



# Investor presentation: 1H19 results

**10 x = 10 y**

# Forward looking statements



## Disclaimer

This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional instability; regulatory risk across a wide range of industries; portfolio company strategic and execution risks; investment risk and liquidity risk and other key factors that indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's Annual Report and Accounts 2018 and in Georgia Capital PLC's 1H19 results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.

# Content



**1. 1H19 results discussion | Georgia Capital**

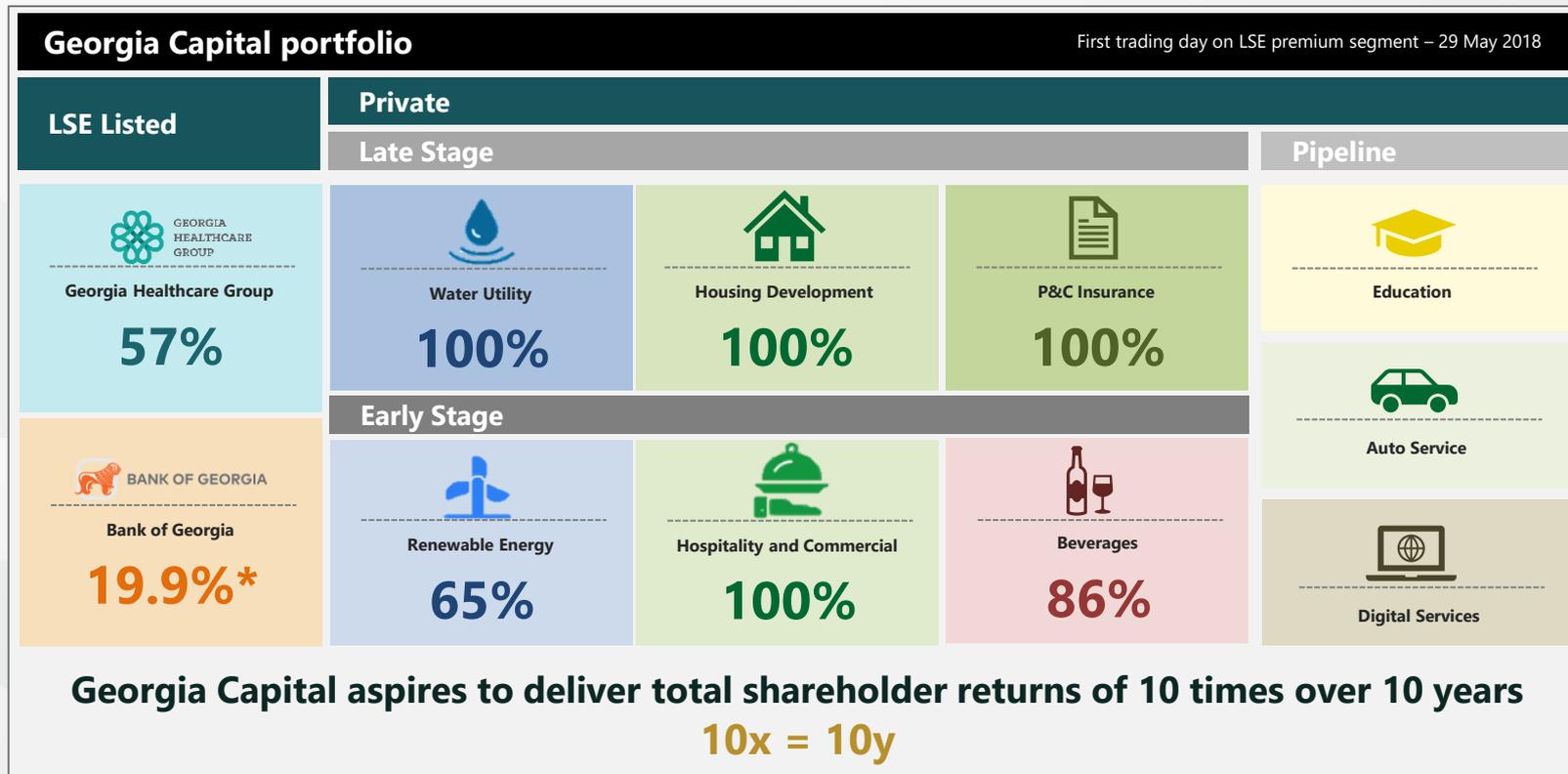
2. Georgia Capital strategy

3. Portfolio overview

4. Georgian macro overview

5. Appendices

# Our portfolio at a glance

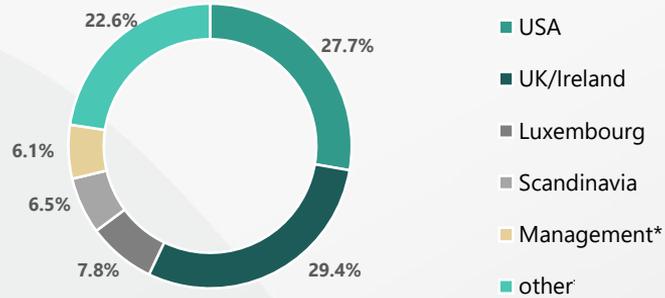


\* As long as Georgia Capital's stake in BoG is greater than 9.9%, it will exercise its voting rights in Bank of Georgia in accordance with the votes cast by all other shareholders on all shareholder votes.

# CGEO:LN performance

LSE premium listed, with more than 90% institutional shareholder base

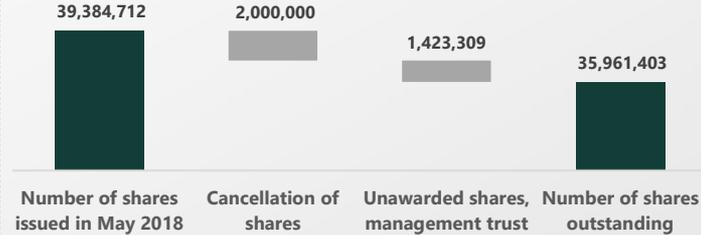
## GCAP shareholders allocation by geography



\* Includes both vested and unvested awarded shares

## Number of outstanding shares as at 30-Jun-19

As of 14 August 2019



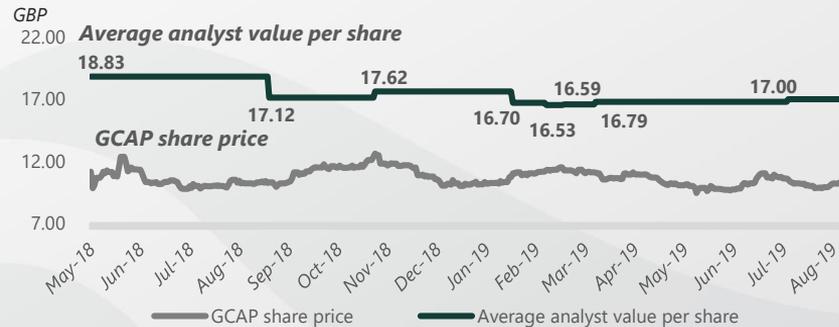
Average daily trading volume – GBP 1.2 (million)

Market Capitalization – GBP 377.2 (million)

## GCAP top shareholders | 30-Jun-2019

Rank	Shareholder name	Ownership
1	M&G Investment Management Ltd	8.17%
2	Schroder Investment Management Ltd	4.94%
3	Aberdeen Standard Investments	4.85%
4	LGM Investments Ltd	4.09%
5	Norges Bank Investment Management	3.43%
6	Consilium Investment Management LLC	3.36%
7	Vanguard Group Inc	3.20%
8	Dunross & Co AB (including UBS)	3.01%
9	Van Eck Global	2.96%
10	Dimensional Fund Advisors	2.81%
<b>Total</b>		<b>40.82%</b>

## Historical GCAP share price vs. Average analyst value per share



# 1H19 performance highlights (management accounts)

## Georgia Capital NAV overview

<i>GEL thousands, except per share information</i>	30-Jun-19	31-Dec-18	<i>Change (y-o-y)</i>
NAV per share, GEL <sup>1</sup>	53.90	44.32	21.6%
NAV per share, GBP <sup>1</sup>	14.81	13.05	13.5%
Net Asset Value (NAV)	1,938,365	1,688,221	14.8%
Total portfolio value	2,237,523	1,883,374	18.8%
Liquid assets & loans issued	556,248	605,130	-8.1%
Net debt	(304,519)	(196,915)	54.6%

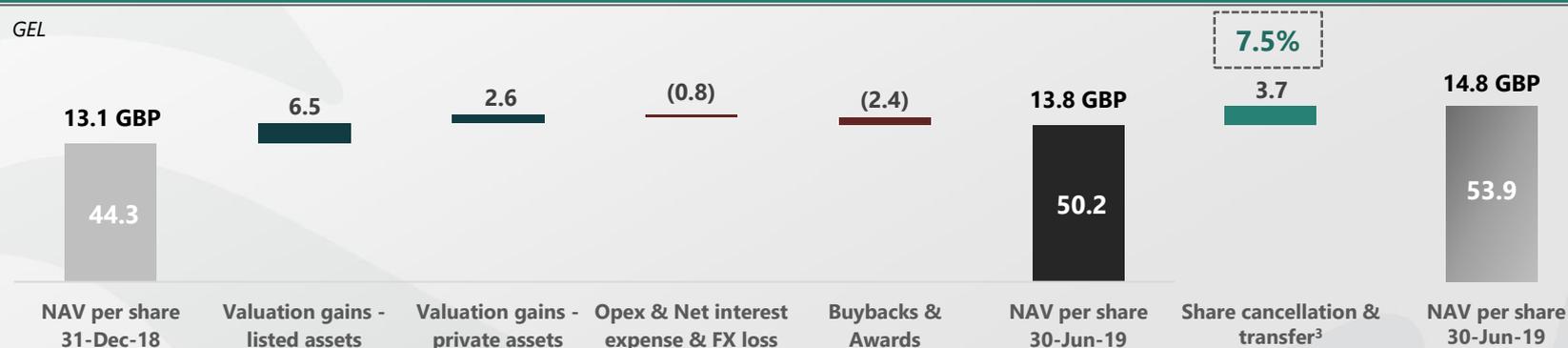
## Georgia Capital performance

<i>GEL thousands</i>	1H19
Total portfolio value creation	346,585
<i>of which, listed businesses</i>	245,817
<i>of which, private businesses</i>	100,768
Gross capital allocations	44,496
Share buybacks	59,935
Cash flow generation at GCAP level	52,063
Expense ratio <sup>2</sup>	2.0%
Net income	305,627



NAV per share up 21.6% to GEL 53.9

GEL



(1) We calculate NAV per share as total NAV divided by the number of issued shares at the end of the period less unawarded shares in management trust. This represents a change from previously adopted approach, when shares bought under the buyback programme and unvested management shares were also deducted for NAV per share calculation process.

(2) Last twelve months (LTM) GCAP operating expenses expressed as a percentage of average market capitalization during the last twelve months.

(3) 2,000,000 treasury shares were cancelled and 686,468 treasury shares were transferred to Management Trust on 12 June 2019.

# NAV Statement | 30 June 2019



<i>GEL thousands unless otherwise noted</i>	Dec-18	1. Value creation	2a. Capital allocation	2b. Buy-backs	3. Operating expenses	4a. Net interest income	4b. Liquidity management	Jun-19	Change %
<b>Listed Portfolio Companies</b>	<b>977,827</b>	<b>245,817</b>	<b>(28,932)</b>	-	-	-	-	<b>1,194,712</b>	<b>22.2%</b>
GHG <sup>2</sup>	520,332	145,062	(3,981)	-	-	-	-	661,413	27.1%
BoG <sup>2</sup>	457,495	100,755	(24,951)	-	-	-	-	533,299	16.6%
<b>Private Portfolio Companies</b>	<b>905,547</b>	<b>100,768</b>	<b>36,496</b>	-	-	-	-	<b>1,042,811</b>	<b>15.2%</b>
<b>Late Stage</b>	<b>628,326</b>	<b>79,683</b>	<b>(26,036)</b>	-	-	-	-	<b>681,973</b>	<b>8.5%</b>
Water Utility	431,017	28,689	-	-	-	-	-	459,706	6.7%
Housing Development	66,785	12,109	(18,036)	-	-	-	-	60,858	-8.9%
P&C Insurance	130,524	38,885	(8,000)	-	-	-	-	161,409	23.7%
<b>Early Stage</b>	<b>271,288</b>	<b>5,423</b>	<b>38,190</b>	-	-	-	-	<b>314,901</b>	<b>16.1%</b>
Renewable Energy	61,182	-	1,555	-	-	-	-	62,737	2.5%
Hospitality and Commercial RE	149,079	7,086	26,266	-	-	-	-	182,431	22.4%
Beverages	61,027	(1,663)	10,369	-	-	-	-	69,733	14.3%
<i>Of which, wine</i>	<i>56,771</i>	<i>2,593</i>	<i>269</i>	-	-	-	-	<i>59,633</i>	<i>5.0%</i>
<i>Of which, beer</i>	<i>4,256</i>	<i>(4,256)</i>	<i>10,100</i>	-	-	-	-	<i>10,100</i>	<i>NMF</i>
<b>Pipeline</b>	<b>5,933</b>	<b>15,662</b>	<b>24,342</b>	-	-	-	-	<b>45,937</b>	<b>NMF</b>
Education	7,071	-	4,138	-	-	-	-	11,209	58.5%
Auto Service	(1,326)	15,662	10,027	-	-	-	-	24,363	NMF
Digital Services	-	-	8,790	-	-	-	-	8,790	NMF
Other	188	-	1,387	-	-	-	-	1,575	NMF
<b>Total Portfolio Value (1)</b>	<b>1,883,374</b>	<b>346,585</b>	<b>7,564</b>	-	-	-	-	<b>2,237,523</b>	<b>18.8%</b>
<b>Net Debt (2)</b>	<b>(196,915)</b>	-	<b>(10,202)</b>	<b>(58,735)</b>	<b>(9,568)</b>	<b>1,273</b>	<b>(30,372)</b>	<b>(304,519)</b>	<b>54.6%</b>
<i>of which, Cash and liquid funds</i>	<i>299,650</i>	-	<i>(10,202)</i>	<i>(58,735)</i>	<i>(9,568)</i>	<i>14,050</i>	<i>88,764</i>	<i>323,959</i>	<i>8.1%</i>
<i>of which, Loans issued</i>	<i>305,480</i>	-	-	-	-	<i>13,115</i>	<i>(86,306)</i>	<i>232,289</i>	<i>-24.0%</i>
<i>of which, Gross Debt</i>	<i>(802,045)</i>	-	-	-	-	<i>(25,892)</i>	<i>(32,830)</i>	<i>(860,767)</i>	<i>7.3%</i>
<b>Net other assets/ (liabilities) (3)</b>	<b>1,762</b>	-	<b>2,638</b>	<b>(1,200)</b>	<b>(7,041)</b>	-	<b>9,202</b>	<b>5,361</b>	<b>NMF</b>
<b>Net Asset Value (1)+(2)+(3)</b>	<b>1,688,221</b>	<b>346,585</b>	-	<b>(59,935)</b>	<b>(16,609)</b>	<b>1,273</b>	<b>(21,170)</b>	<b>1,938,365</b>	<b>14.8%</b>
<b>NAV growth %</b>		<b>20.5%</b>	<b>0%</b>	<b>-3.6%</b>	<b>-1.0%</b>	<b>0.1%</b>	<b>-1.3%</b>	<b>14.8%</b>	
Shares outstanding	38,089,558	-	-	(2,784,181)	656,026	-	-	35,961,403	-5.6%
<b>Net Asset Value per share<sup>1</sup></b>	<b>44.32</b>	-	-	-	-	-	-	<b>53.90</b>	<b>21.6%</b>
<b>Net Asset Value per share (GBP)<sup>1</sup></b>	<b>13.05</b>	-	-	-	-	-	-	<b>14.81</b>	<b>13.5%</b>

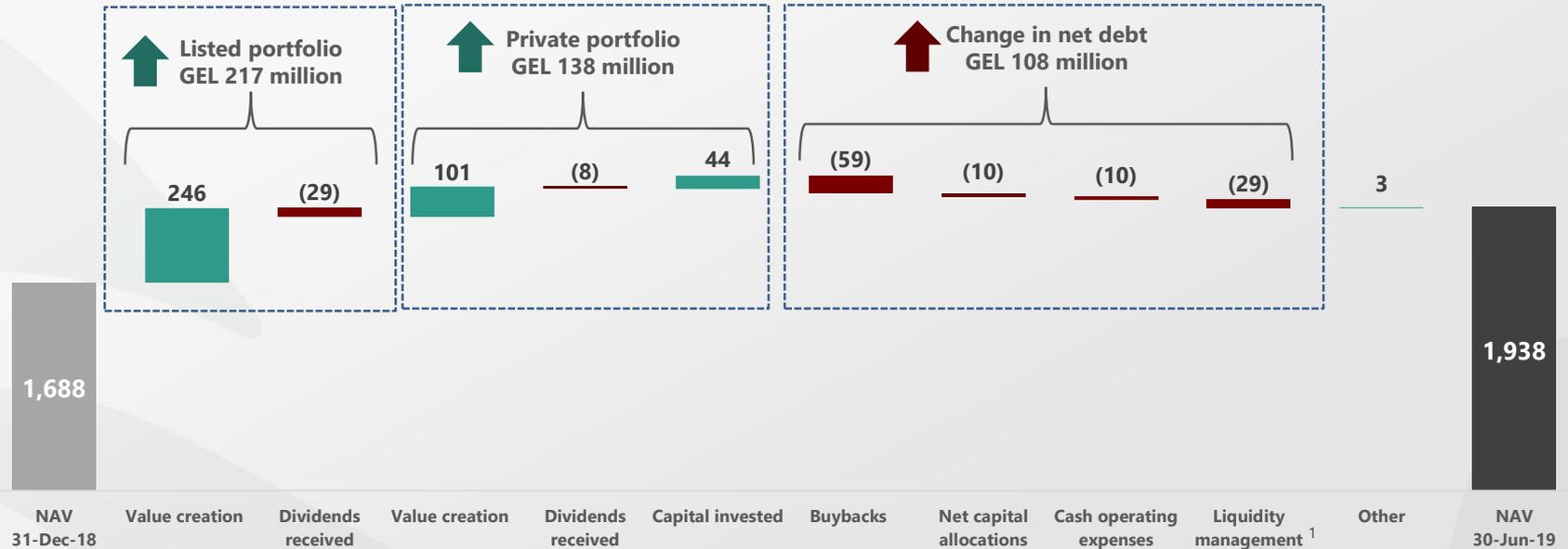
(1) We calculate NAV per share as total NAV divided by the number of issued shares at the end of the period less unawarded shares in management trust. This represents a change from previously adopted approach, when shares bought under the buyback programme and unvested management shares were also deducted for calculation.

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

# Analysis of NAV movements | 1H19

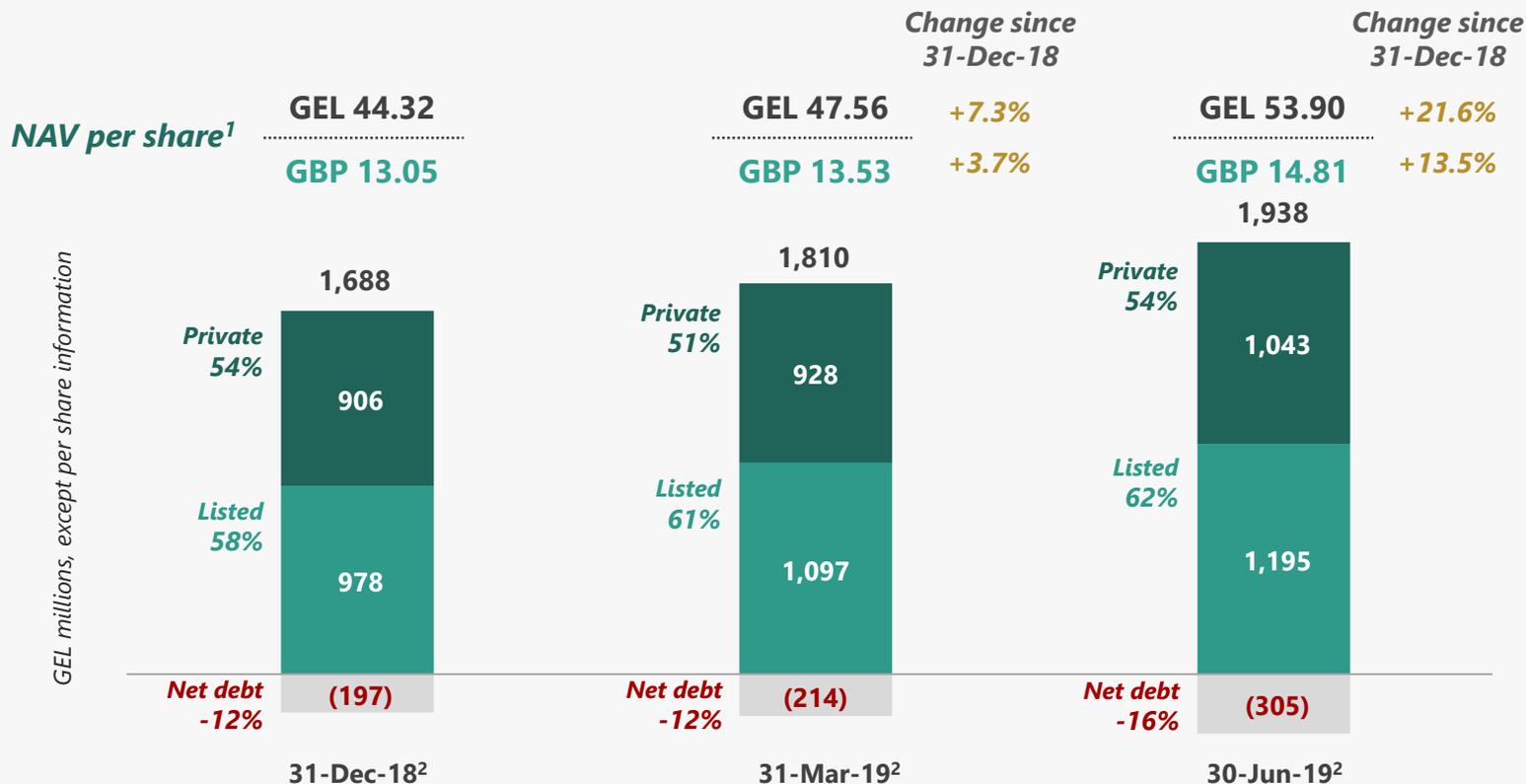
Value creation across listed assets contributed 14.5% to NAV growth, while value creation in private assets contributed 6.0%

GEL millions



(1) Liquidity management includes net interest income, foreign exchange losses and other immaterial movements.

