



GEORGIA  
CAPITAL

# GEORGIA CAPITAL INVESTOR DAY

12 November 2020



GEORGIA  
CAPITAL

# STRATEGY AND CAPITAL ALLOCATIONS

**Speaker: Irakli Gilauri**

Chairman and CEO at Georgia Capital

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# UPDATE ON STRATEGIC PRIORITIES ANNOUNCED IN 2019



## PRIORITY #1 ACHIEVED:

Following GHG transaction, share of listed assets in our portfolio decreased to c. 15%

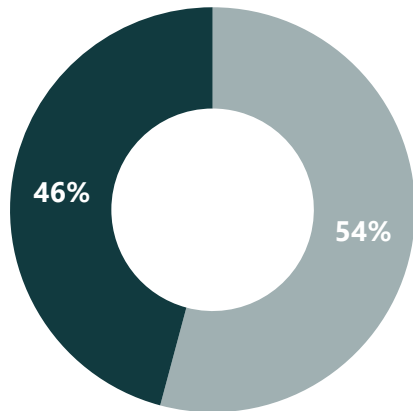


## PRIORITY #2 PUT ON HOLD:

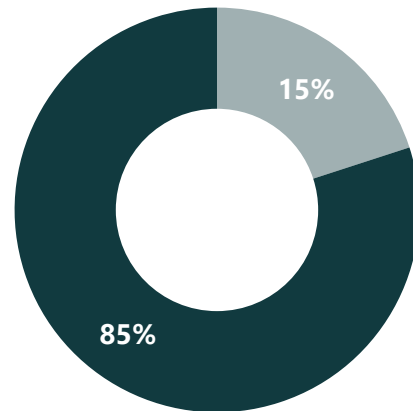
Third-party money raising has been put on hold due to COVID-19

**We expect to resume efforts as markets normalise**

31-MAR-2019



FOLLOWING GHG SHARE EXCHANGE



● Private    ● Listed

# 1-YEAR LOOKBACK



## STRONG PROGRESS AGAINST STRATEGIC PRIORITIES

## SEVERAL KEY ACTIVITIES SINCE THE LAST INVESTOR DAY

01

### GHG SHARE EXCHANGE FACILITY

- Creating a larger combined entity with enhanced share liquidity and better access to capital.
- Further strengthening our portfolio with three strong free cash flow generative businesses.

02

### INVESTING IN EDUCATION

- Secured high quality school partnerships with established strong cash flow streams.

03

### INVESTING IN RENEWABLE ENERGY

- Secured high quality renewable assets with established strong dollar-linked cash flow streams.
- 100% ownership in Renewable Energy following the minority buyout.

04

### FIRST-EVER GREEN BONDS FROM GEORGIA

- On 30 July 2020, GGU issued US\$ 250 million 7.75% 5-year green notes.
- A landmark transaction demonstrating our superior access to capital even in COVID-19 times.

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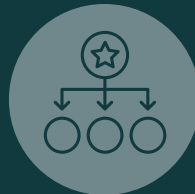
# CORE STRATEGY ENABLERS ARE IN PLACE

## THREE FUNDAMENTAL ENABLERS:

- 01 Superior corporate governance
- 02 Access to management
- 03 Access to capital



