Private Investments</b>	<b>18,465</b>
<b>Late Stage</b>	<b>21,105</b>
<i>of which, Water utility</i>	18,429
<i>of which, Housing development</i>	-
<i>of which, P&amp;C insurance</i>	2,676
<b>Early Stage</b>	<b>(3,966)</b>
<i>of which, Renewable energy</i>	-
<i>of which, Hospitality and commercial</i>	-
<i>of which, Beverage</i>	(3,966)
<b>Pipeline</b>	<b>1,326</b>
<b>Total investment return</b>	<b>137,148</b>
<b>Income before net foreign currency gain (loss)</b>	<b>132,269</b>
Net foreign currency loss	(1,949)
<b>Net Income</b>	<b>130,320</b>



## Semiannual earnings release

- Full scope earnings releases covering detailed performance across GCAP and our private portfolio.

## Quarterly trading updates

- Summarizing Georgia Capital NAV statement and key developments across our private portfolio.

# Continued strong cash flow generation at Georgia Capital

*Strong interest and cash expense coverage*

*Gel millions*

**FY18**

**Dividends Received**

**72**

**Interest Received**

**28**

**Total Cash Generation**

**100**

**Interest Paid**

**(46)**

**GCAP cash operating expenses**

**(10)**

**Cash flow from operations**

**44**

**Interest coverage  
FY18**

**2.1x**

**Cash expense coverage  
FY18**

**5.2x**

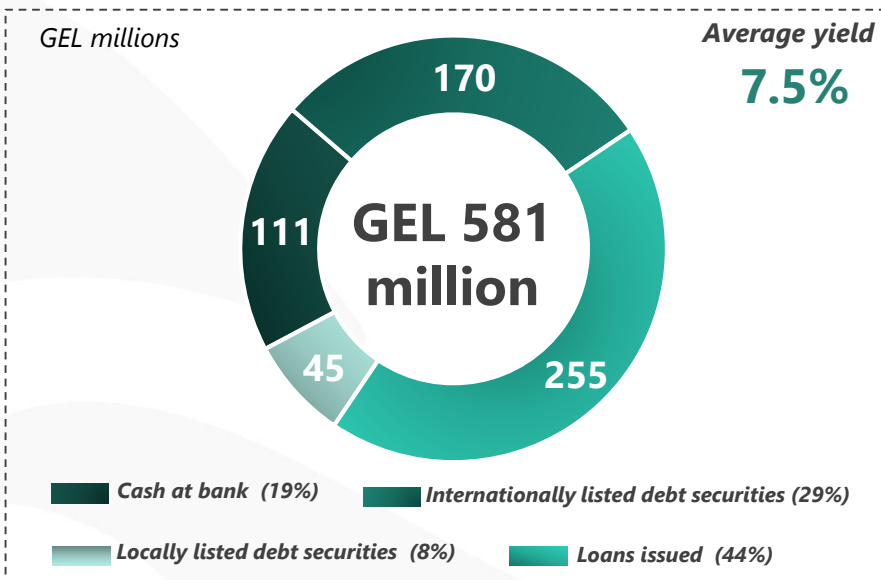
**Total cash flow from operations GEL 44mln in 2018**

# Liquidity management

*Liquid funds with effective maturity up to one year*

➤ **Georgia Capital issued inaugural US\$ 300mln six-year Eurobonds with a yield of 6.375% in March 2018**

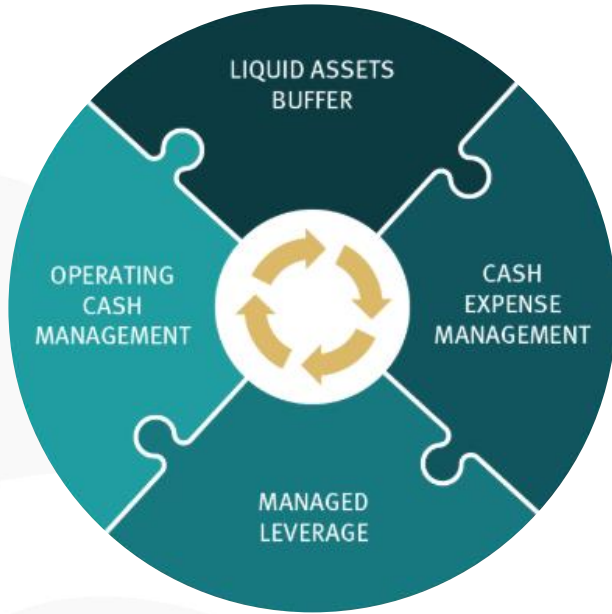
## Liquid funds & Loans issued | 31-Mar-19



## Cumulative maturity gap



# Georgia Capital's robust risk management approach



1 <b>Liquid Assets Buffer</b>	Georgia Capital holds liquid assets <b>at least US\$ 50 million at all times</b> ;
2 <b>Cash Expense Management</b>	Cash expense coverage ratio <b>in excess of 1.25 at all times</b> .
3 <b>Managed Leverage</b>	Net Debt to Portfolio less <b>than 30% at all times</b> .
4 <b>Operating cash management</b>	Ratio of extra cash divided by expected cash outflows over the next 180 days <b>in excess of 1.0 at all times</b> .

**S&P Global credit rating**

**B+ Stable outlook**

**Moody's credit rating**

**B2 Stable outlook**

# Metrics that matter

Total portfolio value creation

**1Q19: GEL 137mln**

Cash flow generation at GCAP level

**FY18: GEL 100mln**

Expense ratio (% of Mcap)

**LTM 1Q19: 1.7%**

NAV per share growth

**1Q19: 7.2%**



# Questions?