# Net Asset Value evolution



(1) We calculate NAV per share as total NAV divided by the number of issued shares at the end of the period less unawarded shares in management trust. This represents a change from previously adopted approach, when shares bought under the buyback programme and unvested management shares were also deducted for calculation.

(2) Components do not sum up, as NAV also includes net other assets/liabilities.

# Private portfolio valuation overview | 30 June 2019

Business	Valuation method	Fair value, GEL '000	Fair value, GEL '000	Change	Multiple applied	Multiple applied
		30-Jun-19	31-Dec-18		30-Jun-19	31-Dec-18
<b>Late stage portfolio</b>		<b>681,973</b>	<b>628,326</b>	<b>8.5%</b>		
<i>Water Utility</i>	<i>EV/EBITDA (LTM<sup>1</sup>)</i>	459,706	431,017	6.7%	9.0	8.8
<i>Housing Development</i>	<i>Discounted Cash Flow</i>	60,858	66,785	-8.9%	n/a	n/a
<i>P&amp;C Insurance</i>	<i>P/E (LTM<sup>1</sup>)</i>	161,409	130,524	23.7%	9.1	7.4
<b>Early stage portfolio</b>		<b>314,901</b>	<b>271,288</b>	<b>16.1%</b>		
<i>Renewable Energy</i>	<i>At cost or EV/ EBITDA (LTM<sup>1</sup>)</i>	62,737	61,182	2.5%	n/a	n/a
<i>Hospitality &amp; Commercial Real Estate</i>	<i>NAV</i>	182,431	149,079	22.4%	n/a	n/a
<i>Beverages – wine</i>	<i>EV/EBITDA (LTM<sup>1</sup>)</i>	59,633	56,771	5.0%	9.9	9.1
<i>Beverages – beer</i>	<i>EV/Sales (LTM<sup>1</sup>)</i>	10,100	4,256	NMF	2.1	2.2
<b>Pipeline</b>		<b>45,937</b>	<b>5,933</b>	<b>NMF</b>		
<i>Education</i>	<i>At cost</i>	11,209	7,071	58.5%	n/a	n/a
<i>Auto Service</i>	<i>PTI business at EV/EBITDA (NTM<sup>1</sup>)<sup>2</sup></i>	24,363	(1,326)	NMF	10.1	n/a
<i>Digital Services</i>	<i>At cost</i>	8,790	-	NMF	n/a	n/a
<i>Other</i>	<i>At cost</i>	1,575	188	NMF	n/a	n/a
<b>Total</b>		<b>1,042,811</b>	<b>905,547</b>	<b>15.2%</b>		

(1) LTM refers to Last Twelve Months, NTM refers to Next Twelve Months.

(2) In line with our valuation policy, Amboli, recently acquired auto service industry player, is stated at cost.

# Value creation across private portfolio | 1H19

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>8,000</b>	<b>25,108</b>	-	<b>46,576</b>	<b>79,683</b>
<i>Water Utility</i>	-	12,976	-	15,713	28,689
<i>Housing Development</i>	-	12,109	-	-	12,109
<i>P&amp;C Insurance</i>	8,000	22	-	30,863	38,885
<b>Early Stage</b>	-	<b>1,713</b>	<b>4,780</b>	<b>(1,070)</b>	<b>5,423</b>
<i>Renewable Energy</i>	-	-	-	-	-
<i>Hospitality &amp; Commercial Real Estate</i>	-	2,306	4,780	-	7,086
<i>Beverages</i>	-	(593)	-	(1,070)	(1,663)
<i>of which, wine</i>	-	1,838	-	755	2,593
<i>of which, beer</i>	-	(2,431)	-	(1,825)	(4,256)
<b>Pipeline</b>	-	-	<b>15,662</b>	-	<b>15,662</b>
<i>Education</i>	-	-	-	-	-
<i>Auto Service</i>	-	-	15,662	-	15,662
<i>Digital Services</i>	-	-	-	-	-
<b>Total private businesses</b>	<b>8,000</b>	<b>26,820</b>	<b>20,442</b>	<b>45,506</b>	<b>100,768</b>

# Capital allocations | 1H19

<i>GEL, millions</i>		Dividends	Investments	Capital reallocation	Buybacks	Total
<b>Listed portfolio</b>	BOG	(25.0)	-	-	-	<b>(25.0)</b>
	GHG	(4.0)	-	-	-	<b>(4.0)</b>
<b>Private late stage portfolio</b>	Water Utility	-	-	-	-	-
	Housing Development	-	-	(18.0)	-	<b>(18.0)</b>
	P&C Insurance	(8.0)	-	-	-	<b>(8.0)</b>
<b>Private early stage portfolio</b>	Renewable Energy	-	1.6	-	-	<b>1.6</b>
	Hospitality & Commercial RE	-	8.3	18.0	-	<b>26.3</b>
	Beverages	-	10.4	-	-	<b>10.4</b>
	<i>Of which, wine</i>	-	0.3	-	-	<b>0.3</b>
	<i>Of which, beer</i>	-	10.1	-	-	<b>10.1</b>
<b>Pipeline portfolio</b>	Education	-	4.1	-	-	<b>4.1</b>
	Auto Service	-	10.0	-	-	<b>10.0</b>
	Digital Services	-	8.8	-	-	<b>8.8</b>
	Other	-	1.4	-	-	<b>1.4</b>
<b>Buybacks</b>	GCAP	-	-	-	59.9	<b>59.9</b>
<b>Total</b>		<b>(37.0)</b>	<b>44.6</b>	<b>-</b>	<b>59.9</b>	<b>67.5</b>

# Recent acquisitions

## March 2019 Kazbegi brand acquisition



- Georgia's oldest beer brand – **Kazbegi, brewed since 1881**
- The fifth largest Georgian beverages brand with 5% market share
- Total cash consideration of **US\$ 3.65 million**

## May 2019 Redberry acquisition



- The leading Georgian digital marketing agency
- **US\$ 0.4 million** cash consideration to acquire **60% equity stake**
- **US\$ 2.8 million** new capital injected for digital start-up development

## July 2019

### Buckswood International



- The leading school in the **mid-level segment**
- Purchase of **80% equity stake**
- Valued at **6.4x EV / EBITDA 2020**
- Aiming to increase the capacity from current 730 learners to approximately **2,200 learners by 2021**
- Total capital allocation from GCAP of **GEL 17 million<sup>2</sup>**
- Deal close date – **29 July 2019**

Mar-19

Apr-19

May-19

Jun-19

Jul-19

## April 2019

### Amboli acquisition



- Second largest player in Georgian auto service industry
- **GEL 3.4 million** cash consideration to acquire **80% equity stake**
- Valued at **0.7x EV/Sales 2018**
- Additional Equity capital injection of **GEL 1.6 million**
- Deal close date – **28 June 2019**

## June 2019

### British-Georgian Academy



- The leading school in the **premium segment**
- Purchase of **70% equity stake**
- Valued at **6.4x EV / EBITDA 2020**
- Aiming to increase the capacity from current 750 learners to approximately **3,500 learners by 2021**
- Total capital allocation from GCAP of **GEL 75 million<sup>2</sup>**
- Deal close date – **24 July 2019**

## July 2019

### Green School



- The leading player in **affordable segment**
- Purchase of **80-90<sup>1</sup>% equity stake**
- Valued at **5.6x EV / EBITDA<sup>3</sup>**
- Aiming to increase the capacity from current 1,250 learners to approximately **5,700 learners by 2024**
- Total capital allocation from GCAP of **GEL 21 million<sup>2</sup>**
- Deal close date – **Expected in Aug-Sep 2019**

(1) 80% equity stake in the current campus and 90% equity stake in three new schools that will be developed under green school brand.

(2) Includes actual and projected future capital allocations.

(3) An additional earn-out may apply subject to EBITDA target within the next three academic years. The cumulative EV paid will not exceed 5.6x EV/EBITDA of the respective year (including performance-related deferred consideration).

# Share buyback programme update | 14 August 2019

**US\$45 million share buyback programme commenced in June 2018**

**US\$ 43.8 million**

*Utilized portion*

**3,239,843**

*shares bought back*

**GBP 10.45**

*Average price of shares  
bought back*

**2,000,000**

shares cancelled in June 2019

**686,468**

shares transferred to management  
trust in June 2019

**553,375**

shares currently held in  
treasury

***On 1 August 2019 we announced the following:***

- *Market purchase of the Group's shares of up to **US\$ 20 million** for the management trust.*
- *The cancellation of the remaining Shares repurchased, or that will be repurchased under the ongoing US\$ 45 million Share buyback programme, including the 553,375 which are currently held in treasury.*

# GCAP Income Statement (Management accounts) | 1H19

## Income statement highlights

<i>GEL millions</i>	<b>1H19</b>
<b>GCAP net operating income</b>	<b>22</b>
<b>Total investment return</b>	<b>310</b>
<b>Net income</b>	<b>306</b>

- **GEL 37 million dividend inflows from our portfolio businesses, while net interest income was positive for the first time at the GCAP level.**

### Income statement

*GEL thousands unless otherwise noted*

	<b>1H19</b>
Dividend income	36,932
Interest income	21,868
Realised / unrealised gain on liquid funds	5,297
Interest expense	(25,892)
<b>Gross operating income</b>	<b>38,205</b>
Operating expenses	(16,609)
<b>GCAP net operating income</b>	<b>21,596</b>

### Fair value changes of portfolio companies

<b>Listed portfolio companies</b>	<b>216,885</b>
<i>Of which, Georgia Healthcare Group PLC</i>	141,081
<i>Of which, Bank of Georgia Group PLC</i>	75,804
<b>Private portfolio companies</b>	<b>92,770</b>
<b>Late Stage</b>	<b>71,684</b>
<i>Of which, Water Utility</i>	28,689
<i>Of which, Housing Development</i>	12,109
<i>Of which, P&amp;C Insurance</i>	30,886
<b>Early Stage</b>	<b>5,424</b>
<i>Of which, Renewable Energy</i>	-
<i>Of which, Hospitality &amp; Commercial Real Estate</i>	7,087
<i>Of which, Beverages</i>	(1,663)
<b>Pipeline businesses</b>	<b>15,662</b>
<i>Of which, Auto Service</i>	15,662
<b>Total investment return</b>	<b>309,655</b>
<b>Income before foreign exchange movements</b>	<b>331,251</b>
Net foreign currency loss	(25,624)
<b>Net Income</b>	<b>305,627</b>

# Continued strong cash flow generation

## Stand-alone GCAP cash flow highlights

Net cash flow from operations of GEL 17 million in 1H19

GEL millions	1H19
Dividends Received	33
Interest Received	19
<b>Total Cash Generation</b>	<b>52</b>
Interest Paid	(25)
GCAP cash operating expenses	(10)
<b>Cash flow from operations</b>	<b>17</b>

Interest coverage | 1H19

**2.1x**

Cash expense coverage | 1H19

**5.3x**

## Consolidated Group cash flow highlights

Net cash flow from operating activities up by 52.9%

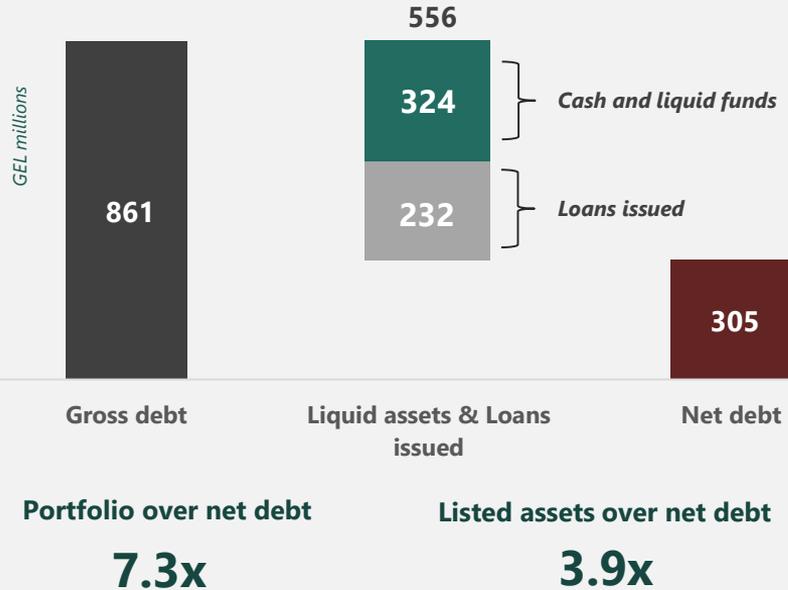
GEL millions	1H18	1H19
Net cash flow from operating activities	72	109
Net cash flow used in investing activities	(508)	(195)
Net cash flow from financing activities	254	25

# Liquidity management at Georgia Capital

**GEL 305 million**  
**Net debt | 30-Jun-2019**

▶ Georgia Capital issued inaugural US\$ 300m international corporate bonds in March 2018

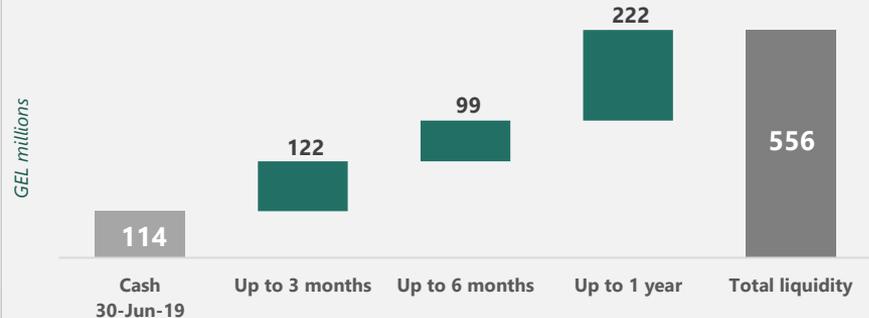
**Net debt overview | 30-Jun-2019**



**Liquid assets & Loans issued | 30-Jun-2019**



**Cumulative maturity gap**



# Capital allocation outlook through 2023

Highly disciplined approach to unlock value through investments

Together with the available GEL 556mIn liquid funds & short-term loans, we are well-positioned to create long-term shareholder value

GEL millions		2018A	2019E <sup>2</sup>	2020E	2021E	2022E	2023E	Total capital allocation 2019-2023	
Listed investments	GHG	-	(4)	(6)	(8)	(11)	(13)	<b>+187 million</b> dividend inflows	<b>+543 million</b> dividend inflows
	BoG	(23.9)	(25)	(27)	(29)	(31)	(33)		
Private investments Late stage	Water Utility	(28.8)	(28)	(32)	(34)	(35)	(36)	<b>+356 million</b> dividend inflows	
	Housing Development	(9.8)	(10)	(15)	(20)	(25)	(30)		
	P&C Insurance	(10.0)	(12)	(14)	(18)	(22)	(25)		
Private investments Early stage	Renewable Energy	5.0	21	80	21	37	(28)	<b>(210) million</b> Capital deployment	<b>(377) million</b> Capital deployment
	Hospitality & Commercial RE	32.9	30	9	-	-	-		
	Beverages	40.6	25	18	1	-	(4)		
Pipeline	Education	6.1	60	52	26	3	-	<b>(167) million</b> Capital deployment	
	Auto Service	-	11	-	(2)	(2)	(3)		
	Digital Services	-	9	2	2	2	2		
	Other	-	1	1	1	1	1		
<b>Total<sup>1</sup></b>		<b>12.1</b>	<b>78</b>	<b>68</b>	<b>(60)</b>	<b>(83)</b>	<b>(169)</b>	<b>166 million</b> Net capital inflows	

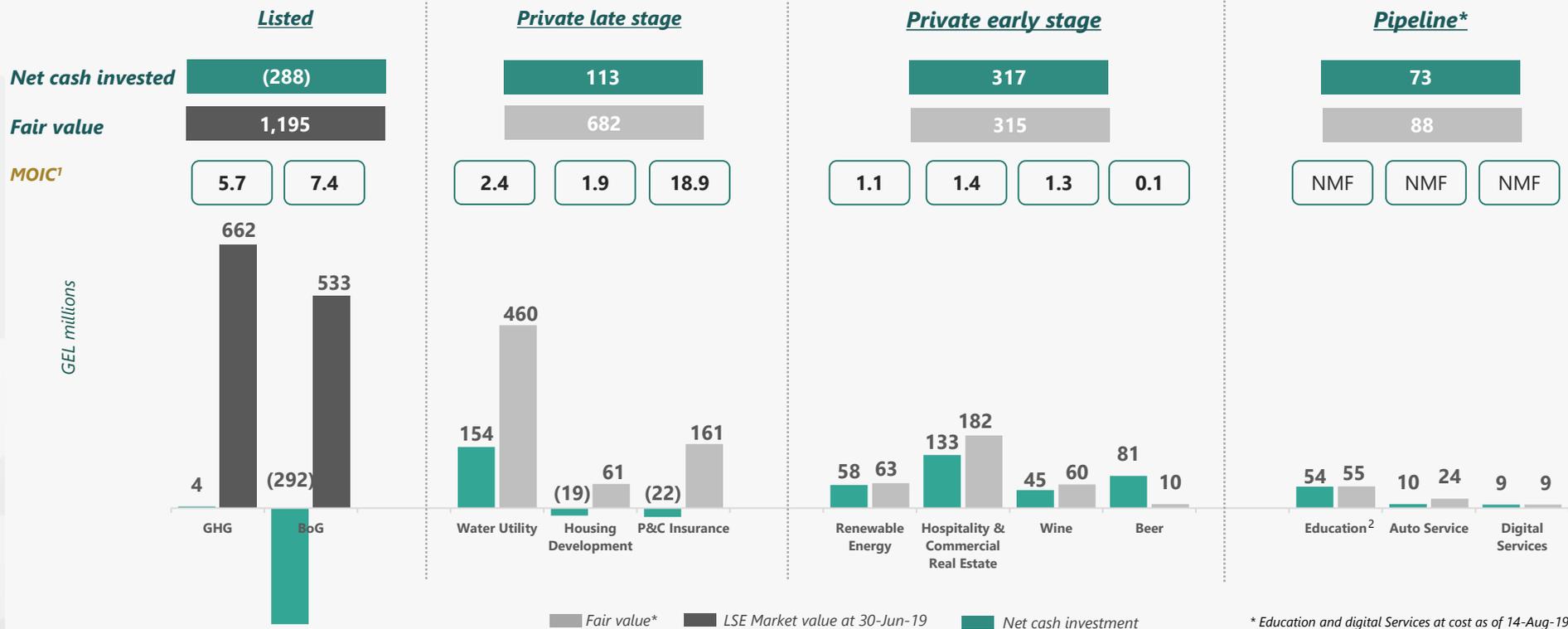
(1) Share buybacks are not included within the capital allocations.

(2) Includes actual capital allocations in 1H19 and projections for 2H19.