## THREE FUNDAMENTAL ENABLERS



**STRONG  
CORPORATE  
GOVERNANCE**



**ACCESS TO  
MANAGEMENT**

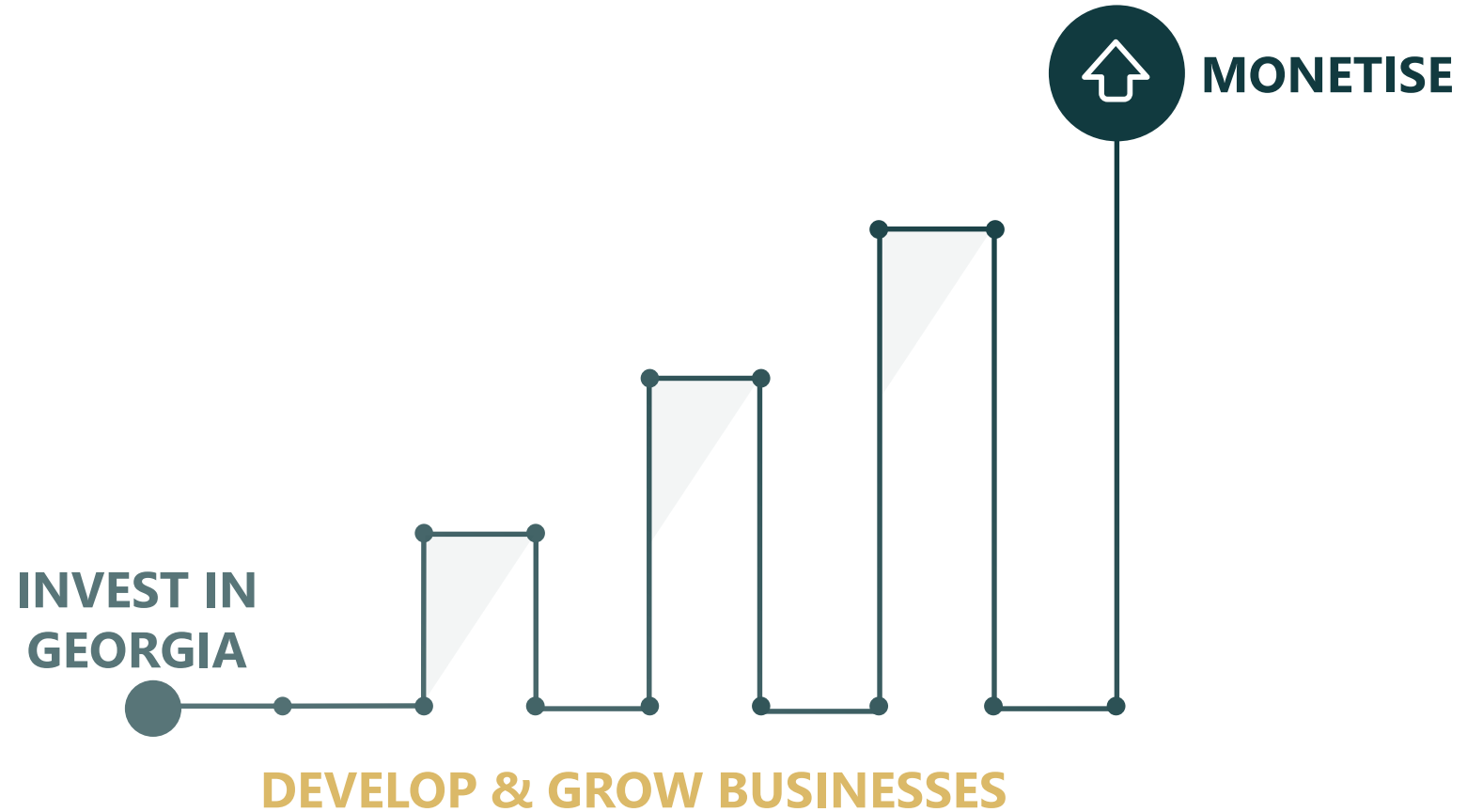


**ACCESS TO CAPITAL**

# PREVIOUSLY ANNOUNCED STRATEGY



**GCAP INVESTS IN GEORGIA, DEVELOPS AND GROWS BUSINESSES, AND REALIZES PROCEEDS THROUGH EXIT, AS INVESTMENTS MATURE**





# ENHANCEMENT OF OUR STRATEGY



**We will be investing in the sectors/opportunities with potential to be GEL 0.5bln in equity value in the next 3-5 years' time**

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Larger companies will be attractive for international strategic and financial buyers, which will increase the liquidity of our portfolio companies

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Management time will be used more efficiently for large opportunities



## LARGE COMPANIES

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**ATTRACTIVE FOR  
INTERNATIONAL  
BUYERS**

Increased liquidity



## SMALLER COMPANIES

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**ATTRACTIVE FOR  
LOCAL & REGIONAL  
BUYERS**

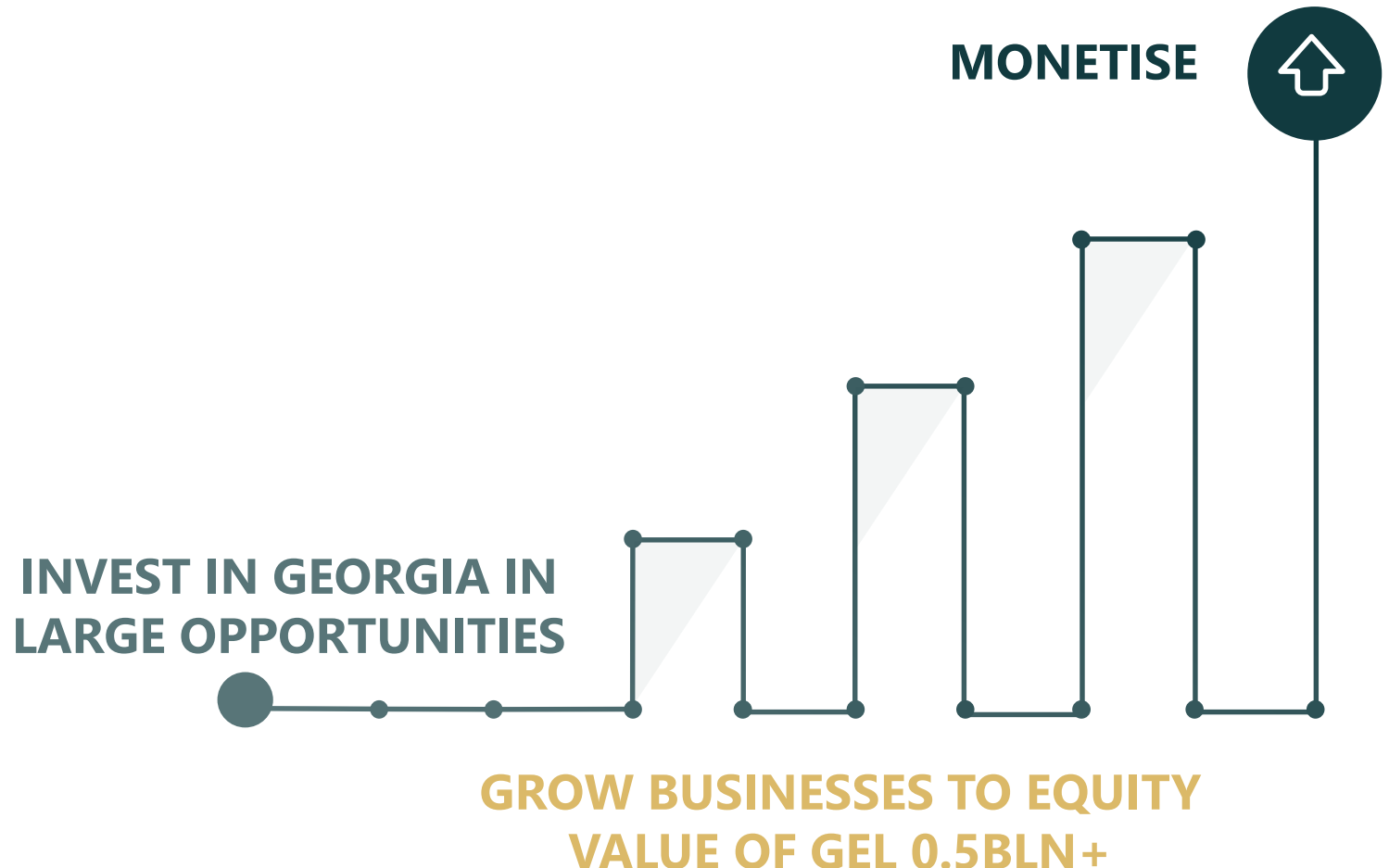
Lower liquidity, as  
access to capital is  
limited in the region

# ENHANCED STRATEGY IS TO INVEST IN LARGE OPPORTUNITIES

GCAP invests in Georgia in large opportunities, which have a potential to become GEL 0.5bln+ in equity value.

GCAP develops and grows portfolio companies to equity value of GEL 0.5bln+ and realizes proceeds through exit, as investments mature.

**LARGE SIZE WILL PROVIDE LIQUIDITY AND AS SUCH IMPROVED EXIT OPPORTUNITIES AND ABILITY FOR GCAP TO REDUCE THE NAV DISCOUNT**



# OUR PORTFOLIO OVERVIEW IN LINE WITH ENHANCED STRATEGY



Following GHG transaction and in line with the enhanced strategy, we will be changing breakdown of portfolio by listed, private large, private investment stage and private other portfolio companies

**OUR LARGE AND INVESTMENT STAGE PORTFOLIO COMPANIES COMPRISE OF DEFENSIVE, HIGH-QUALITY ASSETS WITH STRONG AND GROWING CASH FLOW STREAMS**

**Clear visibility into future capital allocations: investing only in renewable energy and education in the medium term**

## Portfolio breakdown before GHG transaction & strategy enhancement

### Listed assets

- Bank of Georgia (BoG)
- Georgia Healthcare Group (GHG)

### Private assets

#### Late stage

- Water Utility
- Housing Development
- P&C Insurance

#### Early stage

- Renewable Energy
- Hospitality & Commercial Real Estate
- Beverages
- Education

### Pipeline

- Auto Service
- Digital Services

## Revised portfolio breakdown

### Listed assets

- Bank of Georgia (BoG)

### Private assets

#### Large portfolio companies

- Healthcare Services (GHG)
- Retail (pharmacy) (GHG)
- Water Utility
- Insurance (P&C and medical) (GHG)

#### Investment stage portfolio companies

- Renewable Energy
- Education

### Other

- Housing Development
- Hospitality & Commercial Real Estate
- Beverages
- Auto Service
- Digital Services

Non-cyclical businesses

Subscale businesses

**CLOSE TO GEL  
0.5BLN+ VALUE**

**WITH POTENTIAL  
TO BECOME GEL  
0.5BLN+ IN VALUE**

**LIMITED  
POTENTIAL TO  
BECOME GEL  
0.5BLN+ IN VALUE**

# ADJUSTING REPORTING FORMAT IN LINE WITH ENHANCED STRATEGY



Listed & private large companies will comprise c. 80% of NAV, while other companies will be c. 9%

Additionally, from semi-annual reporting we have moved to quarterly reporting with greater disclosure on private large and investment stage companies

**REVISED REPORTING FORMAT & ENHANCED DISCLOSURE SIMPLIFIES GCAP RESEARCH FOR INVESTORS & ANALYSTS**

| <i>As of 30-Sep-20</i>                      | Value in GEL millions | % share in total portfolio |          |
|---|-----------------------|----------------------------|----------|
| <b>Bank of Georgia (BoG)</b>                | <b>360</b>            | <b>15%</b>                 | } c. 80% |
| <b>Large portfolio companies</b>            | <b>1,546</b>          | <b>64%</b>                 |          |
| Healthcare Services                         | 474                   | 20%                        | } 91%    |
| Retail (pharmacy)                           | 475                   | 20%                        |          |
| Water Utility                               | 412                   | 17%                        |          |
| Insurance (P&C and Medical)                 | 185                   | 7%                         |          |
| <b>Investment stage portfolio companies</b> | <b>282</b>            | <b>12%</b>                 |          |
| Renewable Energy                            | 201                   | 8%                         |          |
| Education                                   | 81                    | 4%                         |          |
| <b>Other portfolio companies</b>            | <b>223</b>            | <b>9%</b>                  |          |
| <b>Total portfolio</b>                      | <b>2,411</b>          | <b>100%</b>                |          |