# Key portfolio highlights | 30 June 2019



Gross cash invested of GEL 975<sup>3</sup> million translating into GEL 2.3\* billion portfolio value



(1) Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date ii) the denominator is the gross investment amount.  
 (2) GEL 46 million was already paid as of 14-Aug-19.  
 (3) Includes subsequent capital allocations in education business

\* Education and digital Services at cost as of 14-Aug-19

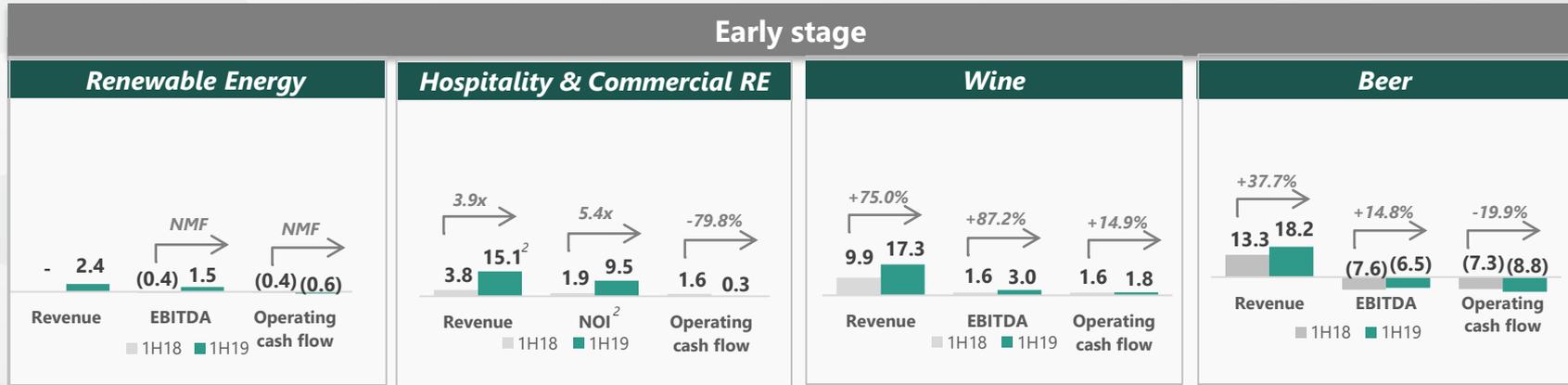
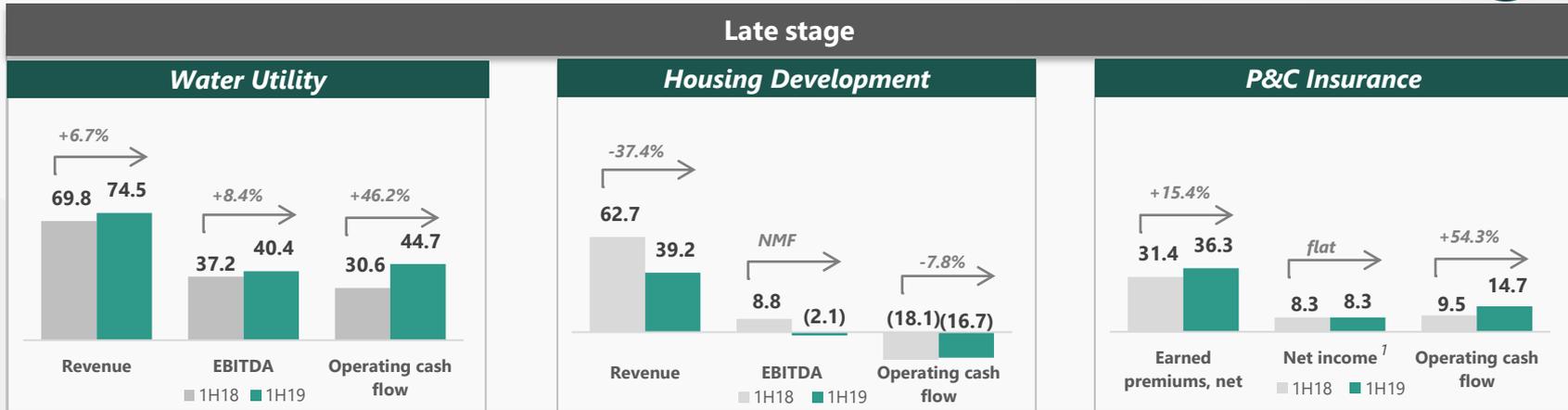
# Multiple of Invested Capital (MOIC) | 30 June 2019



<i>GEL millions</i>	Gross Investment	Sell down	Dividends	Fair Value	MOIC	Realized MOIC
	(1)	(2)	(3)	(4)	(2+3+4) / (1)	(2+3) / (1)
<b>Listed Investments</b>	<b>268</b>	<b>418</b>	<b>138</b>	<b>1,195</b>	<b>6.5x</b>	<b>2.1x</b>
Georgia Healthcare Group PLC	139	131	4	661	5.7x	1.0x
Bank of Georgia Group PLC	129	287	134	533	7.4x	3.3x
<b>Private investments, late stage</b>	<b>316</b>	<b>-</b>	<b>203</b>	<b>682</b>	<b>2.8x</b>	<b>0.6x</b>
Water Utility	214	-	60	460	2.4x	0.3x
Housing Development	92	-	111 <sup>1</sup>	61	1.9x	1.2x
P&C Insurance	10	-	32	161	18.9x	3.1x
<b>Private investments, early stage</b>	<b>318</b>	<b>-</b>	<b>-</b>	<b>315</b>	<b>1.0x</b>	<b>-</b>
Renewable Energy	58	-	-	63	1.1x	-
Commercial and Hospitality Real Estate	133	-	-	182	1.4x	-
Beverage	126	-	-	70	0.6x	-
<i>Of which, wine</i>	45	-	-	60	1.3x	-
<i>Of which, beer</i>	81	-	-	10	0.1x	-
<b>Pipeline</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>1.5x</b>	<b>-</b>
Education	10	-	-	11	1.1x	-
Auto Service	10	-	-	24	2.4x	-
Digital Services	9	-	-	9	1.0x	-
Other	2	-	-	2	1.0x	-
<b>Total</b>	<b>933</b>	<b>418</b>	<b>341</b>	<b>2,238</b>	<b>3.2x</b>	

(1) Includes capital reallocation to hospitality & commercial real estate business of GEL 101 million.

# 1H19 private portfolio performance highlights



(1) Adjusted for non-recurring items.  
 (2) Net operating income.  
 (3) Includes revaluation gain recorded on Kempinski hotel.

### Outlook for 2H19 performance and beyond remains robust

*Upcoming value creation over the medium term*

#### Late stage businesses

Business growth and operating efficiencies

#### Early stage businesses

- *Hotels*
- *Hydro and wind power plants*
- *Wine business*
- *Beer business*

#### Pipeline businesses

- *Auto service*
- *Education*
- *Digital Service*

# Content



1. 1H19 results discussion | Georgia Capital

**2. Georgia Capital strategy**

3. Portfolio overview

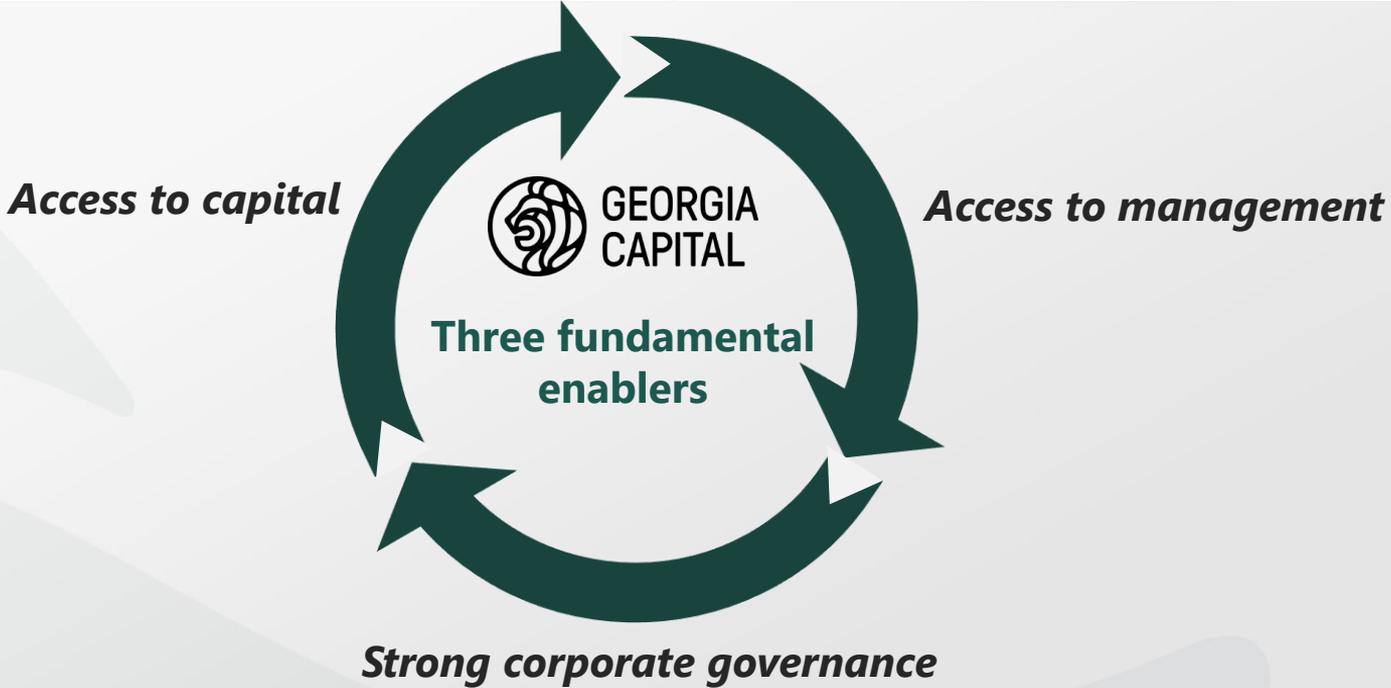
4. Georgian macro overview

5. Appendices

# Georgia Capital – Your ground floor investment opportunity



*Capitalizing on fast-growing economy with strong governance, management and access to capital*



# Strong corporate governance

## *How we run Georgia Capital*



Strong board, composed solely of **independent directors with extensive international experience**

Approximately **25 employees** at the management company level

Highly experienced management team in each portfolio company with a **strong measure of independence**

**Solid corporate governance and oversight**

# Strong corporate governance

*Aligned shareholder and management interests by share compensation*

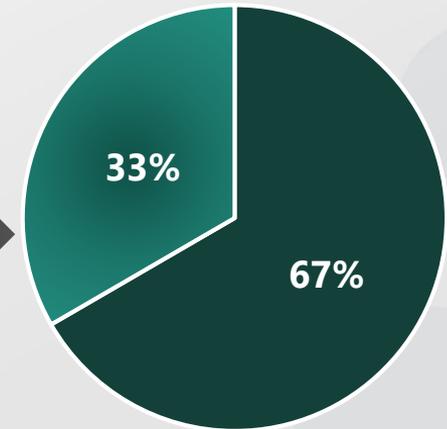
## Platform costs - targeted at maximum c.2% of MCAP

### Key things to know

**1** Cash preservation is a key target for GCAP: **two thirds of total operating expenses are related to share-based compensation.**

**2** c. 1% of executives compensation is in fixed shares; with another 1% being fully discretionary, subject to achieving KPIs.

**3** GCAP's management's compensation is paid in long-vested (6-year) shares only, with no cash component.



cash non-cash

# Access to management

## *Solid track record demonstrated by management*

*Created three listed companies from Georgia, on the premium segment of the London Stock Exchange*



### Acquisitions

The Georgia Capital management team, under the BGEO Group, has a track record of executing **more than 40 acquisitions** in banking, insurance, healthcare, utilities, retail, FMCG and other sectors

Total number of acquisitions

**40+**



### Capital raise

Uniquely positioned given the access to capital in a small frontier economy, where access to capital is limited:

- **c.US\$ 500 mln** raised in equity at LSE
- Issued five Eurobonds totaling **US\$ 1.5 billion**
- **US\$ 3 billion+** raised from IFIs (EBRD, IFC etc.)

Total amount of debt raised (US\$)

**4.5bn+**



### Exit IRR

**121% IRR** from GHG IPO

**66% IRR** from m<sup>2</sup> Real Estate projects

IRR from GHG IPO

**121%**

# Our investment philosophy



We will pick well, we will manage very well and sell extremely well



**10x = 10y**

Cash generation at both GCAP and portfolio company level is a key success factor

# Managing investments

## *Proxy share ownership plans in portfolio companies' management*

Investment stage	Pipeline			Early			Late			Listed	
	Discovery	Acquisition/ Entrance		Young Portfolio Companies			Large Portfolio Companies			Target to exit	Possible completion of Exit
Sector	 <b>Digital Services</b>	 <b>Education</b>	 <b>Auto Service</b>	 <b>Renewable Energy</b>	 <b>Hospitality &amp; Commercial</b>	 <b>Beverages</b>	 <b>Housing Development</b>	 <b>P&amp;C Insurance</b>	 <b>Water Utility</b>	 <b>Georgia Healthcare Group</b>	 <b>Bank of Georgia Group</b>
Portfolio Company Development Focus	<ul style="list-style-type: none"> <li>➤ Discovery stage</li> </ul>			<ul style="list-style-type: none"> <li>➤ Hands-on management approach</li> <li>➤ Rapid growth organically and through M&amp;A;</li> <li>➤ Active investment stage;</li> </ul>			<ul style="list-style-type: none"> <li>➤ Strategic guidance / advisory approach</li> <li>➤ Focus on efficiency improvements;</li> <li>➤ Diversification of revenue streams;</li> <li>➤ Introduction of dividend discipline;</li> </ul>			<ul style="list-style-type: none"> <li>➤ Sustainable shareholder value creation and dividend distributions</li> </ul>	
Institutionalisation/Independence	<b>Low</b>									<b>High</b>	

# Clear exit paths

	Trade sale	IPO	Fund	Promote
 Water Utility	X	X		X
 P&C Insurance	X			
 Housing Development			X	
 Renewable Energy	X	X	X	
 Hospitality & Commercial			X	
 Beverages	X			X
 Education	X	X		
 Auto Service	X			
 Digital Services	X			

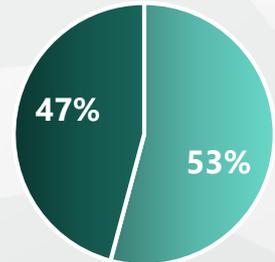
**Exit options set prior to making an investment decision**

# Two new strategic priorities

**Over time Georgia Capital will: 1. Decrease share of listed assets to 20% and 2. manage third-party money**

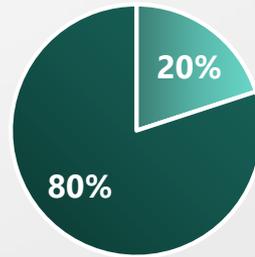
Over the next 5 years we will reshape our balance sheet

30 June 2019



■ Private ■ Listed

In 5 years



■ Private ■ Listed



Management company

GCAP investment portfolio



Third-party  
managed capital

# Georgia Capital's board of directors



## Board of directors - Georgia Capital PLC



**Irakli Gilauri**, Chairman & CEO

*Experience: formerly BGEO Group CEO; Up to 20 years of experience in the banking, investment and finance. BMS in banking from CASS Business School, London; BBS from University of Limerick, Ireland*



**David Morrison**, Senior Independent Director

*Experience: formerly Director at Sullivan & Cromwell with a track record of over 28 years, Founding CEO of the Caucasus Nature Fund (CNF)*



**Caroline Brown**, Independent Non-Executive Director

*Experience: Chief Financial Officer at Listen Media Campaign Company, Chief Innovation Officer and Founding Partner at Cambridge Advisory Partners*



**Kim Bradley**, Independent Non-executive Director

*Experience: Goldman Sachs AM, Senior Executive at GE Capital, President of Societa Gestione Crediti, Board Chairman at Archon Capital Deutschland*



**Jyrki Talvitie**, Independent Non-Executive Director

*Experience: 28 years of experience in the banking, including Sberbank, VTB, East Capital and Bank of New York in both buy and sell-side transactions*



**Massimo Gesua'sive Salvadori**, Independent Non-Executive Director

*Experience: currently an analyst at Odey asset management, formerly with McKinsey & Company for over 9 years*

**5 out of 6 members are independent**

# Georgia Capital's highly experienced management team



Georgia Capital

## Georgia Capital Management



**Irakli Gilauri**, Chairman & CEO  
Formerly CEO of BGEO Group since 2011, joined as CFO of Bank of Georgia in 2004. Mr Gilauri was appointed Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Up to 20 years of experience in the banking, investment and finance. Prior, he was EBRD (European Bank for Reconstruction and Development) banker. Over the last decade, Irakli's leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and wine. Holds an MS in banking from CASS Business School.



**Avto Namicheishvili**, Deputy CEO  
Formerly he was BGEO Group General Counsel. Joined as a General Counsel at the Bank of Georgia in 2007, and has since played a key role in all of the Group's equity and debt raises on the capital markets, and over 25 mergers and acquisitions. Prior, was a Partner at a leading Georgian law firm. Holds LL.M. in international business law from Central European University, Hungary.



**Ekaterina Shavgulidze**, Chief Investment Officer  
Formerly served as Head of Funding and Investor Relations in BGEO Group. Joined BGEO as a CEO of healthcare services business in 2011. Most recently Eka played a key role in the GHG IPO as a Group Head of IR. Prior, she was an Associate Finance Director at AstraZeneca, UK. Holds an MBA from Wharton Business School.



**Giorgi Alpaidze**, Chief Financial Officer  
Formerly BGEO Group CFO. Joined BGEO as Head of Group's Finance, Funding and Investor Relations in 2016. He has extensive international experience in banking, accounting and finance. Previously he was a senior manager in Ernst & Young LLP's Greater New York City's assurance practice. BBA from the European School of Management in Georgia. U.S. Certified Public Accountant.

Listed

GHG



**Nikoloz Gamkrelidze**, CEO, Georgia Healthcare Group  
Previously deputy CEO (Finance) of BGEO Group. Our healthcare business story starts with Nick, who started it in 2006, and has successfully led it through outstanding growth and most recently the IPO on the London Stock Exchange. Holds an MA in international healthcare management from the Tanaka Business School of Imperial College London.

BoG



**Archil Gachechiladze**, CEO, Bank of Georgia  
Previously CEO at GGU, the Group's water utility and renewable businesses. Prior to that Archil was a Deputy CEO in charge of corporate banking in Bank of Georgia. He launched the Bank's industry and macro research, brokerage, and advisory businesses, as well as leading investments in GGU and launched Hydro Investments. Previously, he was an Associate at Lehman Brothers Private Equity in London, and worked at Salford Equity Partners, EBRD, KPMG, Barents, and the World Bank. Holds MBA with distinction from Cornell University and is CFA charterholder.

GGU



**Avto Namicheishvili**, Interim CEO, Georgia Global Utilities  
Starting from 28-Jan-19, Avto assumes the role of interim CEO of the Group's Water Utility and Renewable Energy businesses, in addition to his deputy CEO role at Georgia Capital. Formerly he was BGEO Group General Counsel. Joined as a General Counsel at the Bank of Georgia in 2007, and has since played a key role in all of the Group's equity and debt raises on the capital markets, and over 25 mergers and acquisitions. Prior, was a Partner at a leading Georgian law firm. Holds LL.M. in international business law from Central European University, Hungary.

m<sup>2</sup>



**Irakli Burdiladze**, CEO, m<sup>2</sup> Real Estate  
Joined as a CFO at the Bank of Georgia in 2006. Before taking leadership of real estate business in 2010, he served as the COO of the Bank. Prior he was a CFO at a leading real estate developer and operator in Georgia. Holds a graduate degree in International Economics and International Relations from the Johns Hopkins University School of Advanced International Studies.

Aldagi



**Giorgi Baratashvili**, CEO, Aldagi  
Joined as the Head of Corporate Clients Division of Aldagi in 2004. Before taking the leadership of our P&C insurance business in 2014, he served as Deputy CEO of Aldagi in charge of strategic management for corporate sales and corporate account management. Holds the Master Diploma in International Law.

Wine



**Giorgi Tskhadadze**, CEO, Wine Business  
CEO of wine business since November 2018. He was previously Head of Water Utility within GGU, having joined the group in December 2014. Prior to that, he held executive positions at several leading local companies, including as CFO at IDS Borjomi and Poti Sea Port. Prior to joining GGU, Giorgi was acting as a partner at Proxima Prime Partners. Holds BSc degree in Economics and Engineering from Tbilisi State University.

Beer



**Tornike Nikolaishvili**, CEO, Beer Business  
CEO of beer business since September 2018, having previously been Chief Marketing Officer at Bank of Georgia from March 2018. Previously he was a Commercial Director at EFES Georgia – Natakhtari Brewery. Before joining EFES, he was an Advertising Manager of Cartu-Universal. Overall, he has 15 years' experience in FMCG sector. Holds BBA degree of European School of Management (ESM).