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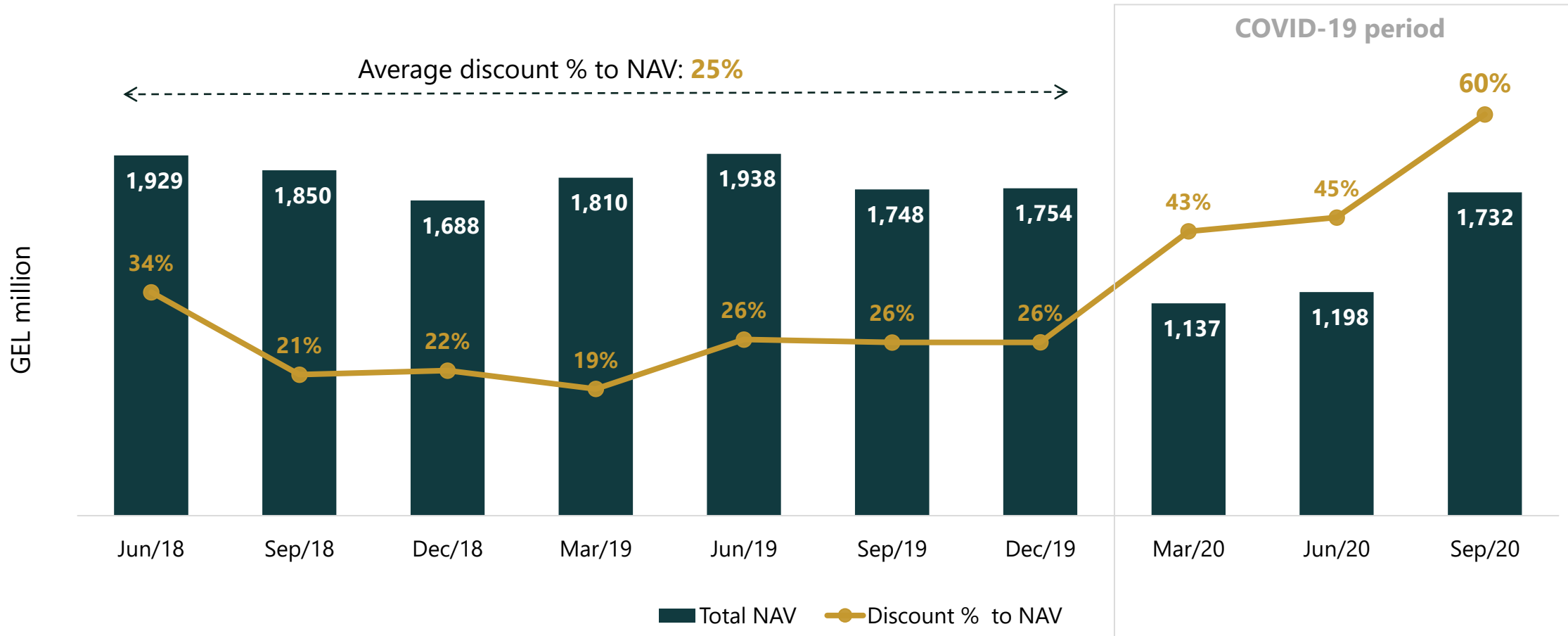
**05** 3Q20 & 9M20 RESULTS OVERVIEW

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# NAV DISCOUNT DEVELOPMENT HISTORY



NAV DISCOUNT AT 60% AT 30-SEP-20



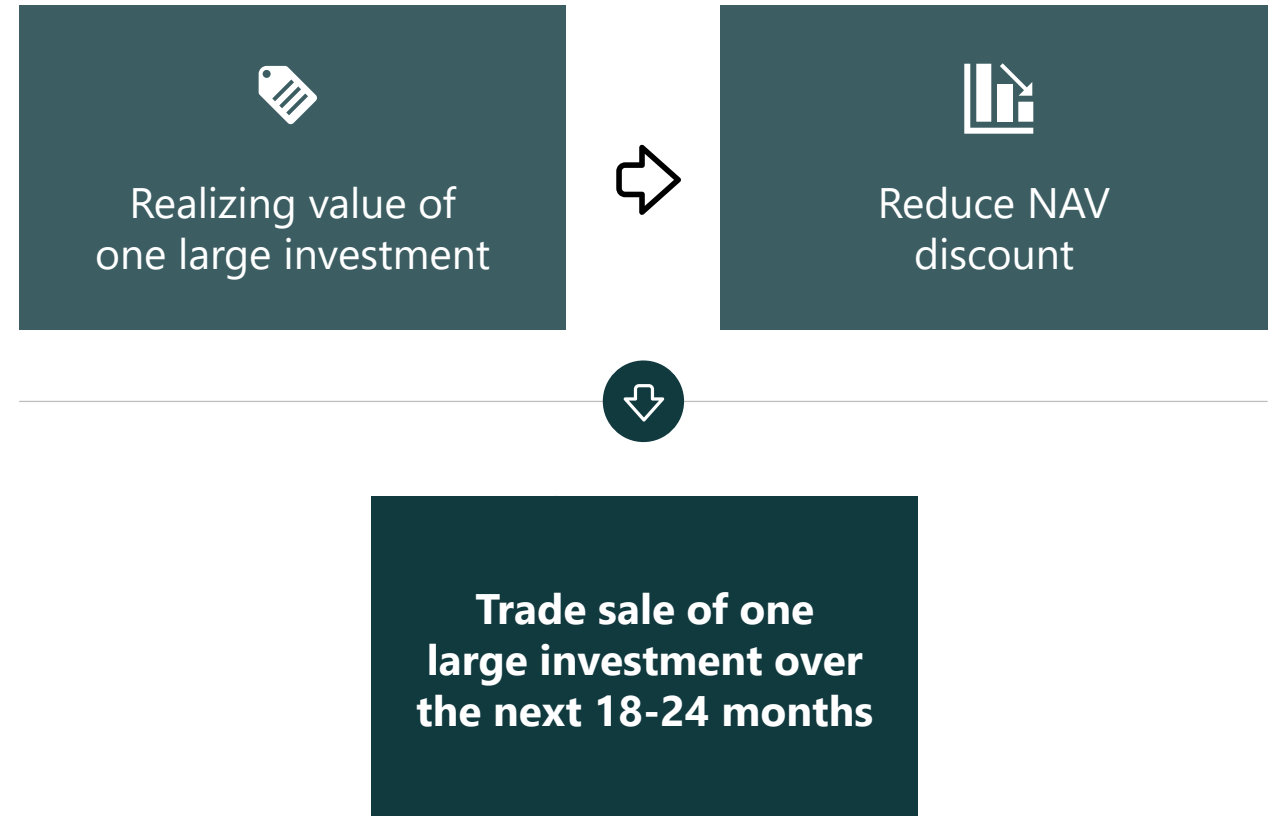
# NEW PRIORITY #1: REALIZING VALUE OF ONE LARGE INVESTMENT

We believe realizing value of one of our large investments will help to validate the value of our portfolio and to reduce discount to NAV

Therefore, we will be targeting to complete a trade sale of one of our large businesses

**GCAP WILL COMPLETE THE FULL CYCLE OF ITS STRATEGY (INVEST, GROW, MONETISE), FOLLOWING THE SALE OF A LARGE PORTFOLIO COMPANY**

Starting from 2020, we are institutionilising exit process from our portfolio companies.



**NEW TARGET**

# NEW PRIORITY #2: DIVESTMENT OF "OTHER" PORTFOLIO

Other portfolio includes small companies with limited potential to achieve GEL 0.5 billion equity value

**SUBJECT TO**



**"OTHER" PORTFOLIO EXPECTED TO BE  
DIVESTED IN THE NEXT 2-3 YEARS**



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# CAPITAL ALLOCATION PHILOSOPHY



**GCAP SHARE PRICE IS AT CORE OF OUR DECISION MAKING VIS-À-VIS INVESTMENTS**

**WE ARE TARGETING TO INVEST IN OPPORTUNITIES WHICH PRODUCE GREATER RETURN THAN BUYING GCAP SHARES**



We perform 360-degree analysis each time we make a capital allocation decision and compare:

- Investment opportunity vs. buyback opportunity
- Sale opportunity vs. buyback opportunity

# CAPITAL ALLOCATION PHILOSOPHY (CONT'D)



GCAP SHARE PRICE IS AT CORE OF OUR DECISION MAKING VIS-À-VIS INVESTMENTS

**IRR & MOIC<sup>1</sup> IS THE KEY DRIVER FOR GCAP TO INVEST IN NEW OPPORTUNITIES**

## KEY MONEY MULTIPLES AT GCAP LEVEL



**IRR**



**MOIC**

# CAPITAL ALLOCATION PHILOSOPHY (CONT'D)



GCAP SHARE PRICE IS AT CORE OF OUR DECISION MAKING VIS-À-VIS INVESTMENTS

IRR & MOIC IS THE KEY DRIVER FOR GCAP TO INVEST IN NEW OPPORTUNITIES

**ROIC IS AT CORE OF DECISION MAKING WHEN OUR PORTFOLIO COMPANIES ARE INVESTING OR DIVESTING ASSETS / BUSINESSES**

## KEY METRIC FOR REINVESTMENT DECISION MAKING AT PORTFOLIO COMPANIES' LEVEL



### ROIC

- ROIC should be more than WACC for new investments
- Portfolio companies to continue divestment of low ROIC and/or non-core assets & businesses to enhance ROIC
  - e.g. recent hospital (HTMC) sale transaction, improving healthcare services business ROIC by 90bps on a proforma basis



### GCAP ROLE VIS-À-VIS PORTFOLIO COMPANIES

- Approval of all capital allocation decisions: equity, debt, profit reinvestment, divestment etc.
- Strategy setting, business plan approval and monitoring
- Human capital (CEO & CFO) allocation & KPI setting

# RENEWABLE ENERGY AND EDUCATION - OUR KEY INVESTMENT AREAS IN THE MEDIUM TERM



**GRADUALLY MOVING TO REINVESTMENT PHASE, GIVEN THE STRONG CASH FLOW GENERATION AT OUR INVESTMENT STAGE PORTFOLIO COMPANIES**

**TOTAL NET INVESTMENT OF c. US\$ 50MLN IDENTIFIED FROM GCAP OVER THE NEXT 3-5 YEARS**

of which, **c. US\$ 10mln** in 2021



**RENEWABLE ENERGY**



**EDUCATION**

Limiting expansion through greenfield developments and focus on buying cash generating assets at attractive multiples

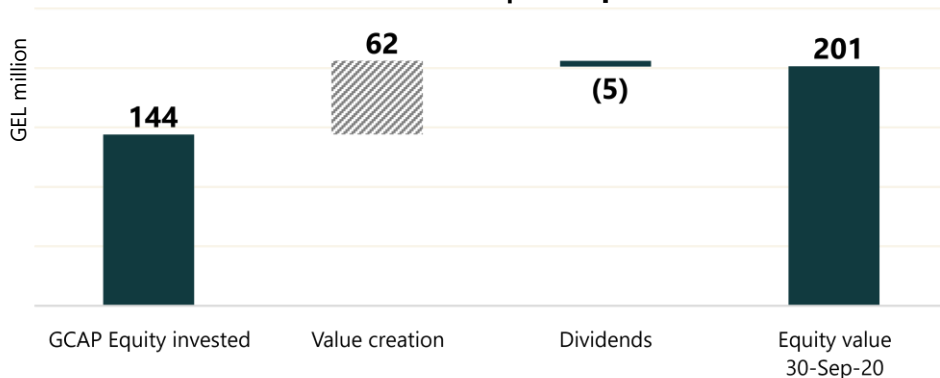
# INVESTING IN RENEWABLE ENERGY



## INDUSTRY INVESTMENT RATIONALE

- High margins, dollar linked cash flows
- Growing market, with 35% of demand satisfied through imports and TPPs
- High capacity factors
- Low penetration of air conditioners and high Cooling Degree Day (CDD)