# Content



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# Healthcare and pharmacy business (GHG) overview

<http://ghg.com.ge/>

## Investment rationale

- Very low base: healthcare services spending per capita only US\$ 324
- Growing market: healthcare spending growth estimated at 8% CAGR 2019-2021

## Value creation potential

- High-growth potential driven by opportunity to develop medical tourism and Polyclinics (outpatient clinics)
- Only integrated player in the region with significant cost advantage in scale and synergies
- Well positioned to take advantage of the expected long term macroeconomic and structural growth drivers

## Financial metrics (GEL millions)

	Annual				Semiannual		
	2015	2016	2017	2018	1H18	1H19	Change
Revenue Gross	246	426	748	850	419.5	472.9	12.7%
EBITDA, excl. IFRS 16	56	78	108	132	62.6	74.8	19.4%
Profit before tax, excl. IFRS 16	24	40	46	54	28.5	31.6	11.0%
Hospitals EBITDA margin, excl. IFRS 16	27.9%	30.4%	27.6%	26.3%	26.1%	25.5%	-0.6ppt
Pharmacy and distribution EBITDA margin, excl. IFRS 16	N/A	4.3% <sup>1</sup>	8.6%	10.1%	9.7%	10.5%	+0.8ppt
Operating cash flow	45	42	58	100	44.2	55.2	24.7%

## Selected operating metrics

	1H18	1H19
Number of hospitals	18	18
Number of beds	3,320	3,320
Number of clinics	35	34
Number of pharmacies	259	279
Bed occupancy rate, referral hospitals <sup>2</sup>	63.1%	65.6%
EBITDA to cash conversion ratio	70.6%	73.8%

<sup>1</sup> FY16 includes only May-Dec GPC's results.

<sup>2</sup> Adjusted to exclude the Tbilisi Referral Hospital and Regional Hospital; the calculation also excludes emergency beds.

<sup>3</sup> Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase.

## Market opportunity

### Total healthcare market (including healthcare services and pharmacy)



Source: Frost & Sullivan analysis 2017

## Stock price performance



## Return on invested capital

	1H18	1H19
ROIC	10.4%	12.2%
ROIC adjusted <sup>3</sup>	13.7%	14.4%



# Bank of Georgia (BoG) Overview

<http://bankofgeorgiagroup.com/>

## Investment rationale

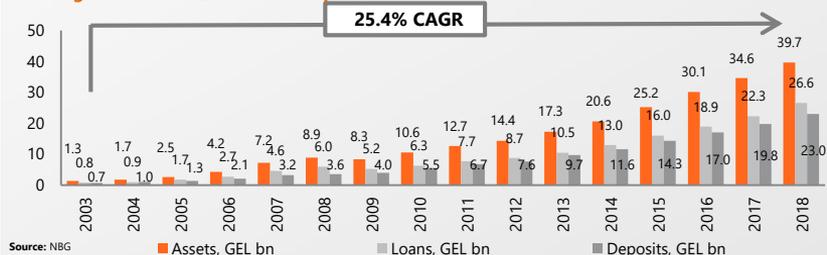
- The first entity from Georgia to be listed on the premium segment of the Main Market of the London Stock Exchange (LSE:BGEO) since February 2012
- **High standards of transparency and governance**
- **Leading market position<sup>1</sup>** in Georgia by assets (34.3%), loans (34.6%), client deposits (33.9%) and equity (29.2%)
- Market with **stable growth perspectives**
- **Strong brand name recognition** and retail banking franchise
- Sustainable growth combined with **strong capital, liquidity and robust profitability**
- Outstanding ROAE performance
- Dividend per share growing at 34.3% CAGR

## Value creation potential

- Loan book growth c.15%
- Maintenance of dividend pay-out ratio within 25-40%

## Market opportunity

### Banking sector assets, loans and deposits

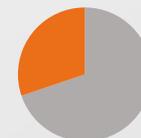


## Financial metrics (GEL millions)

	Annual				Semiannual		change
	2015	2016	2017	2018	1H18	1H19	
ROAE	21.9%	22.2%	25.2%	26.1% <sup>4</sup>	25.7%	23.7%	-2.0ppt
NIM	7.7%	7.4%	7.3%	6.5%	7.0%	5.6%	-1.4ppt
NPL coverage	83.4%	86.7%	92.7%	90.5%	99.4%	88.1%	-11.3ppt
Loan portfolio	5,367	6,682	7,741	9,398	8,109	10,580	30.5%
Retail banking growth	35.3%	39.5%	29.3%	24.2%	6.7%	8.0%	+1.3ppt
Cost/income	35.5%	37.7%	37.7%	36.7%	37.0%	36.9%	-0.1ppt

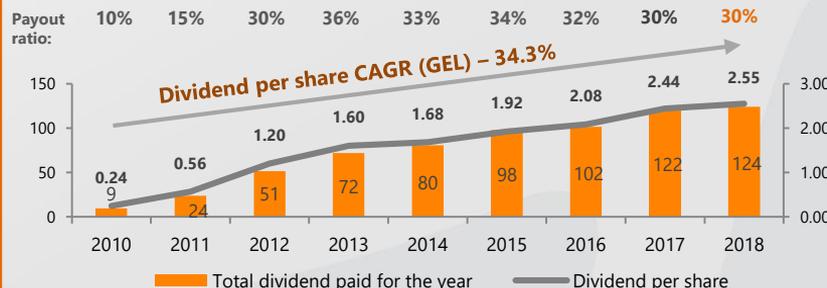
## GEL 10.3 billion loan portfolio breakdown <sup>(2)</sup> | 30 June 2019

Corporate loans,  
GEL 3,360.5  
million, 32.8%



Retail loans,  
GEL 6,900.5  
million, 67.2%

## Dividend record<sup>3</sup> (GEL m)



## Selected operating metrics

	1H18	1H19
Retail clients (millions)	2,382	2,475
Digital transactions (millions)	77.8	86.5
Volume of internet bank/mobile bank transactions (GEL millions)	1,604	2,863

(1) Market data based on standalone accounts as published by the National Bank of Georgia (NBG) as of 30 June 2019 [www.nbg.gov.ge](http://www.nbg.gov.ge)

(2) Excluding BNB.

(3) Actual dividend per share information for 2010-2016 years are adjusted for 19.9% Bog share issuance.

(4) Adjusted for demerger related expenses and one-off impact of re-measurement of deferred tax balances.

# Water utility business overview

## Investment rationale

- Natural monopoly in Tbilisi and surrounding districts with high entry barriers
- Sectoral output increasing at a robust growth rate (on average 9.5% in the last 10 years)
- Stable regulatory environment with fair return on investment
- Stable cash collection rates

## Value creation potential

- EU harmonization reforms in progress in utilities sector, expected to drive water tariffs up
- High GDP growth combined with rapid tourism growth drive high demand from corporates
- Energy market deregulation positively affecting electricity sales price
- Upside opportunity from efficiency gains
- Stable dividend distribution capacity

## Financial metrics (GEL millions)

	Annual				Semiannually		
	2015	2016	2017	2018	1H18	1H19	Change
<b>Total revenue</b>	<b>119</b>	<b>127</b>	<b>135</b>	<b>149</b>	<b>69.8</b>	<b>74.5</b>	<b>6.7%</b>
Of which, utility revenue	105	109	119	132	61.8	62.8	1.8%
Of which, energy revenue	9	10	10	9	4.7	8.2	74.5%
Of which, other revenue	5	8	6	8	3.4	3.5	2.9%
<b>Total EBITDA</b>	<b>62</b>	<b>69</b>	<b>73</b>	<b>83</b>	<b>37.2</b>	<b>40.4</b>	<b>8.4%</b>
<b>Cash flow from operations</b>	<b>52</b>	<b>54</b>	<b>70</b>	<b>82</b>	<b>30.6</b>	<b>44.7</b>	<b>46.2%</b>
<b>Maintenance CAPEX</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>12.4</b>	<b>11.1</b>	<b>-10.9%</b>
<b>Development CAPEX</b>	<b>14</b>	<b>31</b>	<b>114</b>	<b>148</b>	<b>77.1</b>	<b>27.9</b>	<b>-63.8%</b>

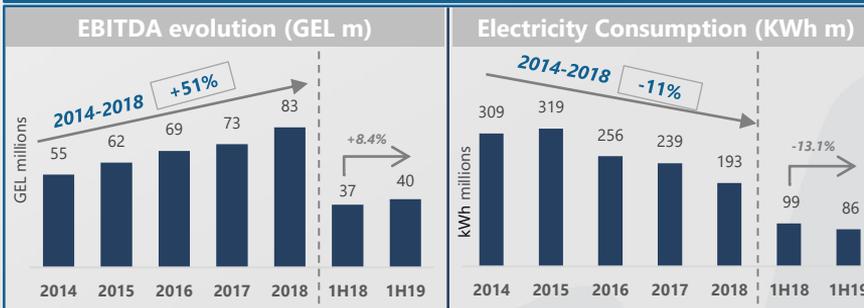
## Selected operating metrics

millions except for connections	1H18	1H19	Change
<b>Water Utility</b>			
<b>Water sales (m<sup>3</sup>)</b>	86.5	87.3	0.9%
<b>Electricity consumption (kwh)</b>	99.3	86.3	-13.1%
<b>New connections</b>	2,183	2,312	5.9%
<b>Energy</b>			
<b>Electricity generation (kwh)</b>	184.0	168.5	-8.4%
<b>Energy sales (kwh)</b>	84.7	82.2	-2.9%
<b>Electricity purchases (kwh)</b>	21.2	18.0	-15.1%

## Key highlights | 30 June 2019

GEL millions, unless otherwise noted	30-Jun-19	31-Dec-18	Change
<b>LTM EBITDA</b>	<b>86</b>	<b>83</b>	<b>3.8%</b>
<b>Multiple applied</b>	<b>9.0</b>	<b>8.8</b>	<b>2.3%</b>
<b>Enterprise value</b>	<b>781</b>	<b>738</b>	<b>5.9%</b>
<b>Net debt</b>	<b>(321)</b>	<b>(307)</b>	<b>4.8%</b>
<b>Equity fair value</b>	<b>460</b>	<b>431</b>	<b>6.7%</b>
<b>LTM ROIC<sup>1</sup></b>	<b>9.7%</b>	<b>10.3%</b>	<b>-0.6ppt</b>

## Performance track record



(1) ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.



# Housing development business overview

## Investment rationale

- Shortage of housing from Soviet era combined with Georgian tradition of multi generations living under one roof, average household size is significantly higher at 3.5 compared to Eastern or Western Europe
- Most of the housing stock dates back to Soviet era and is amortised
- In line with the economic growth, urbanization level is expected to increase from current low level

## Value creation potential

### Asset light strategy

- Unlock land value by developing housing projects
- Development of third-party land – franchise m<sup>2</sup> brand name. Undisputed market leading platform of 2,500 apartments<sup>1</sup> to be delivered in 4-5 years
- Earn Construction management fees from third-party projects and bring construction works in-house

## Financial metrics (GEL millions)<sup>2</sup>

	Annual				Semiannually		
	2015	2016	2017	2018	1H18	1H19	Change
Apartments sales revenue	45	96	92	95	52.4	16.6	-68.3%
Construction revenue	-	-	-	36	7.5	21.6	NMF
EBITDA	18	11	28	15	8.8	(2.1)	NMF

## Digomi residential project update

- Construction permit received on the largest ever in-house project at the end of June 2019 expected to drive cash flow generation in 2H19
- Revenue recognition from Digomi project will start from 1 July 2019. No revenue recognized in 1H19

As of 14 August 2019

Sq.m. of apartments sold	6,430
Sq.m. sold as % of total available space	29%
Sales value \$ million	6.5

(1) 2,500 apartments relate to the signed Tbilisi Airport Highway deal.

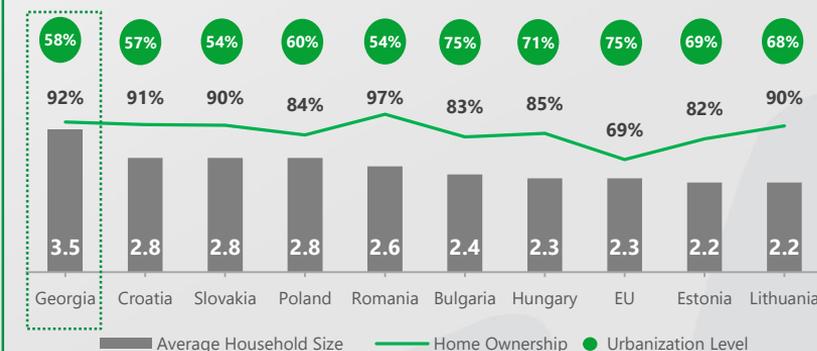
(2) Housing development business' functional currency is US dollars.

## Key highlights | 30 June 2019

GEL millions, unless otherwise noted	30-Jun-19	31-Dec-18	Change
Enterprise value	200	174	14.9%
Net debt	139	107	29.9%
Equity fair value	61	67	-8.9%
In-kind dividends (lifetime)	101	83	+21.7%

## Market opportunity

### Average household size and home ownership, latest available data



Source: Eurostat, TBC Capital



# P&C insurance business overview

## Investment rationale

- Significantly underpenetrated insurance market in Georgia
- Market leader with a powerful distribution network of point of sale and sales agents

## Value creation potential

- Compulsory border TPL effective from 1 March 2018
- Local TPL expected to kick in and provide access untapped retail CASCO insurance market with only 4% existing penetration
- First mover advantage on underpenetrated SME segment
- Growing dividend payout capacity
- Digitalization

## Financial metrics (GEL millions)

	Annual				Semiannually		
	2015	2016	2017	2018	1H18	1H19	Change
Earned premiums, gross	68	71	86	90	42.6	46.5	9.3%
Net income	12 <sup>1</sup>	14	16	18 <sup>2</sup>	8.3 <sup>2</sup>	8.3	NMF
Combined ratio	79%	73%	75%	75%	74.7%	80.2%	+5.5ppt
Loss ratio	43%	35%	40%	38%	39.8%	41.6%	+1.8ppt
ROAE	37%	37%	38%	34% <sup>2</sup>	32.7% <sup>2</sup>	28.3%	-4.3ppt

## Selected operating metrics

	1H18	1H19	change (y-o-y)
<b>Corporate insurance policies written<sup>3</sup></b>	28,538	50,781	<b>77.9%</b>
<b>Retail insurance policies written</b>	77,636	84,661	<b>9.0%</b>

(1) Excluding impact of one-off FX contract with GEL 8 million loss.

(2) Adjusted for non-recurring items.

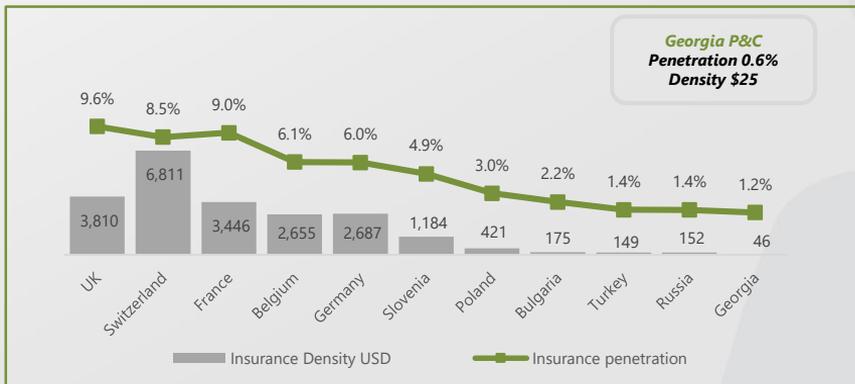
(3) Excluding credit life insurance.

(4) Multiples improved significantly across all peer group companies

## Key highlights | 30 June 2019

GEL millions, unless otherwise noted	30-Jun-19	31-Dec-18	Change
LTM net income <sup>2</sup>	18	18	NMF
Multiple applied <sup>4</sup>	9.1	7.4	23.6%
Equity FV	161	131	23.7%
LTM ROAE	32.1%	34.4%	-2.3ppt

## Market opportunity



# Renewable energy business overview

## Investment rationale

- Underdeveloped energy market with potential for significant growth - Low per capita power usage
- Cheap to develop – up to US\$1.5mln for 1MW hydro and up to US\$1.4mln for wind development

## Value creation potential

- Opportunity to establish a renewable energy platform with 380MW operating capacity over the medium-term
- Energy consumption has grown at 5.7% CAGR in last 10 years and is expected to further grow at least by CAGR 5% over the next 10-15 years
- Stable dividend provider capacity in the medium-term

## Renewable energy projects overview | 30 June 2019

Project	MW <sup>s</sup>	Target commissioning <sup>2</sup>	Target ROIC <sup>3</sup>	Generation capacity (GWh) <sup>1</sup>	Current stage
Mestiachala HPPs	50	1H19	12.1%	171	Operational
Zoti HPPs	46	2H21	12.1%	170	Development
Bakhvi 2 HPP	36	1H22	11.1%	127	Feasibility
Racha HPPs	38	1H23	11.7%	165	Feasibility
Wind Tbilisi	57	2H21	12.6%	172	Development
Wind Kaspi	54	2H21	14.3%	211	Development
Wind (other)	99	1H23	12.4%	341	Feasibility
<b>Total</b>	<b>380</b>			<b>1,357</b>	

(1) Generation capacity refers to target net annual generation.

(2) Target commissioning dates are indicative and subject to regulatory procedures.

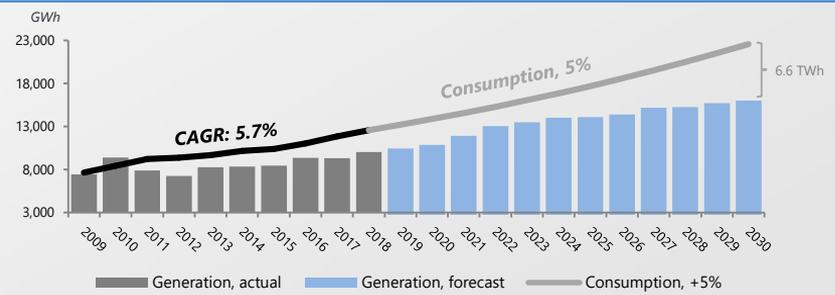
(3) Target return on invested capital is calculated based on average stabilized EBITDA divided by total invested capital.

(4) The first phase (30MW) was launched on 8 April 2019, followed by the second phase (20MW) on 4 June 2019.

## Key highlights | 30 June 2019

GEL millions, unless otherwise noted	30-Jun-19	31-Dec-18	Change
<b>Cost</b>	<b>63</b>	<b>61</b>	<b>2.5%</b>
<b>GCAP ownership</b>	<b>65%</b>	<b>65%</b>	<b>NMF</b>

## Market opportunity



## Financial metrics (GEL millions)

	Annual				Semiannually		Change
	2015	2016	2017	2018	1H18	1H19	
Development Capex	NMF	NMF	77	68	20.6	21.8	5.8%

## Mestiachala 1H19 performance<sup>4</sup>

GEL thousands, unless otherwise noted

	1H19
Revenue	2,395
EBITDA	1,826
Generation (Kwh '000)	28,143

# Hospitality and commercial real estate business overview

## Investment rationale

- Record number of tourists visiting Georgia every year: 4.8 million visitors in 2018, up 16.9% y-o-y, (2.1 million in 1H19, up 10% y-o-y), 10.5% CAGR over the last 5 years; Tourism inflows up 19.1% y-o-y from US\$ 2.7bln in 2017 to US\$ 3.2bln in 2018, 13.4% CAGR over the last 5 years

## Value creation potential

- Grow Portfolio of rent-earning assets through residential developments/opportunistic acquisitions
- Reach more than 1,000 operational hotel rooms. Currently approximately 1,222 rooms are confirmed, of which 152 are operational and c. 1,070 are in the pipeline.
- Targeting mostly 3-star and 4-star hotels

## Financial metrics (GEL millions)<sup>2</sup>

	Annual			Semiannually		
	2016	2017	2018	1H18	1H19	Change
NOI <sup>3</sup> from operating leases	3	3	5	1.9	2.8	46.9%
NOI <sup>3</sup> from hospitality services	-	-	2	0.5	0.7	52.5%
Revaluation gain	-	1	28	-	7.9	NMF
Total net Operating Income	2	3	32	1.9	9.5	NMF
Commercial real estate portfolio <sup>5</sup>	42	77	112	95.2	121.9	28.1%

## Selected operating metrics

	1H18	1H19	Change
<b>Gross yield (leased portfolio)</b>	10.2%	8.6%	<b>-1.6ppt</b>
<b>Occupancy rate</b>	89.5%	86.7%	<b>-2.8ppt</b>
<b>Leased area (sq.m.)</b>	22,240	26,301	<b>18.3%</b>

## Ramada Encore 1H19 performance

RevPAR, US\$	ADR, US\$	Occupancy%
<b>31.0</b>	<b>63</b>	<b>48.8%</b>

(1) ROIC is calculated as NOI divided by aggregate amount of total equity and borrowed funds.