## CURRENT INVESTMENT OVERVIEW | 30-Sep-20



## RANGE FOR PEER TRADING MULTIPLES<sup>3</sup>

# 10X-18X

LTM EV/EBITDA

## TOTAL NET INVESTMENT OF c. US\$ 36MLN IDENTIFIED FROM GCAP OVER THE NEXT 3 YEARS

- Over the next 3 years we will be launching pipeline projects: wind farms in Tbilisi and Kaspi, Zoti HPP and Darchi HPP.

| RENEWABLE ENERGY SNAPSHOT           | NOW       | IN 3-5 YEARS            |
|-------------------------------------|-----------|-------------------------|
| MOIC (Multiple of Capital Invested) | 1.4x      | 2.0x+                   |
| IRR                                 | 21%       | 20%+                    |
| Installed capacity                  | 91MW      | 263MW                   |
| Run-rate EBITDA                     | GEL 45mln | GEL 122mln <sup>2</sup> |

## RECENT NOTABLE TRANSACTION FROM GEORGIA – TEPCO & DARIALI ENERGY

In April 2020, Renewable Energy arm of Tokyo Electric Power Company Holdings, Japanese Electric Utilities company, acquired **31.4%** of 108MW Dariali HPP.

## REGIONAL<sup>1</sup> TRANSACTION HIGHLIGHTS IN THE SECTOR<sup>4</sup>

- **167** transactions over the last 3 years
  - Of which, **32 transactions** have less than **US\$ 100mln size**

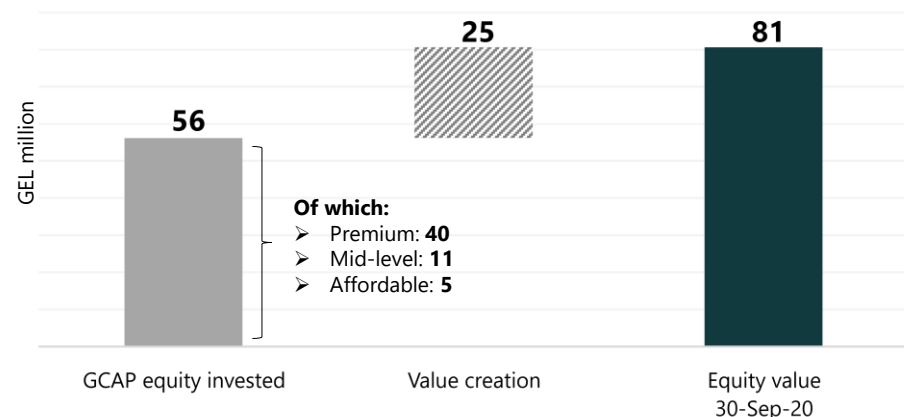
# INVESTING IN EDUCATION



## INDUSTRY INVESTMENT RATIONALE

- Asset light industry
- High quality revenue with high margins
- High trading multiples
- Highly fragmented K-12 private school market with strong growth potential

## CURRENT INVESTMENT OVERVIEW | 30-Sep-20



## RANGE FOR PEER TRADING MULTIPLES<sup>1</sup>

# 11x-26x

LTM EV/EBITDA

## TOTAL NET INVESTMENT OF c. US\$ 14MLN IDENTIFIED FROM GCAP OVER THE NEXT 5 YEARS BY 2025

- Scaling up to capacity of 21,000 learners through expansion plans in existing schools and M&As by 2025.
- Strong organic growth at existing schools is expected to drive solid growth in Run-rate EBITDA, on top of expansion plans and M&As.
- By 2025, average investment and EBITDA per learner are expected to decrease, as 80% of M&A capacity will be concentrated in affordable sector.

| EDUCATION BUSINESS SNAPSHOT         | NOW              | BY 2025           |
|-------------------------------------|------------------|-------------------|
| MOIC (Multiple of Capital Invested) | 1.4x             | 2.0x+             |
| IRR                                 | 36%              | 25%+              |
| Existing capacity (# of learners)   | 2,810            | 21,000            |
| <i>of which, existing schools</i>   | 2,810            | 6,000             |
| <i>of which, M&amp;A</i>            | -                | 15,000            |
| <b>Run-rate EBITDA</b>              | <b>GEL 10mln</b> | <b>GEL 50mln+</b> |

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# NAV PER SHARE (GEL) MOVEMENT IN 3Q20