(2) Hospitality & Commercial real estate business' functional currency is US dollars.

(3) Net operating income.

(4) Target opening dates remain subject to adjustment following passing of the design stage.

(5) Including under construction retail properties presented in housing business, which will be transferred to hospitality & commercial real estate business at the date of construction completion.

(6) Target return on invested capital is calculated based on average stabilized EBITDA divided by total invested capital.

## Key highlights | 30 June 2019

GEL millions, unless otherwise noted	30-Jun-19	31-Dec-18	Change
<b>Equity fair value</b>	<b>182</b>	<b>149</b>	<b>22.4%</b>
<b>LTM ROIC<sup>1</sup></b>	<b>14.1%</b>	<b>16.4%</b>	<b>-2.3ppt</b>

## Market opportunity

### Arrivals of tourists and tourism revenue | Georgia

Source: Georgian National Tourism Administration  
National Bank of Georgia



## Hotel rooms pipeline as of 30 June 2019<sup>4</sup>

Hotel	Location	Rooms	Target opening date <sup>4</sup>	Current Stage	Total Cost US\$ mln	Target ROIC <sup>6</sup>
Ramada Encore Kazbegi, Tbilisi	Capital city	152	Q1-2018	Operational	12.1	15.0%
Gudauri	Region	121	Q4-2019	Construction	13.3	12.0%
Ramada Melikishvili, Tbilisi	Capital city	125	Q1-2020	Construction	13.0	14.9%
Kempinski, Tbilisi	Capital city	99	Q3-2020	Construction	28.1	12.5%
Seti Square in Mestia, Svaneti	Region	52	Q4-2020	Construction	5.9	16.3%
Ramada Kutaisi	Region	121	Q4-2020	Construction	9.5	17.5%
Kakheti Wine & Spa	Region	60	Q3-2021	Design	7.5	17.3%
Shovi, Racha	Region	92	Q3-2021	Design	5.7	15.8%
Mestia, Svaneti	Region	140	Q4-2021	Design	10.1	15.8%
Telavi	Region	130	Q4-2021	Design	12.7	13.4%
Zugdidi	Region	130	Q4-2021	Design	14.1	12.0%
<b>Total</b>		<b>1,222</b>			<b>132.0</b>	

# Beverages – wine business overview

## Investment rationale

- Georgia is considered the “cradle of wine” with a rich, 8,000-year history of wine-making and home to over 500 unique grape varieties
- Georgia’s favorable trade regimes (free trade agreements with EU and China) provide potential for export growth for beverages
- Growing urbanization and tourism inflows are raising demand for bottled wine locally
- Approximately 29% of the tourism inflows is spent on food & beverages

## Value creation potential

- Best-in-class distribution network platform
- Grow vineyard base to 1,000 hectares, from current 451 hectares

## Financial metrics (GEL millions)

	Annual				Semiannually		
	2015	2016	2017	2018	1H18	1H19	Change
Wine Revenue	18	18	20	29	9.9	17.3	75.0%
Wine EBITDA	2	3	5	7	1.6	3.0	87.2%

## Selected operating metrics (in '000)

	1H18	1H19	Change
<b>Wine sales bottles</b>	<b>1,706</b>	<b>2,541</b>	<b>49%</b>
Of which, export sales	1,286	2,002	56%
<b>Export share (%)</b>	<b>75.4%</b>	<b>78.8%</b>	<b>+3.4ppt</b>

(1) ROIC is calculated as EBITDA less depreciation, plus divided by average amount of total equity and borrowed fund.

(2) LTM EBITDA is stated excluding Kindzmarauli, as Kindzmarauli is valued at cost as of 30 June 2019.

## Key highlights | 30 June 2019

	30-Jun-19	31-Dec-18	Change
<b>GCAP ownership</b>	<b>86%</b>	<b>80%</b>	<b>+6.0ppt</b>
<b>LTM EBITDA<sup>2</sup></b>	<b>5.4</b>	<b>5.0</b>	<b>7.6%</b>
<b>Multiple applied</b>	<b>9.9</b>	<b>9.1</b>	<b>8.8%</b>
<b>Enterprise value</b>	<b>54</b>	<b>46</b>	<b>17.1%</b>
<b>Net debt</b>	<b>(8)</b>	<b>(7)</b>	<b>23.2%</b>
<b>Kindzmarauli</b>	<b>21</b>	<b>26</b>	<b>-21.3%</b>
<b>Equity fair value</b>	<b>60</b>	<b>57</b>	<b>5.0%</b>
<b>LTM ROIC<sup>1</sup></b>	<b>10.0%</b>	<b>12.1%</b>	<b>-2.1ppt</b>

## Market opportunity

### Georgia's Wine Exports (\$US Millions)



Source: LEPL Georgian National wine agency; National statistics office of Georgia

# Beverages – beer business overview

## Investment rationale

- Beer consumption per capita at one of the lowest levels in the wider region at 27.5 liters per capita
- 50% CAGR growth in soft drinks export over the last 3 years
- Georgia's favorable trade regimes (free trade agreements with EU and China) provide potential for export growth for beverages

## Value creation potential

- Best-in-class distribution network platform
- 10-year exclusivity from Heineken to produce and sell beer in Georgia, Armenia and Azerbaijan

## Financial metrics (GEL millions)

	Annually		Semiannually		Change
	2017	2018	1H18	1H19	
Beer Revenue	18	29	13.3	18.2	37.7%
Beer EBITDA	(6)	(14)	(7.6)	(6.5)	14.8%

## Selected operating metrics (in '000)

	1H18	1H19	Change
<b>Beer sales liters ('000)</b>	7,608	9,607	<b>26.3%</b>

**Beer business reached a significant milestone and successfully launched five new brands, including Amstel and Heineken**

**In March 2019 the beer business acquired the fifth largest Georgian beverages brand, Kazbegi, with 5% market share**

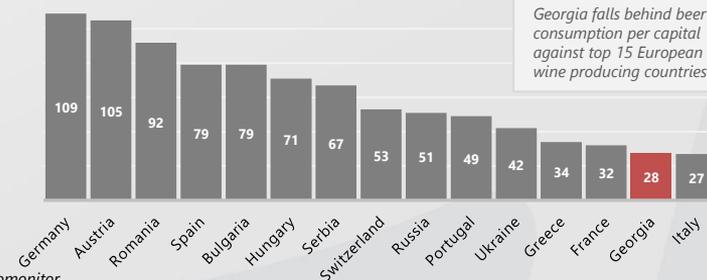
## Key highlights | 30 June 2019

	30-Jun-19	31-Dec-18	Change
<b>GCAP ownership</b>	<b>86%</b>	<b>80%</b>	<b>+0.6ppt</b>
<b>LTM Revenue</b>	<b>29</b>	<b>28</b>	<b>2.6%</b>
<b>Multiple applied</b>	<b>2.1</b>	<b>2.2</b>	<b>-3.0%</b>
<b>Enterprise Value</b>	<b>61</b>	<b>61</b>	<b>-0.5%</b>
<b>Net debt</b>	<b>(89)</b>	<b>(64)</b>	<b>39.4%</b>
<b>Kazbegi/Black lion</b>	<b>10</b>	<b>7</b>	<b>NMF</b>
<b>Equity fair value</b>	<b>10</b>	<b>4</b>	<b>NMF</b>
<b>LTM ROIC<sup>1</sup></b>	<b>-21.3%</b>	<b>-22.0%</b>	<b>-0.7ppt</b>

## Market opportunity

### Per cap beer consumption implies room for growth

Beer consumption per capita, L; 2017



Source: Euromonitor

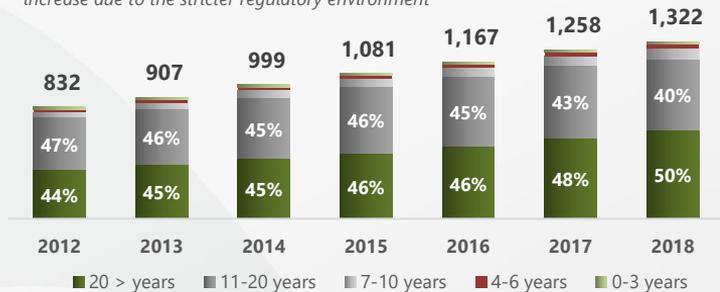
(1) ROIC is calculated as EBITDA less depreciation, plus divided by average amount of total equity and borrowed fund.

# Attractive service business – Auto Service

We aim to build a diversified business model combining many different auto-related services to capitalise on the large and growing automotive services market

## Number of registered vehicles in Georgia ('000) – 8% CAGR 2012-2018

Average age of cars is high, hence spending is expected to increase due to the stricter regulatory environment



## Room for growth in the highly fragmented auto service market in Georgia



**Total auto service market -  
c. GEL 1.8 billion**

<b>Car services and parts</b>	c. GEL <b>1 billion</b> market
<b>Car insurance</b>	c. GEL <b>0.3 billion</b> market
<b>Secondary car trading</b>	c. GEL <b>0.5 billion</b> market
<b>PTI</b>	c. GEL <b>50 million</b> market

We have allocated GEL 10 million<sup>1</sup> capital to auto service business in 1H19

Successfully launched the periodic technical inspection business (PTI)

### Periodic technical inspection business highlights

Total investment	<b>GEL 48mIn</b>
GCAP allocated capital	<b>GEL 5mIn</b>

➤ **Targeting 400,000 to 450,000 vehicles annually from 2020**

(1) Holdback of GEL 0.6 million.

Acquired second largest player, Amboli, in Georgian auto service industry

### Amboli transaction Highlights

Equity stake purchased	<b>80%</b>
Total cash consideration	<b>GEL 3.4mIn<sup>1</sup></b>
Enterprise Value	<b>0.7x EV/Sales 2018</b>
Additional equity capital injection	<b>GEL 1.6mIn</b>

➤ *Amboli deal was closed on 28 June 2019*

# Periodic technical inspection business overview

## Investment rationale

- Georgia's Auto park continues to grow steadily, with 8% CAGR during the years 2012-2018
- Georgia lags behind developed countries by number of private passenger cars per capita, showing room for further growth
- Vehicles older than 10 years represent 90% of total auto park

## Value creation potential

- In July 2018, GWG won state tender to launch and operate 51 periodic technical inspection lines across Georgia with a 10-year license.
- Technical inspection prices are fixed set at GEL 60 and GEL 100 for light vehicles and heavy vehicles, respectively
- Currently, inspection covers the basic technical control of vehicles. The government plans to tighten procedures from January 2020 and also test vehicle catalytic converters to try and reduce the level of harmful emissions
- GWG is the only player on the market with support from an international partner, Applus+, a Spain-headquartered worldwide leader in testing, inspection and certification with services a market presence in more than 70 countries

## Selected metrics

### Number of inspection lines

51

### Market share<sup>1</sup>

36%

### Financial highlights

GEL thousands	1H19	MTD Jun-19
<b>Revenue</b>	<b>5,304</b>	<b>1,244</b>
Gross margin	57%	67%
<b>EBITDA</b>	<b>613</b>	<b>446</b>
EBITDA margin	12%	36%

### Operating highlights

	1H19
<b>Cars serviced</b>	<b>140,338</b>
of which, primary	101,513
of which, secondary	38,825

(1) Based on available inspection lines.

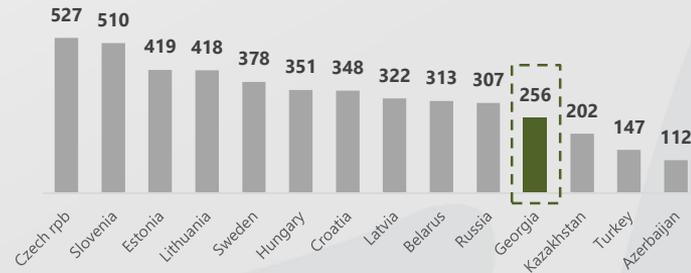
(2) Next twelve month.

## Key highlights | 30 June 2019

NTM <sup>2</sup> EBITDA	GEL 6.7mn
Multiple applied	10.1
Enterprise Value	GEL 68mn
Net debt	GEL 49mn
PTI   Equity fair value	GEL 19mn
Amboli acquisition cost	GEL 5mn
Auto service business   Equity fair value	GEL 24mn

## Market opportunity

### Number of passenger cars per 1,000 people, (2017)



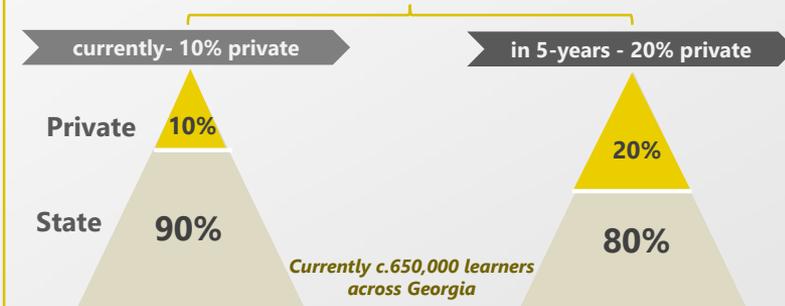
# Education - Fragmented education market offers attractive opportunity for a scaled player

## Industry investment rationale

- Highly fragmented private school market
- Large and growing market
- Efficiency upside
- High trading multiples
- Low base – 3.5% of GDP, compared to 5.4% of peers\*

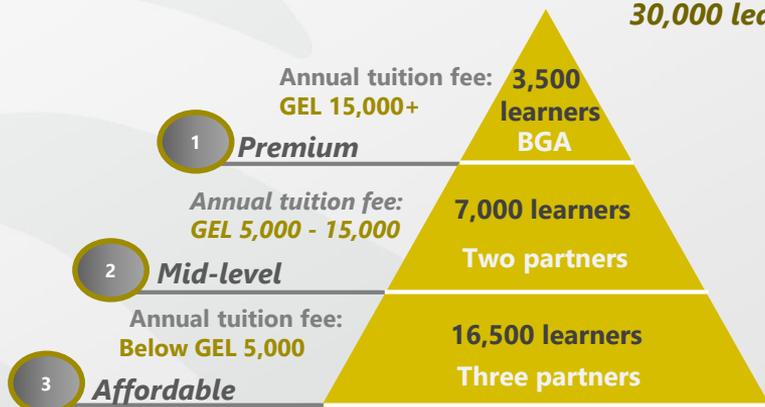
\* Source: World bank, Eurostat

## Medium term demand outlook for private high schools



## Diversified business model with strategy 1-2-3

**Strong platform to facilitate growth and scale to become the leading integrated education player with up to 30,000 learners by 2025**



- Partnership model, with 70-90% majority stakes
- Education business holding company won't exist
- GCAP involvement will be limited to: strategy setting, hiring financial director, oversight of CAPEX spending

**GEL 70 million+ EBITDA by 2025**  
**GEL 185 million gross capital allocation from GCAP through 2025**

# Recent acquisitions - education business

## Premium

## Mid-level

## Affordable

1

British-Georgian Academy

2

Buckwood

3

Green School

### Transaction highlights

- Purchase of **70% equity stake**.
- Valued at **6.4x EV / EBITDA 2020**.

- Purchase of **80% equity stake**.
- Valued at **6.4x EV / EBITDA 2020**.

- Purchase of **80% - 90%<sup>1</sup> equity stake**.
- Valued at **5.6x EV / EBITDA**.

**Three high quality school partnerships across premium, mid-level and affordable education segments, providing a clear pathway to approximately 11,750 learners and to more than 50% of our targeted GEL 70 million EBITDA by 2025**

School	Segment	Deal close date	Total capital allocation from GCAP <sup>2</sup>	Debt/Equity	GCAP ownership	Current capacity of learners	Targeted capacity of learners	Targeted cost per learner
<b>BGA</b>	Premium	24 July 2019	GEL 75 million	25%	70%	750	3,350	35,000 - 40,000
<b>Buckwood</b>	Mid-level	29 July 2019	GEL 17 million	40%	80%	730	2,700	13,000 - 16,000
<b>Green School</b>	Affordable		GEL 21 million	50%	80% - 90% <sup>1</sup>	1,050	5,700	6,500 - 8,500
<b>Total</b>			<b>GEL 113 million</b>			<b>2,530</b>	<b>11,750</b>	

(1) 80% equity stake in the current campus and 90% equity stake in three new schools that will be developed under green school brand.

(2) Includes actual and projected future capital allocations.

# Acquisition of the leading Georgian digital marketing agency



## Acquisition of Redberry enables us to have a platform for investments in the digital business

### About Redberry

- One of the most successful Georgian digital marketing agency
- Providing tech-based marketing solutions to large Georgian corporates and government agencies
- **50%+ revenue growth in 2018, with 25% net profit margin**
- US\$ 0.4 million cash consideration to acquire 60% equity stake

### US\$ 2.8 million new capital injected for digital start-up development

1

Joint ventures with corporates - partnership model with minority stake of c. 20%.

2

Creating digital start-ups focused and applicable to Georgia (c. US\$ 0.1mln per start-up)

- Redberry has developed **app "Lunchoba"**, engaged in delivering ready-food made to the offices.

# Content



1. 1H19 results discussion | Georgia Capital

2. Georgia Capital strategy

3. Portfolio overview

4. **Georgian macro overview**

5. Appendices

# Sovereign ratings with stable outlook and favourable macro fundamentals



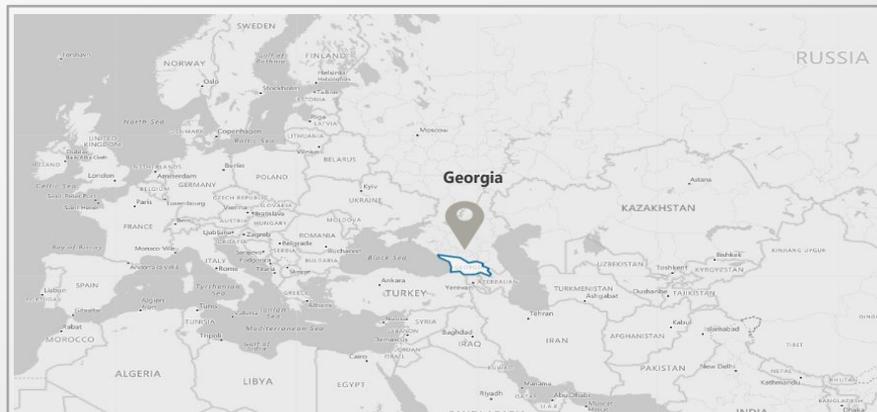
## Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
<b>MOODY'S</b>	Ba2	Stable	September 2018
<b>S&amp;P Global</b>	BB-	Positive	April 2019
<b>FitchRatings</b>	BB	Stable	February 2019

## Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	B+	Positive
Azerbaijan	BB+	Stable
Belarus	B	Stable
Czech Republic	AA-	Stable
<b>Georgia</b>	<b>BB</b>	<b>Stable</b>
Kazakhstan	BBB	Stable
Turkey	BB-	Negative
Ukraine	B-	Stable

## General Facts



- Area: 69,700 sq km
- Population (2018): 3.7 million
- Capital: Tbilisi;
- Life expectancy: 73.5 years
- Official language: Georgian
- Literacy: 100%
- Currency (code): Lari (GEL)

## Economy

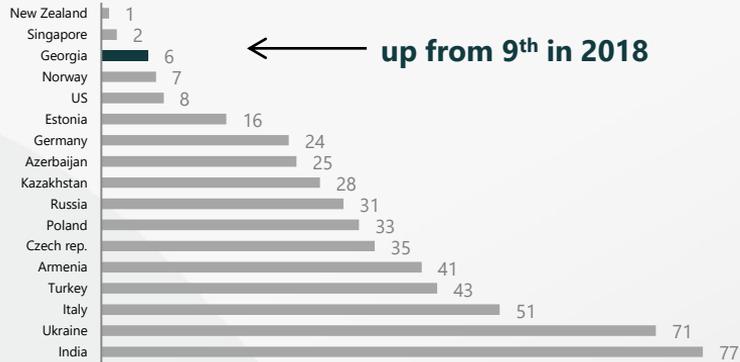
- Nominal GDP (Geostat) 2018: GEL 41.1 billion (US\$16.2 billion)
- Real GDP growth rate 2014-2018: 4.6%, 2.9%, 2.8%, 4.8%, 4.7%
- Real GDP 2007-2018 annual average growth rate: 4.5%
- GDP per capita 2018 (PPP, international dollar) IMF: 11,485
- Annual inflation (end of period) 2018: 1.5%
- External public debt to GDP 2018: 34.3%