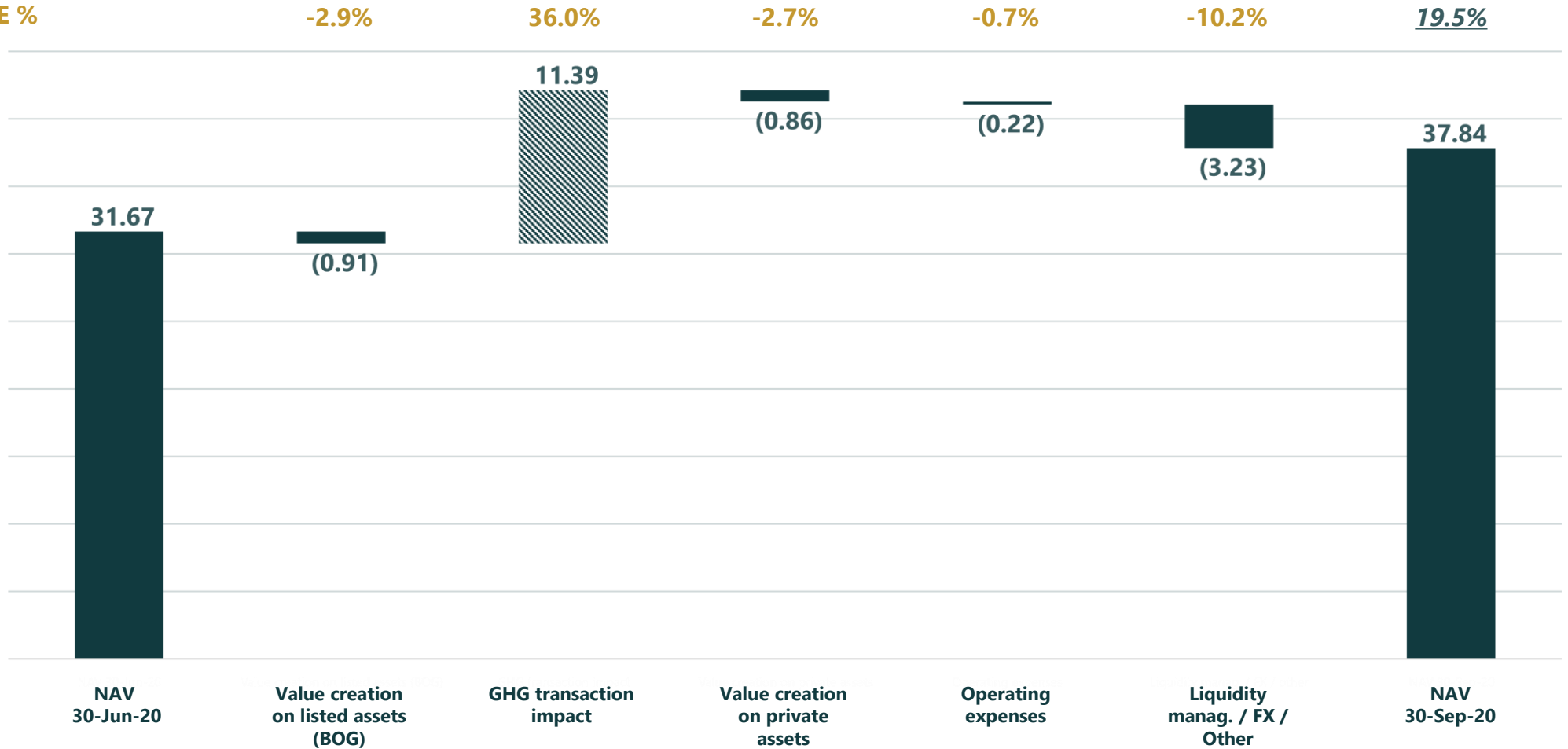


## NAV PER SHARE CHANGE %

**19.5% NAV PER SHARE GROWTH**

**7.7 million CGEO shares** were issued as part of GHG transaction

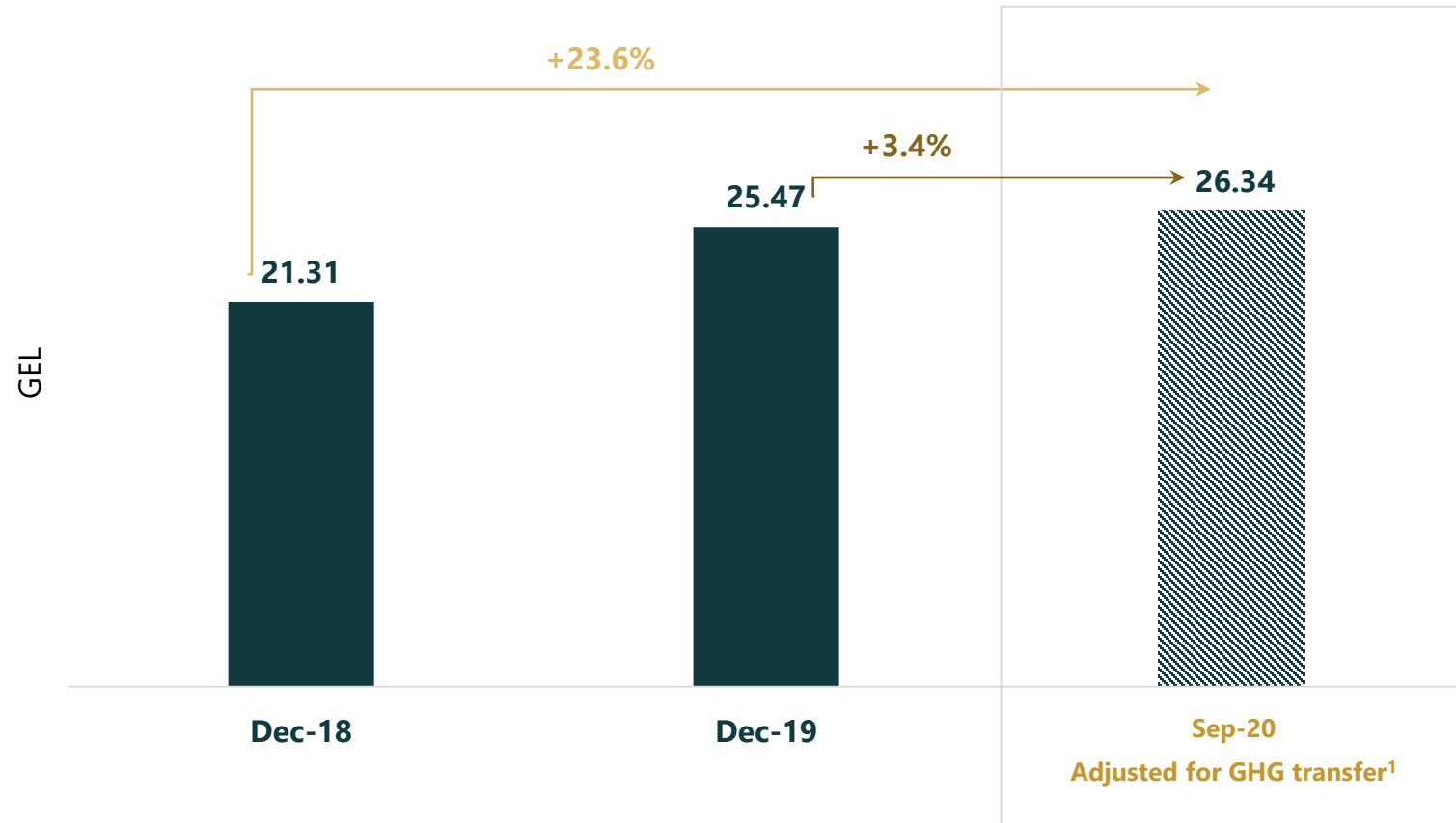
In 3Q20 GHG businesses were valued by an independent valuation company.