# Georgia's key economic drivers

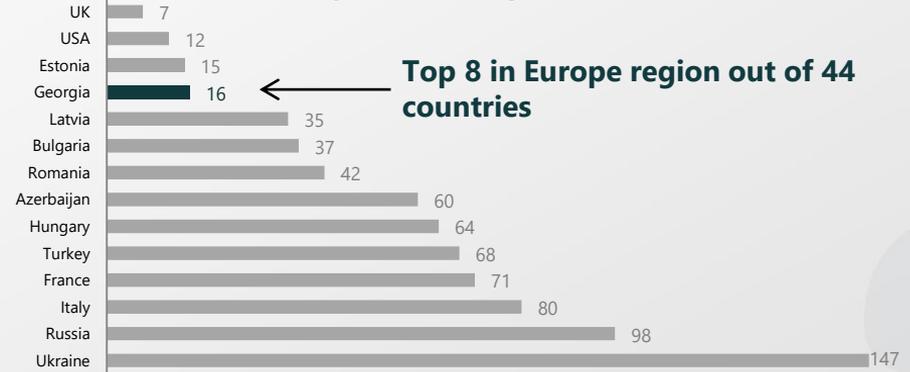
<b>Liberal economic policy</b>	<p><b>Top performer globally in WB Doing Business over the past 12 years</b></p> <ul style="list-style-type: none"> <li>Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework;</li> <li>Public expenditure/GDP capped at 30%; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%;</li> <li>Business friendly environment and low tax regime (attested by favourable international rankings);</li> </ul>
<b>Regional logistics and tourism hub</b>	<p><b>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</b></p> <ul style="list-style-type: none"> <li>Access to a market of 2.8 billion customers without customs duties: Free trade agreements with EU, China, Hong Kong, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Israel and India under consideration.</li> <li>Tourism revenues on the rise: tourism inflows stood at US\$ 3.2 billion in 2018 and international travelers reached 8.7 million in 2018 (up 9.8% y-o-y), out of which tourist arrivals were up 17% y-o-y to 4.8 million visitors.</li> <li>Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes.</li> </ul>
<b>Strong FDI</b>	<p><b>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</b></p> <ul style="list-style-type: none"> <li>FDI stood at US\$ 1.2 billion (7.6% of GDP) in 2018.</li> <li>FDI averaged 9.8% of GDP in 2007-2018.</li> </ul>
<b>Support from international community</b>	<p><b>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</b></p> <ul style="list-style-type: none"> <li>Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free visa entrance to the EU countries from 28 March 2017.</li> <li>Discussions commenced with the USA to drive inward investments and exports.</li> <li>Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU.</li> </ul>
<b>Electricity transit hub potential</b>	<p><b>Developed, stable and competitively priced energy sector</b></p> <ul style="list-style-type: none"> <li>Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development.</li> <li>Georgia imports natural gas mainly from Azerbaijan.</li> <li>Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded.</li> <li>Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe.</li> </ul>
<b>Political environment stabilised</b>	<ul style="list-style-type: none"> <li>Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU.</li> <li>New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency.</li> <li>Continued economic relationship with Russia, although economic dependence is relatively low.</li> <li>Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgians citizens effective December 23, 2015.</li> <li>Direct flights between the two countries resumed in January 2010.</li> <li>Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia.</li> <li>In 2018, Russia accounted for 13.0% of Georgia's exports and 10.3% of imports.</li> </ul>

# Institutional oriented reforms

### Ease of Doing Business | 2019 (WB Doing Business Report)

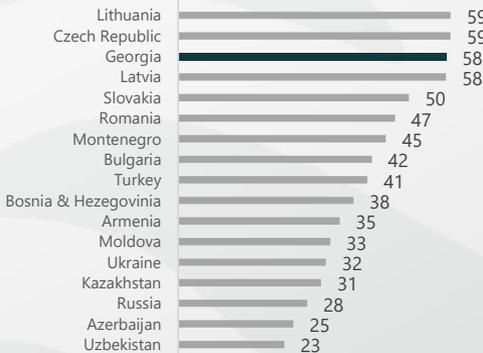


### Economic Freedom Index | 2019 (Heritage Foundation)



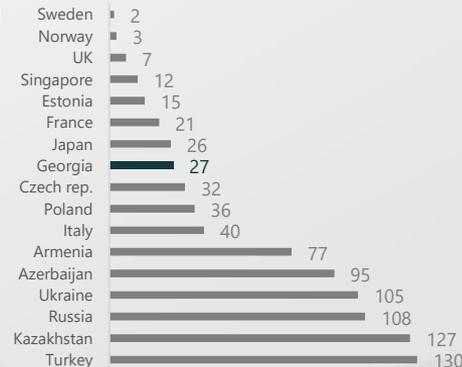
### Corruption Perception Index | TI 2018

Higher index means lower corruption

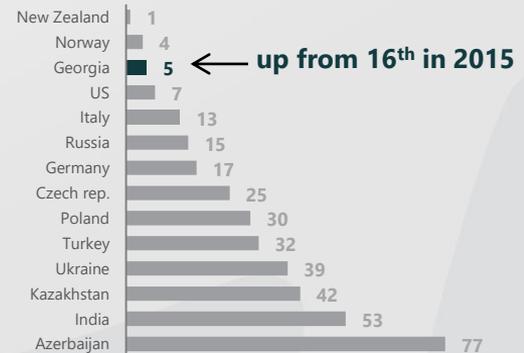


← Georgia is on a par with EU member states

### Business Bribery Risk, 2018 | Trace International



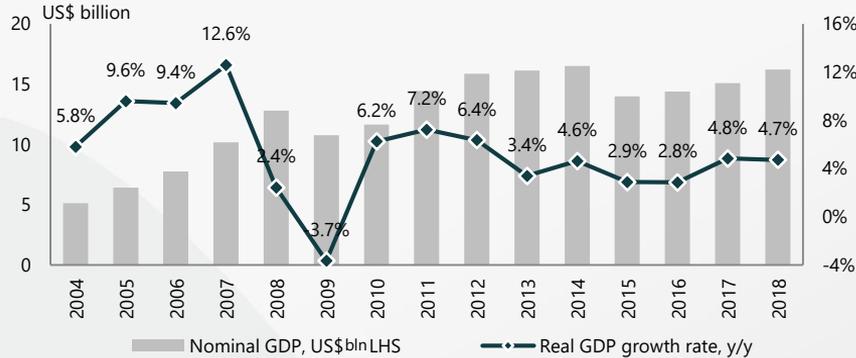
### Open Budget Index, 2017 | International Budget Partnership



# Diversified resilient economy

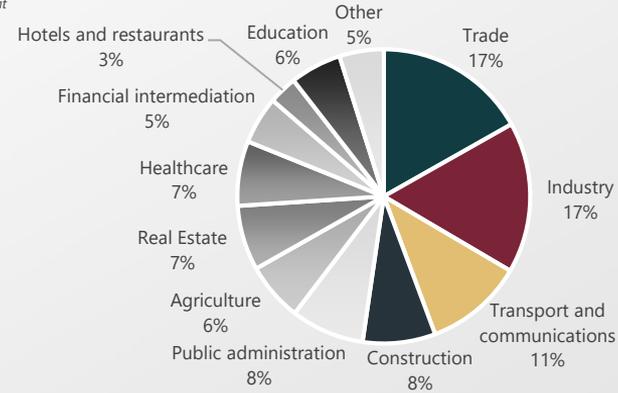
## Gross domestic product

Source: Geostat



## Diversified nominal GDP structure, 1Q19

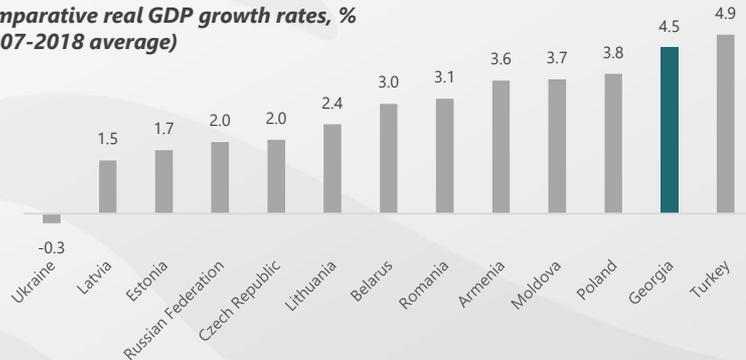
Source: Geostat



## One of the Fastest Developing Economies in the Region

Source: IMF

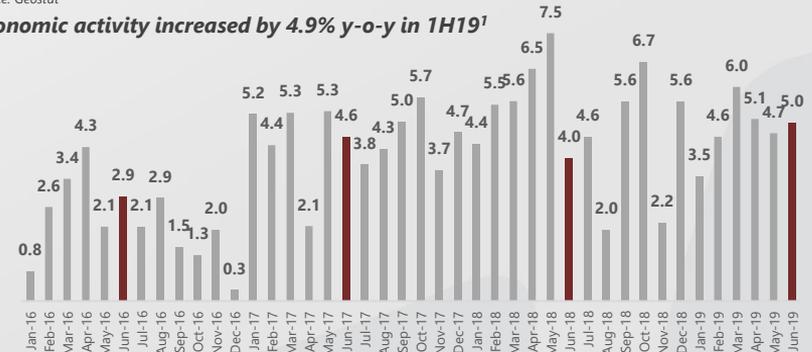
### Comparative real GDP growth rates, % (2007-2018 average)



## Monthly Economic Activity Estimate, y-o-y growth

Source: Geostat

### Economic activity increased by 4.9% y-o-y in 1H19<sup>1</sup>

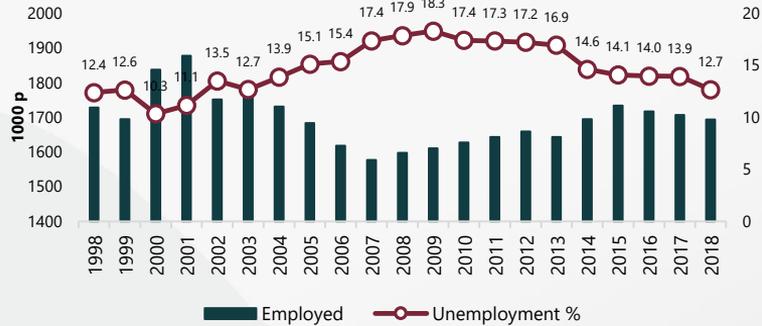


<sup>1</sup> preliminary data

# Room for further job creation

## Unemployment rate down 1.3 pts y-o-y to 12.7% in 2018

Sources: GeoStat



## UNDP Human Development Index

Sources: UNDP



## Average monthly nominal earnings in business sector

Sources: GeoStat



## Labor force decomposition 2018

Sources: GeoStat

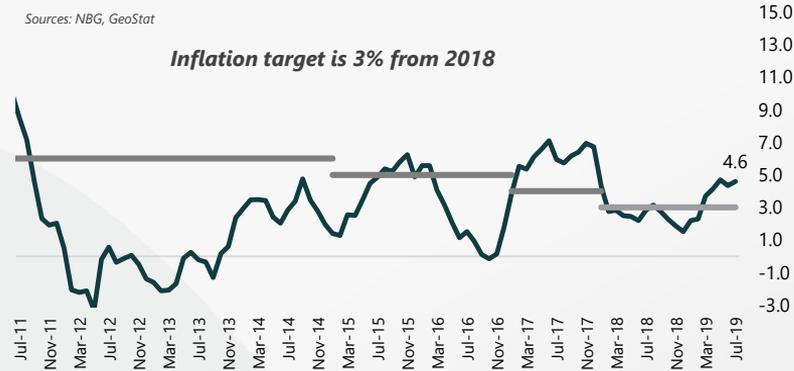


# Inflation targeting since 2009

## Inflation y-o-y vs. inflation target

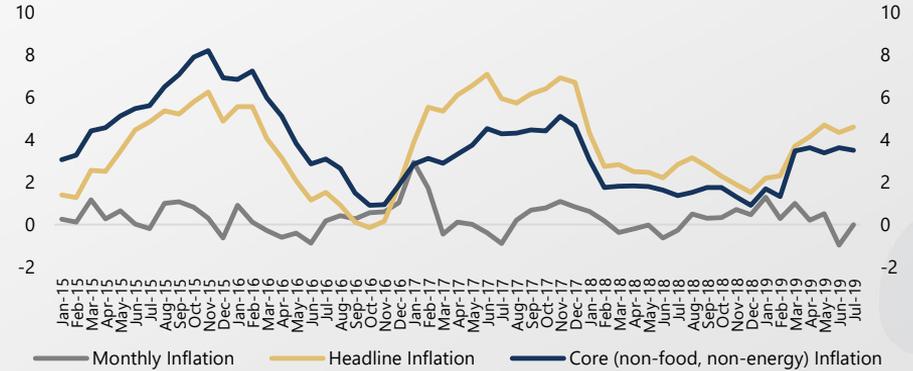
Sources: NBG, GeoStat

**Inflation target is 3% from 2018**



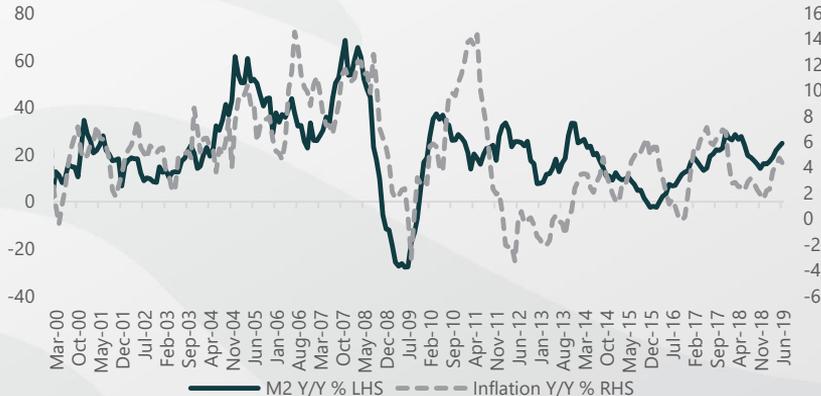
## Inflation y-o-y

Source: GeoStat



## M2 vs. inflation, y-o-y, %

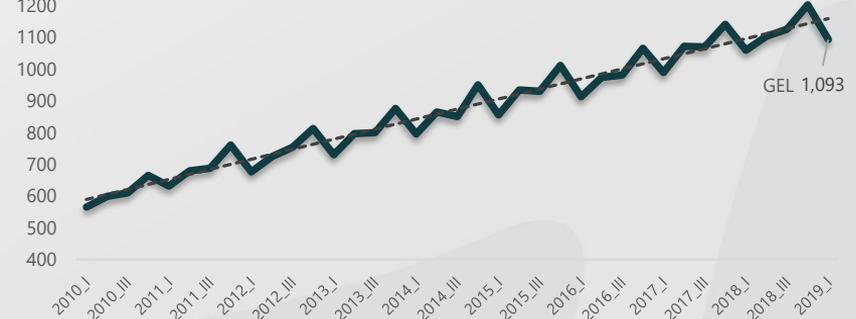
Sources: Geostat, NBG



## Average monthly nominal earnings

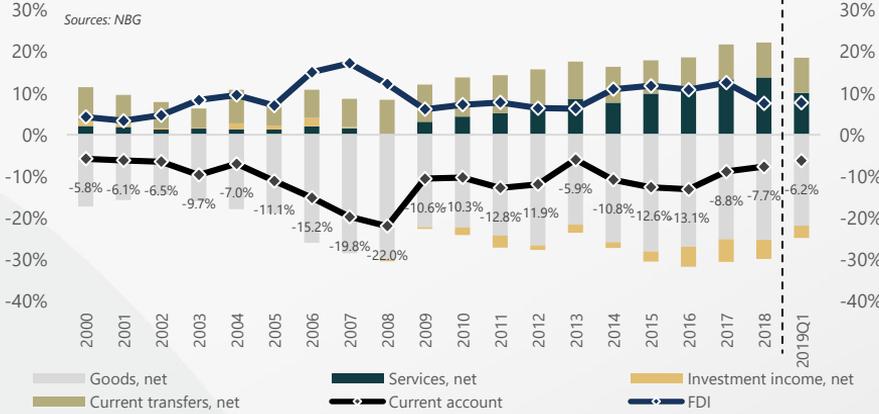
Source: Geostat

**Monthly nominal earnings increased on average 7.7% y-o-y in 2010-2018**

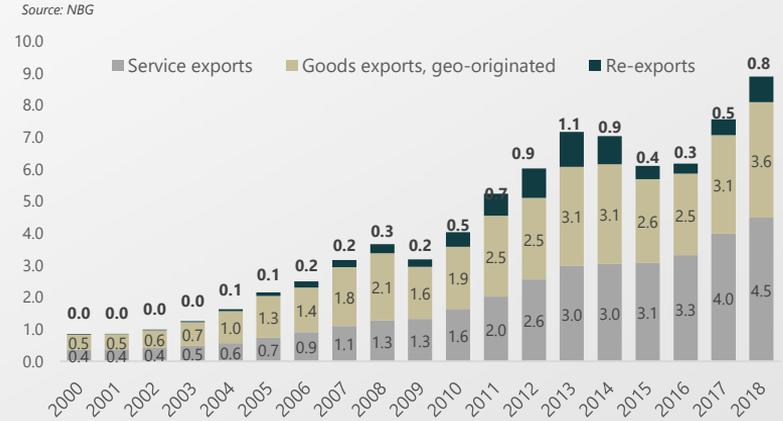


# Current account deficit supported by FDI

### Current account balance (% of nominal GDP)

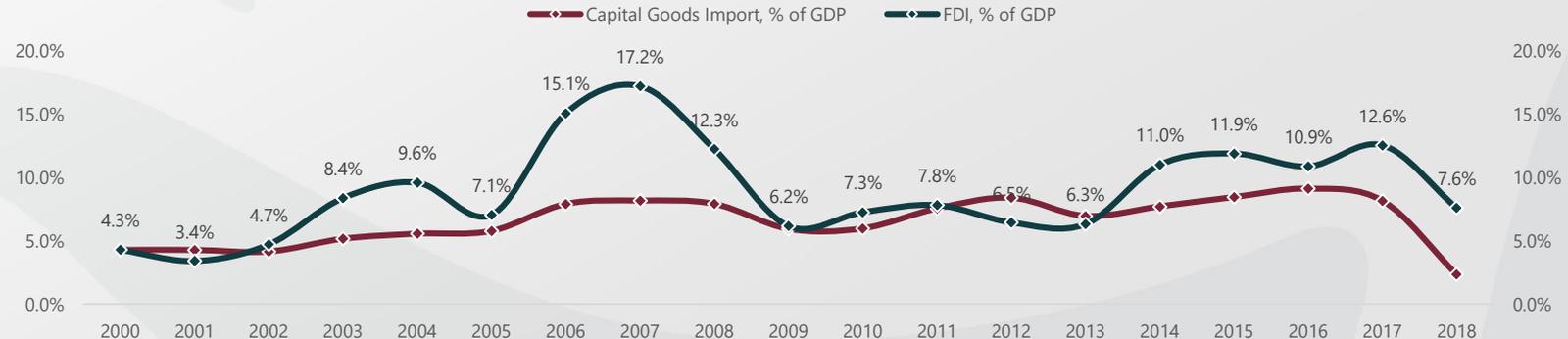


### Exports and Re-exports, US\$ billion



### FDI and capital goods import

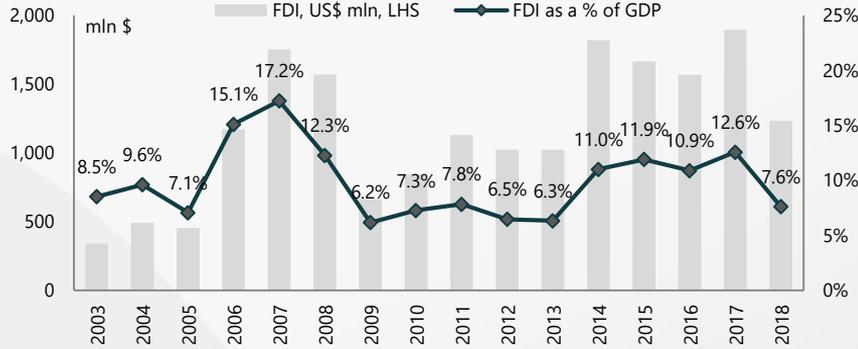
Source: GeoStat



# Diversified sources of capital

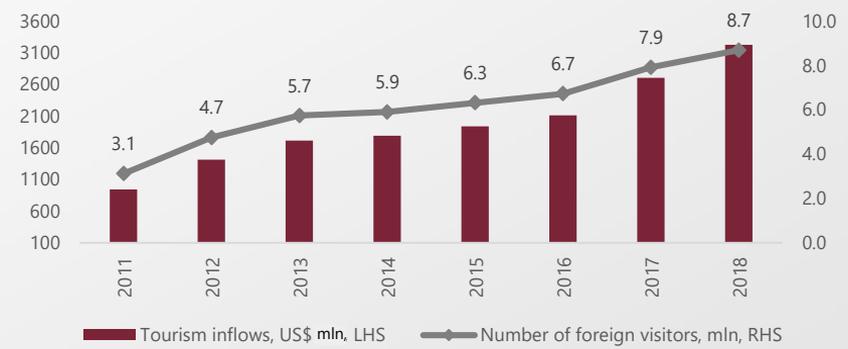
## Strong foreign investor interest

Sources: GeoStat



## Visitors and tourism revenues

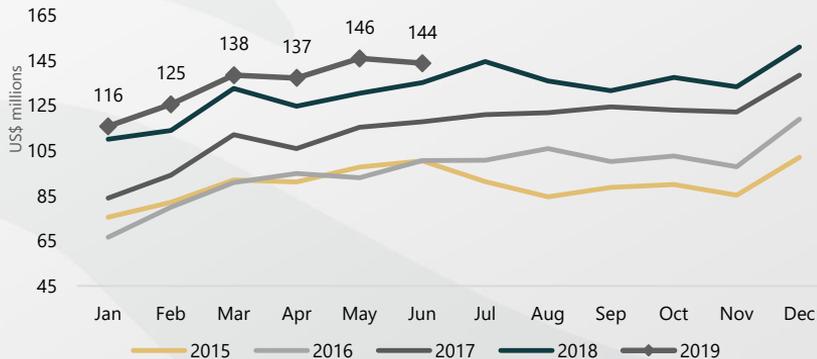
Sources: GNTA, NBG



## Remittances - steady source of external funding

Source: NBG

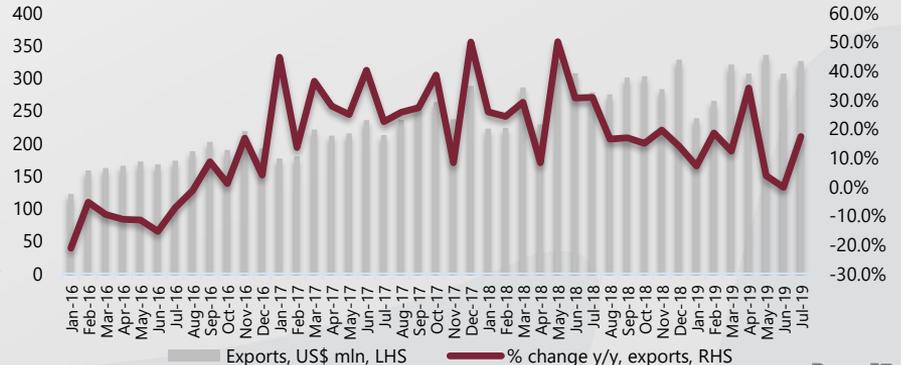
Remittances increased to US\$ 806 million, 8.3% y-o-y in 1H19



## Export continues to support economic growth

Source: Geostat

In seven months of 2019 exports increased by 12.3% y-o-y to US\$ 2.1 billion



# Tourism sector on the rise

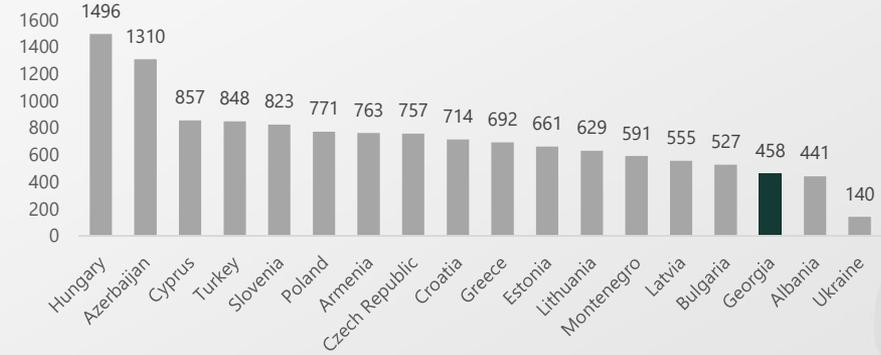
## Tourism revenues to GDP

Sources: NBG, Geostat



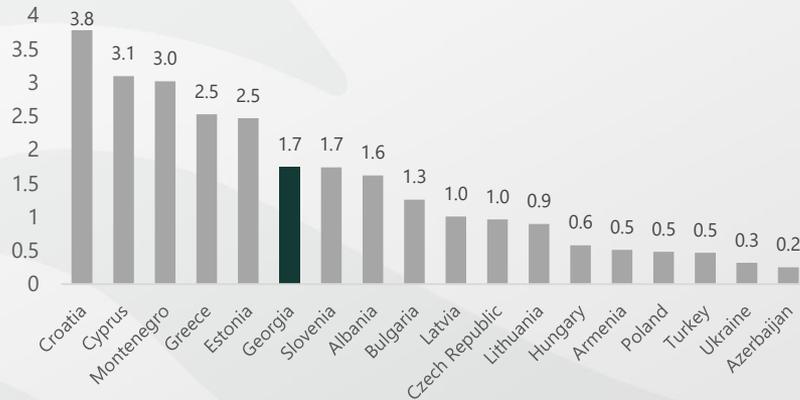
## Spending per arrival, 2017

Source: WDI



## Arrivals to country's population, 2017

Source: WDI



## Number of Tourists (overnight visitors)

Source: GNIA

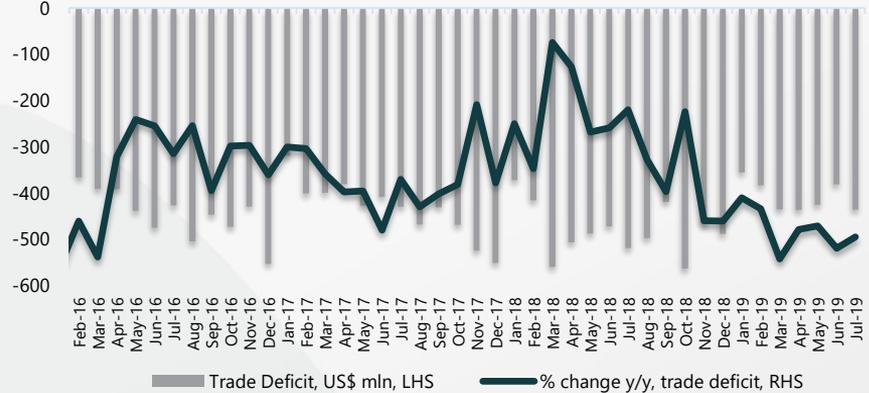


# Diversified foreign trade



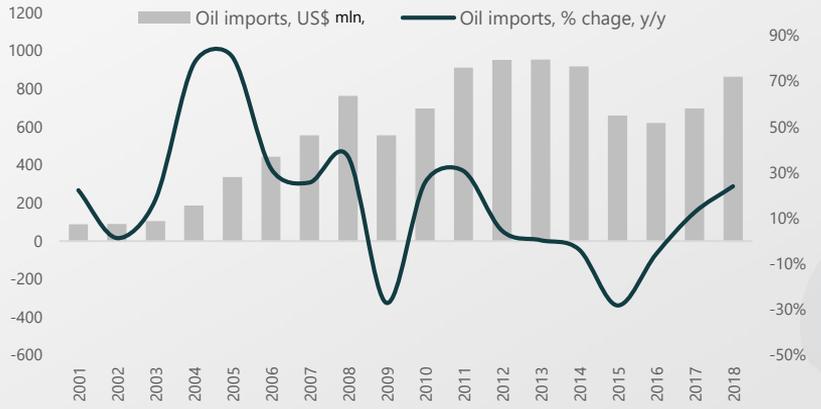
## Goods' Trade Deficit

Source: GeoStat  
 Based on the preliminary data in the first seven months of 2019 trade deficit narrowed by 14% y-o-y to US\$ (2.9) billion from US\$ (3.3) billion, further decreasing FX pressure.



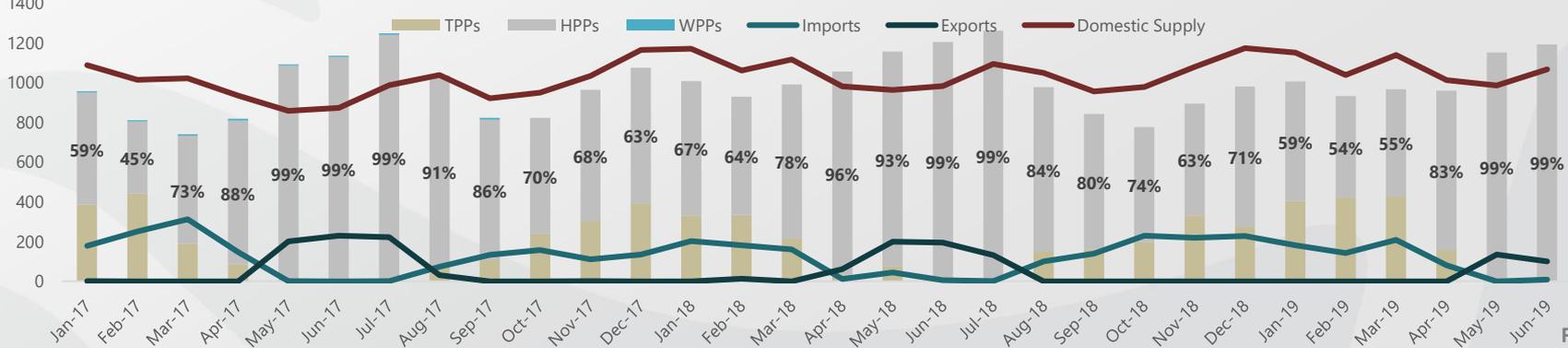
## Oil imports

Source: GeoStat



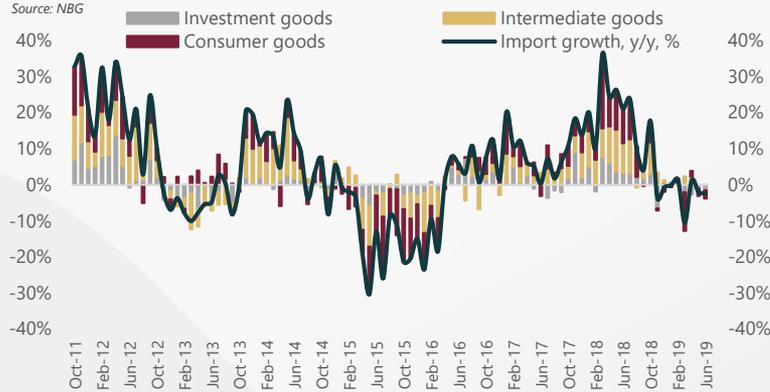
## Electricity generation and trade, GWH

Source: ESCO



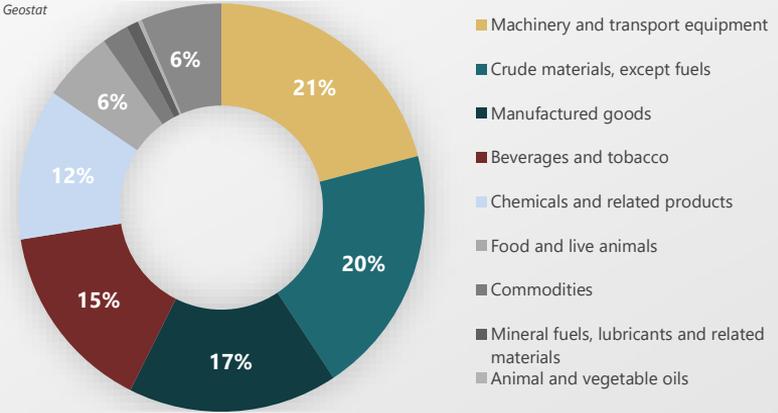
# Diversified foreign trade

## Imports of Goods, contribution to growth



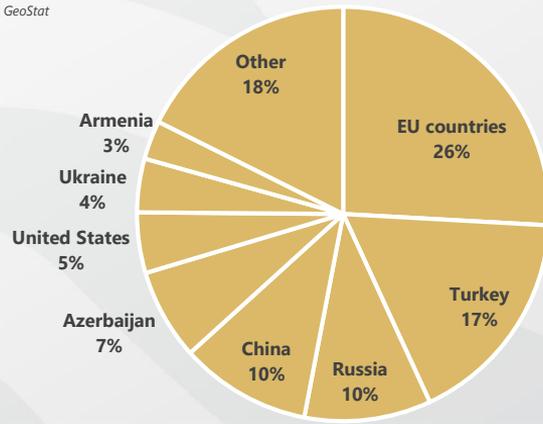
## Foreign Demand, 1H19

Source: Geostat



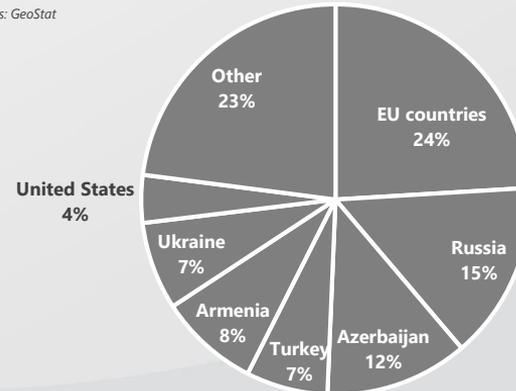
## Importing countries, 1H19

Sources: GeoStat



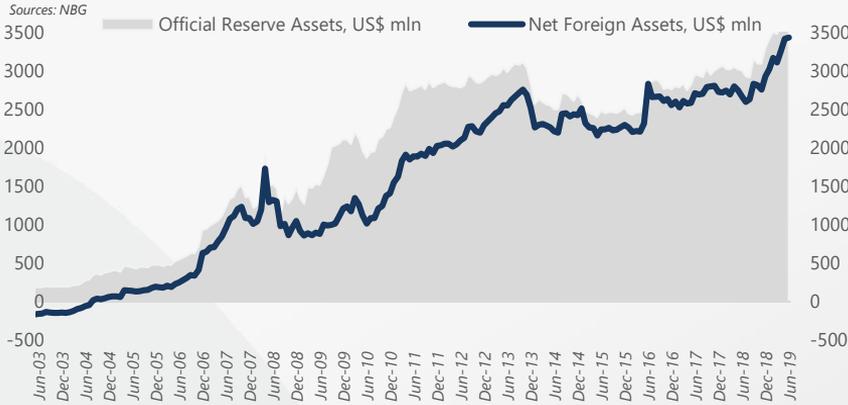
## Exporting countries, 1H19

Sources: GeoStat



# Prudent monetary policy ensures macro-financial stability

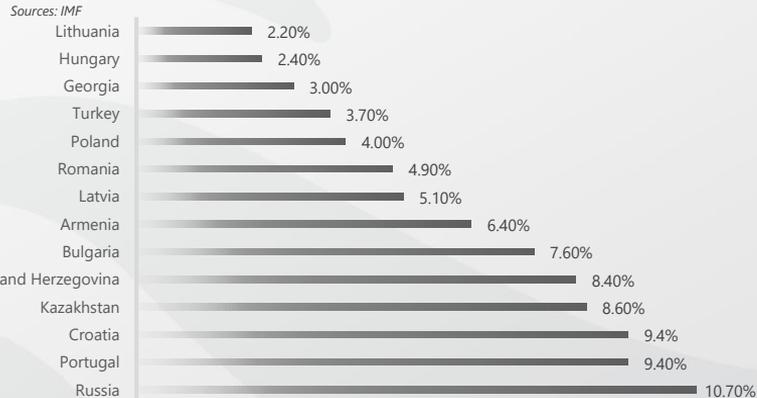
## International reserves



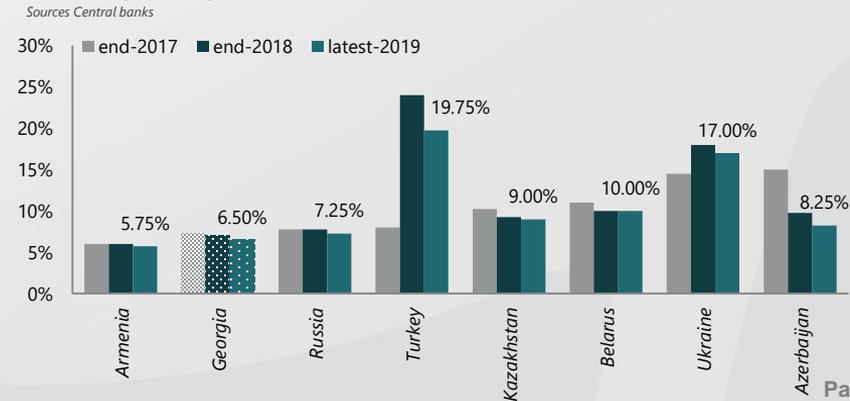
## Monetary policy rate



## Nonperforming loans to total gross loans, latest 2019



## Monetary policy rate remains low vs. peers



# Floating exchange rate - policy priority

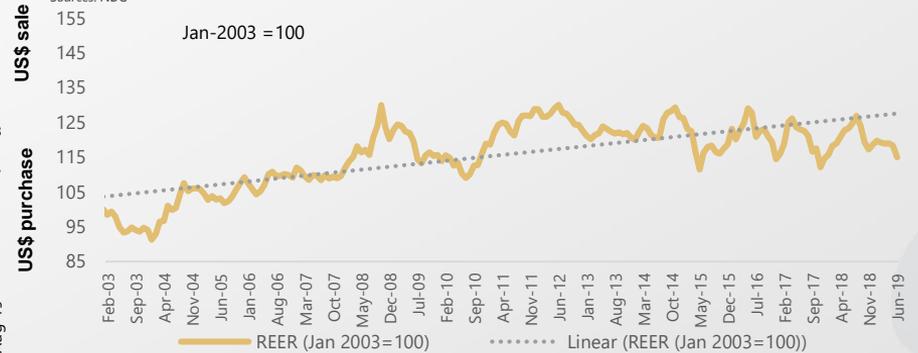
## Central Bank's interventions

Sources: NBG



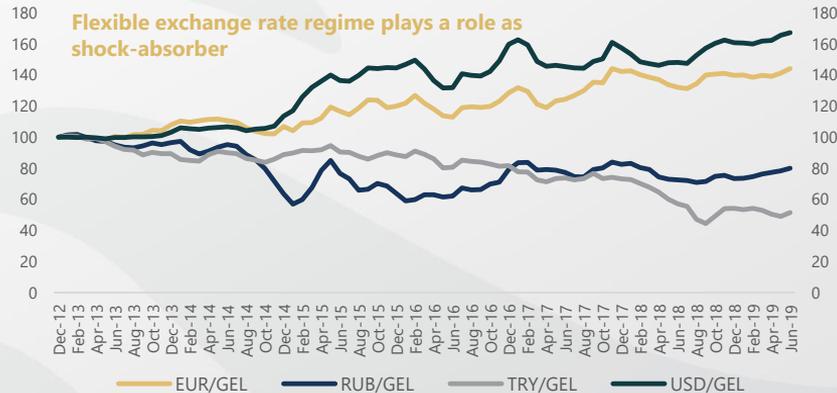
## Real effective exchange rate (REER)

Sources: NBG



## Bilateral exchange rate indices (Dec2012=100)

Sources: NBG



## Dollarization ratios

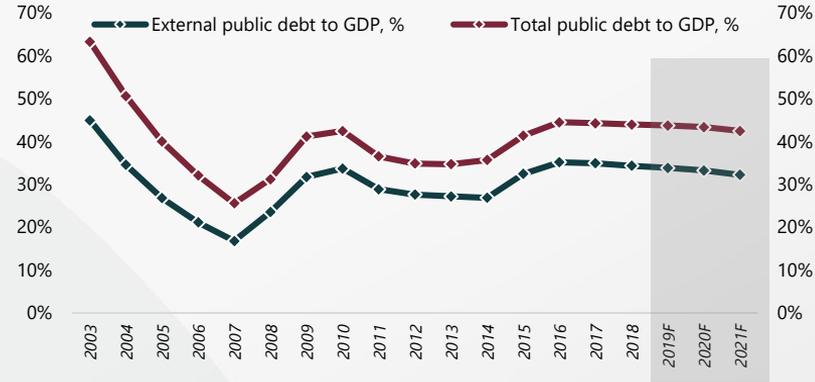
Source: NBG



# Low public debt

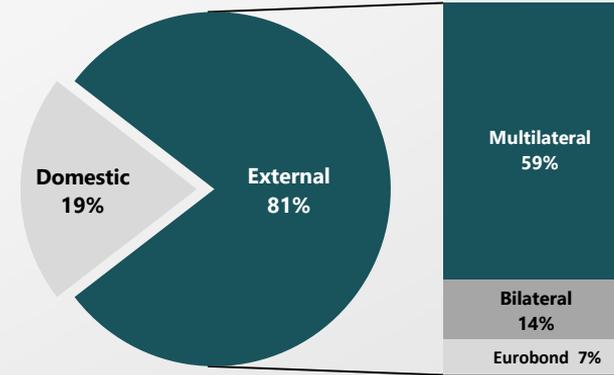
## Public debt as % of GDP is capped at 60%

Sources: MOF



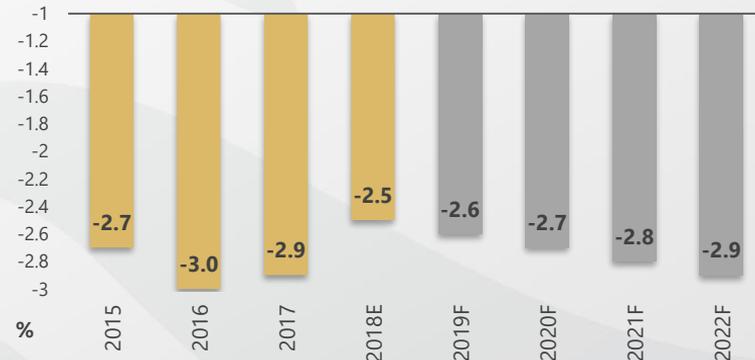
## Breakdown of public debt

Source: MOF, as of December 2018



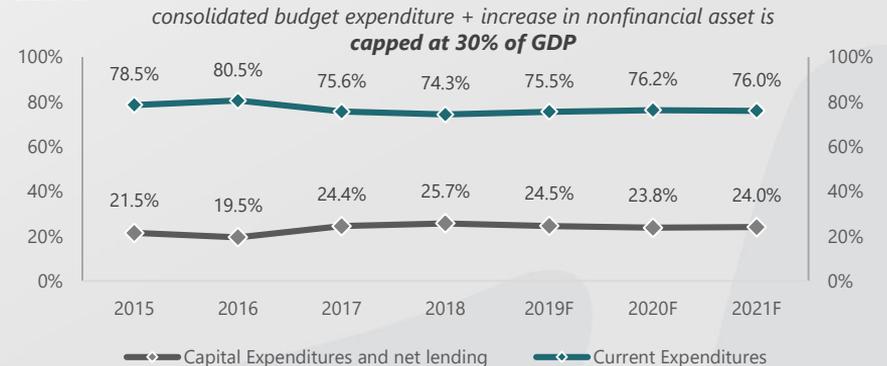
## Modified Fiscal deficit, % of GDP (IMF programme)

Source: MOF



## Current vs Capital Expenditure

Source: MOF



# Growth-oriented government reforms (2018-2020)

## 1 Structural Reforms

- **Small government concept**
  - Optimization of government units and decrease bureaucracy expenses to get small, efficient and flexible government
  - Compensation of employees as a% of GDP will decrease and remain close to 3.9% of GDP
- **Tax Reform**
  - Favorable tax rates for SME development
  - Special tax regimes for regional offices of multinational companies
  - Enhancing easiness of tax compliance
- **Capital Market Reform**
  - Boosting stock exchange activities
  - Developing of local bond market
- **Pension Reform**
  - Introduction of private pension system
- **PPP Reform**
  - Introduction of transparent and efficient PPP framework
- **Public Investment Management Framework**
  - Improved efficiency of state projects
- **Law of Georgia on Entrepreneurs**
  - New law will be drafted reflecting requirements of Association Agreement between EU and Georgia
- **Responsible Lending**
  - Regulatory actions to support responsible lending
  - Decrease household over indebtedness
- **Association Agreement Agenda**

## 2 Promoting Transit & Tourism Hub

- **Roads**
  - Plan to finish all spinal projects by 2020 – East-West Highway, other supporting infrastructure
- **Rail**
  - Baku – Tbilisi Kars new railroad line
  - Railway modernization and integration in international transport systems
- **Maritime**
  - Anaklia deep water Black Sea port
    - Strategic location
    - Capable of accommodating Panamax type cargo vessels
    - High capacity – up to 100 million tons turnover annually
  - **Up to USD 2.5 billion** for the project completion;

## 3 Education

- **General Education Reform**
  - Maximising quality of teaching in secondary schools
- **Fundamental Reform of Higher Education**
  - Based on the comprehensive research of the labour market needs
- **Improvement of Vocational Education**
  - Increase involvement of the private sector in the professional education

# Content



1. 1H19 results discussion | Georgia Capital

2. Georgia Capital strategy

3. Portfolio overview

4. Georgian macro overview

5. **Appendices**

# NAV Statement | 30 June 2019



GEL thousands unless otherwise noted	%	Valuation Method	Multiples		Fair Values		Change%	MOIC	IRR	Realized MOIC
			Jun-19	Dec-18	Jun-19	Dec-18				
<b>Listed Equity Investments</b>					<b>1,194,712</b>	<b>977,827</b>	<b>22.2%</b>			
Georgia Healthcare Group PLC	57.0%	LSE			661,413	520,332	27.1%	5.7x	43.9%	1.0x
Bank of Georgia Group PLC	19.9%	LSE			533,299	457,495	16.6%	7.4x	21.4%	3.3x
<b>Private Investments</b>					<b>1,042,811</b>	<b>905,547</b>	<b>15.2%</b>			
<b>Late Stage (at fair value)</b>					<b>681,973</b>	<b>628,326</b>	<b>8.5%</b>	<b>2.8x</b>		<b>0.6x</b>
Water Utility	100%	EV/EBITDA	9.0	8.8	459,706	431,017	6.7%	2.4x	32.0%	0.3x
Housing Development	100%	DCF			60,858	66,785	-8.9%	1.9x	14.6%	1.2x
P&C Insurance	100%	P/E	9.1	7.4	161,409	130,524	23.7%	18.9x	32.9%	3.1x
<b>Early stage (at fair value)</b>					<b>314,901</b>	<b>271,288</b>	<b>16.1%</b>	<b>1.0x</b>		
Renewable Energy	65%	Cost			62,737	61,182	2.5%	1.1x	3.7%	
Hospitality & Commercial RE	100%	NAV			182,431	149,079	22.4%	1.4x	14.7%	
Beverage	86%				69,733	61,027	14.3%	0.6x	0.0%	
Of which, wine		EV/EBITDA	9.9	9.1	59,633	56,771	5.0%	1.3x	7.0%	
Of which, beer		EV/Sales	2.1	2.2	10,100	4,256	NMF	0.1x	0.0%	
<b>Pipeline</b>					<b>45,937</b>	<b>5,933</b>	<b>NMF</b>			
Education	100%	Cost			11,209	7,071	58.5%			
Auto Service	100%	EV/EBITDA	10.1		24,363	(1,326)	NMF			
Digital Services	60%	Cost			8,790	-	NMF			
Other	100%	Cost			1,575	188	NMF			
<b>Total Portfolio Value (1)</b>					<b>2,237,523</b>	<b>1,883,374</b>	<b>18.8%</b>			
<b>Net Debt (2)</b>					<b>(304,519)</b>	<b>(196,915)</b>	<b>54.6%</b>			
of which, Cash and liquid funds					323,959	299,650	8.1%			
of which, Loans issued					232,289	305,480	-24.0%			
of which, Gross Debt					(860,767)	(802,045)	7.3%			
<b>Net other assets/ (liabilities) (3)</b>					<b>5,361</b>	<b>1,762</b>	<b>NMF</b>			
<b>Net Asset Value (1)+(2)+(3)</b>					<b>1,938,365</b>	<b>1,688,221</b>	<b>14.8%</b>			
<b>Shares outstanding</b>					35,961,403	38,089,558	-5.6%			
<b>Net Asset Value per share (GEL)</b>					<b>53.90</b>	<b>44.32</b>	<b>21.6%</b>			
<b>Net Asset Value per share (GBP)</b>					<b>14.81</b>	<b>13.05</b>	<b>13.5%</b>			

# GCAP cash flow statement (management accounts) | 1H19



<b>Cash flow statement</b>			
<i>GEL thousands unless otherwise noted</i>	<b>1H19</b>	<b>1H18</b>	<b>Change</b>
Dividends received	32,951	10,000	NMF
Interest received	19,110	10,426	83.3%
Interest paid	(24,694)	(21,785)	13.4%
<b>Cash inflow from Operations before operating expenses</b>	<b>27,367</b>	<b>(1,359)</b>	<b>NMF</b>
GCAP operating expenses	(9,820)	(2,787)	NMF
<b>Cash inflow from operations</b>	<b>17,547</b>	<b>(4,147)</b>	<b>NMF</b>
<b>Capital allocations</b>	<b>(43,152)</b>	<b>(38,729)</b>	<b>11.4%</b>
<b>Loans (Issued)/Repaid</b>	<b>90,788</b>	<b>(249,635)</b>	<b>NMF</b>
<i>of which, Loans to portfolio companies</i>	90,788	(127,720)	NMF
<i>of which, Loans to third parties</i>	-	(121,915)	NMF
<b>Cash outflow on buybacks</b>	<b>(61,322)</b>	<b>(49,580)</b>	<b>22.8%</b>
<i>of which, Management Trust</i>	(3,444)	(26,478)	-87.0%
<i>of which, Buyback programme</i>	(57,878)	(23,102)	NMF
<b>Cash outflow/inflow from financing activities</b>	<b>-</b>	<b>467,434</b>	<b>NMF</b>
Proceeds from debt securities issued	-	715,729	NMF
Repayment of borrowings from former Parent company	-	(248,295)	NMF
Demerger related outflows	(587)	(24,245)	-97.6%
FX effect & Fair valuation	21,035	(13,642)	NMF
<b>Net cash flow</b>	<b>24,309</b>	<b>87,456</b>	<b>-72.2%</b>
Beginning cash and liquid funds	299,650	264,546	13.3%
Ending cash and liquid funds	323,959	352,002	-8.0%

# Reconciliation of management accounts to IFRS

## Income statement reconciliation, 1H19

<i>Get thousands, unless otherwise noted</i>	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial Real Estate	Beverages	Auto Service	Digital Services	Corporate Centre	Eliminations/ Consolidations	Group Total
Total investment return	141,081	75,804	28,689	12,109	30,885	-	7,087	(1,663)	15,662	-	21,597	-	331,251
Net foreign currency loss/gain	-	-	-	-	-	-	-	-	-	-	(25,625)	-	(25,625)
<b>Net Income (Management accounts)</b>	<b>141,081</b>	<b>75,804</b>	<b>28,689</b>	<b>12,109</b>	<b>30,885</b>	<b>-</b>	<b>7,087</b>	<b>(1,663)</b>	<b>15,662</b>	<b>-</b>	<b>(4,028)</b>	<b>-</b>	<b>305,626</b>
Difference between Shareholder return* and IFRS profit of portfolio companies	(132,022)	(75,804)	(26,725)	(19,957)	(22,577)	(680)	(1,179)	(19,224)	(18,983)	42	-	-	(317,109)
Profit attributable to non-controlling shareholders	16,060	-	-	-	-	(366)	(28)	(3,877)	-	15	-	-	11,804
Reversal of intragroup dividend income	-	-	-	-	-	-	-	-	-	-	-	(11,981)	(11,981)
Reversal of Hotel revaluation gains for Group consolidation purposes**	-	-	-	-	-	-	-	-	-	-	-	(8,376)	(8,376)
Reversal of Fair valuation of Debt securities measured at FVOCI	-	-	-	-	-	-	-	-	-	-	-	(4,286)	(4,286)
Reversal of gain on intragroup sale of assets	-	-	-	-	-	-	-	-	-	-	-	(2,956)	(2,956)
Other	-	-	-	-	-	-	-	-	-	-	-	(1,924)	(1,924)
<b>Profit for the period (IFRS Consolidated)</b>	<b>25,119</b>	<b>-</b>	<b>1,964</b>	<b>(7,848)</b>	<b>8,308</b>	<b>(1,046)</b>	<b>5,880</b>	<b>(24,764)</b>	<b>(3,321)</b>	<b>57</b>	<b>(4,028)</b>	<b>(29,523)</b>	<b>(29,202)</b>

\*Calculated based on fair value estimates.

\*\* Hotels are accounted at cost method for IFRS group consolidated purposes.

# Reconciliation of management accounts to IFRS

## Balance sheet reconciliation, 30 June 2019

*Gel thousands, unless otherwise noted*

	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial Real Estate	Beverages	Auto Service	Digital services	Other	Corporate Centre	Eliminations/ Consolidations	Group Total
<b>Management accounts:</b>	<b>661,413</b>	<b>533,299</b>	<b>459,706</b>	<b>60,858</b>	<b>161,409</b>	<b>62,737</b>	<b>182,431</b>	<b>69,733</b>	<b>24,363</b>	<b>8,790</b>	<b>12,784</b>	<b>(299,158)</b>	<b>-</b>	<b>1,938,365</b>
Difference between Fair Value and Book value of portfolio companies	(361,366)	-	(184,821)	(26,922)	(105,348)	3,531	1,771	(7,592)	(22,975)	(3,977)	-	-	-	(707,700)
Transfer of Market value of 19.9% in BoG to Corporate Center	-	(533,299)	-	-	-	-	-	-	-	-	-	533,299	-	-
Reversal of hotels' revaluation gains for group consolidation purposes*	-	-	-	-	-	-	-	-	-	-	-	-	(35,437)	(35,437)
Reversal of irrevocable instructions on buyback programme	-	-	-	-	-	-	-	-	-	-	-	-	(14,396)	(14,396)
GHG Hospitals and clinics accounted at cost for GCAP consolidation purposes	-	-	-	-	-	-	-	-	-	-	-	-	(9,199)	(9,199)
M <sup>2</sup> long-term share based Compensation adjustment for consolidation purposes	-	-	-	-	-	-	-	-	-	-	-	-	(4,499)	(4,499)
Goodwill recognised at Corporate centre	-	-	-	-	-	-	-	-	-	-	-	-	13,653	13,653
Other	-	-	-	-	-	-	-	-	-	-	-	2	(3,658)	(3,658)
<b>Total equity attributable to shareholders of Georgia Capital (IFRS)</b>	<b>300,047</b>	<b>-</b>	<b>274,885</b>	<b>33,936</b>	<b>56,061</b>	<b>66,268</b>	<b>184,202</b>	<b>62,141</b>	<b>1,388</b>	<b>4,813</b>	<b>12,784</b>	<b>234,143</b>	<b>(53,536)</b>	<b>1,177,132</b>

\* Hotels are accounted at cost method for IFRS group consolidated purposes.

# Group Consolidated IFRS Accounts



## Consolidated IFRS Income Statement

GEL thousands, unless otherwise noted

	1H19	1H18	change
Revenue	672,372	616,395	9.1%
Cost of sales	(415,287)	(386,676)	7.4%
<b>Gross profit</b>	<b>257,085</b>	<b>229,719</b>	<b>11.9%</b>
Operating expenses	(147,975)	(122,815)	20.5%
<b>EBITDA</b>	<b>109,110</b>	<b>106,904</b>	<b>2.1%</b>
Share in profit of associates	317	-	NMF
Dividend income	24,951	-	NMF
Depreciation and amortisation	(54,712)	(34,920)	56.7%
Net foreign currency (loss)/ gain	(53,621)	4,787	NMF
Net realized gains from investment securities measured at FVPL	1,011	-	NMF
Interest income	14,908	10,703	39.3%
Interest expense	(65,571)	(46,475)	41.1%
<b>Net operating income before non-recurring items</b>	<b>(23,607)</b>	<b>40,999</b>	<b>NMF</b>
Net non-recurring items	(3,383)	(36,829)	-90.8%
<b>Profit before income tax expense</b>	<b>(26,990)</b>	<b>4,170</b>	<b>NMF</b>
Income tax expense	(2,212)	(1,467)	50.8%
<b>Profit for the period</b>	<b>(29,202)</b>	<b>2,703</b>	<b>NMF</b>
<b>Total profit / (loss) attributable to:</b>			
– shareholders of Georgia Capital PLC	(41,008)	(12,798)	NMF
– non-controlling interests	11,806	15,501	-23.8%
– basic and diluted earnings per share	(1.1597)	(0.3383)	NMF

## Consolidated IFRS Statement of Cash Flow

GEL thousands, unless otherwise noted

	1H19	1H18	Change
<b>Net Cash flow from operating activities</b>	<b>109,422</b>	<b>71,587</b>	<b>52.9%</b>
<b>Net cash flows used in investing activities</b>	<b>(194,909)</b>	<b>(508,051)</b>	<b>-61.6%</b>
<b>Net cash from financing activities</b>	<b>25,347</b>	<b>254,697</b>	<b>-90.0%</b>
Effect of exchange rates changes on cash and cash equivalents	5,768	(9,340)	NMF
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(54,372)</b>	<b>(191,107)</b>	<b>-71.5%</b>
Cash and cash equivalents, beginning of the year	256,930	346,241	-25.8%
Cash and cash equivalents of disposal group held for sale beginning of the period	-	48,840	NMF
Cash and cash equivalents of disposal group held for sale, end of the period	-	16,528	NMF
<b>Cash and cash equivalents, end of the period</b>	<b>202,558</b>	<b>187,446</b>	<b>8.1%</b>

# Group Consolidated IFRS Accounts



## Consolidated IFRS Balance Sheet

<i>GEL thousands, unless otherwise noted</i>	<b>30-Jun-19</b>	<b>31-Dec-18</b>	<b>Change</b>
Cash and cash equivalents	202,558	256,930	-21.2%
Amounts due from credit institutions	58,166	40,299	44.3%
Debt securities owned	120,304	71,824	67.5%
Equity investments at fair value	533,299	457,495	16.6%
Accounts receivable	194,540	170,228	14.3%
Insurance premiums receivable	87,593	57,801	51.5%
Inventories	290,532	276,230	5.2%
Investment properties	178,094	151,232	17.8%
Prepayments	133,347	117,909	13.1%
Income tax assets	1,503	2,405	-37.5%
Property and equipment	1,853,904	1,671,917	10.9%
Goodwill	150,150	142,095	5.7%
Intangible assets	67,703	51,634	31.1%
Other assets	272,473	251,462	8.4%
<b>Total assets</b>	<b>4,144,166</b>	<b>3,719,461</b>	<b>11.4%</b>
Accounts payable	170,968	143,114	19.5%
Insurance contracts liabilities	99,405	68,207	45.7%
Income tax liabilities	1,183	1,119	5.7%
Deferred income	55,261	62,345	-11.4%
Finance lease liabilities	97,025	-	NMF
Borrowings	934,604	764,355	22.3%
Debt securities issued	1,040,329	916,401	13.5%
Other liabilities	241,563	235,771	2.5%
<b>Total liabilities</b>	<b>2,640,338</b>	<b>2,191,312</b>	<b>20.5%</b>
<b>Total equity attributable to shareholders of Georgia Capital PLC</b>	<b>1,177,132</b>	<b>1,199,144</b>	<b>-1.8%</b>
Non-controlling interests	326,696	329,005	-0.7%
<b>Total equity</b>	<b>1,503,828</b>	<b>1,528,149</b>	<b>-1.6%</b>
<b>Total liabilities and equity</b>	<b>4,144,166</b>	<b>3,719,461</b>	<b>11.4%</b>

# Glossary



- **Combined ratio** equals sum of the loss ratio and the expense ratio
- **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortization; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group's operational performance and the profitability of its operations. The Group considers EBITDA to be an important indicator of its representative recurring operations.
- **EV** – enterprise value
- **Expense ratio** in P&C Insurance equals sum of acquisition costs and operating expenses divided by net earned premiums
- **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
- **Georgia Capital** and “the Group” refer to Georgia Capital PLC and its portfolio companies as a whole
- **IRR** - for portfolio companies is calculated based on a) historical contributions to the portfolio company less b) dividends received and c) market / fair value of the portfolio company at 30 June 2019
- **Liquid assets & loans issued** include cash, marketable debt securities and issued short-term loans
- **Loss ratio** equals net insurance claims expense divided by net earned premiums
- **LTM** – last twelve months
- **MTD** – Month to date
- **MOIC** – Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date ii) the denominator is the gross investment amount
- **NAV** – Net Asset Value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
- **Net investment** - gross investments less capital returns (dividends and sell-downs)
- **NMF** – Not meaningful
- **NOI** – net operating income
- **NTM** – next twelve months
- **Realised MOIC** – Realised Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs ii) the denominator is the gross investment amount
- **RevPAR** – Revenue per available room
- **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders of the business for the same period for BoG and P&C Insurance
- **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds
- **Total return / value creation** - total return / value creation of each portfolio investment is calculated as follows: we aggregate a) change in beginning and ending fair values, b) gains from realized sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total investment return/shareholder return

# Company information



## **Georgia Capital PLC**

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[www.georgiacapital.ge](http://www.georgiacapital.ge)

Registered under number 10852406 in England and Wales

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London Stock Exchange PLC's Main Market for listed securities

Ticker: "CGEO.LN"

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.

Investor Centre Web Address - [www.investorcentre.co.uk](http://www.investorcentre.co.uk).

Investor Centre Shareholder Helpline - + 44 (0) 370 702 0176

## **Share price information**

Shareholders can access both the latest and historical prices via the website

[www.georgiacapital.ge](http://www.georgiacapital.ge)