# CONTROLLABLE (PRIVATE) NAV PER SHARE (GEL) DEVELOPMENT HISTORY



**CONTROLLABLE  
(PRIVATE) NAV  
PER SHARE  
ADJUSTED FOR  
GHG TRANSFER  
UP 3.4% TO GEL  
26.34 IN 9M20**

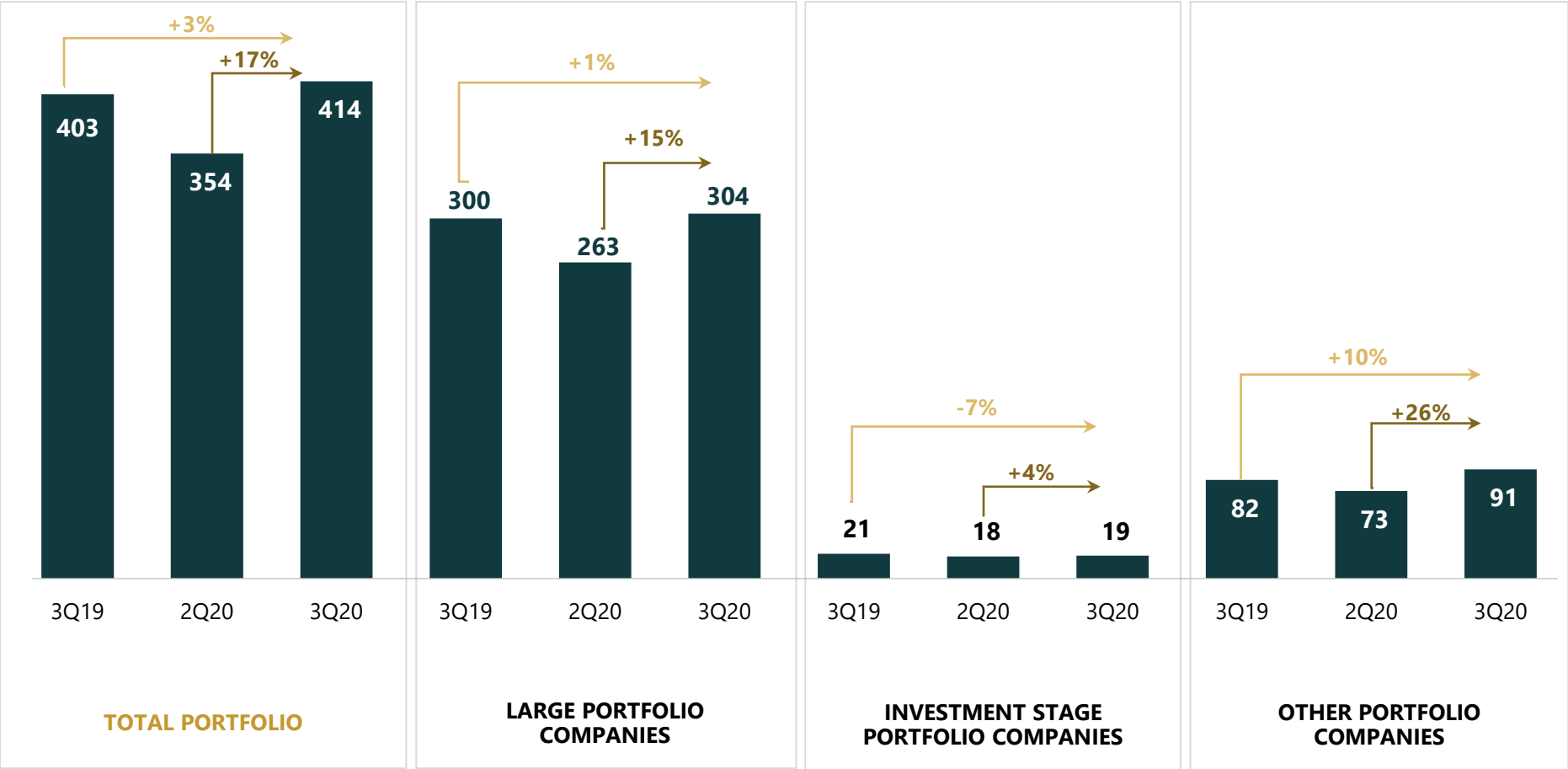


Georgia Capital PLC | 1. Excludes transfer of GHG value from listed to private assets based on GHG's value as of 4-Aug-20.

# TOTAL REVENUE DEVELOPMENT ACROSS PRIVATE PORTFOLIO IN 3Q20



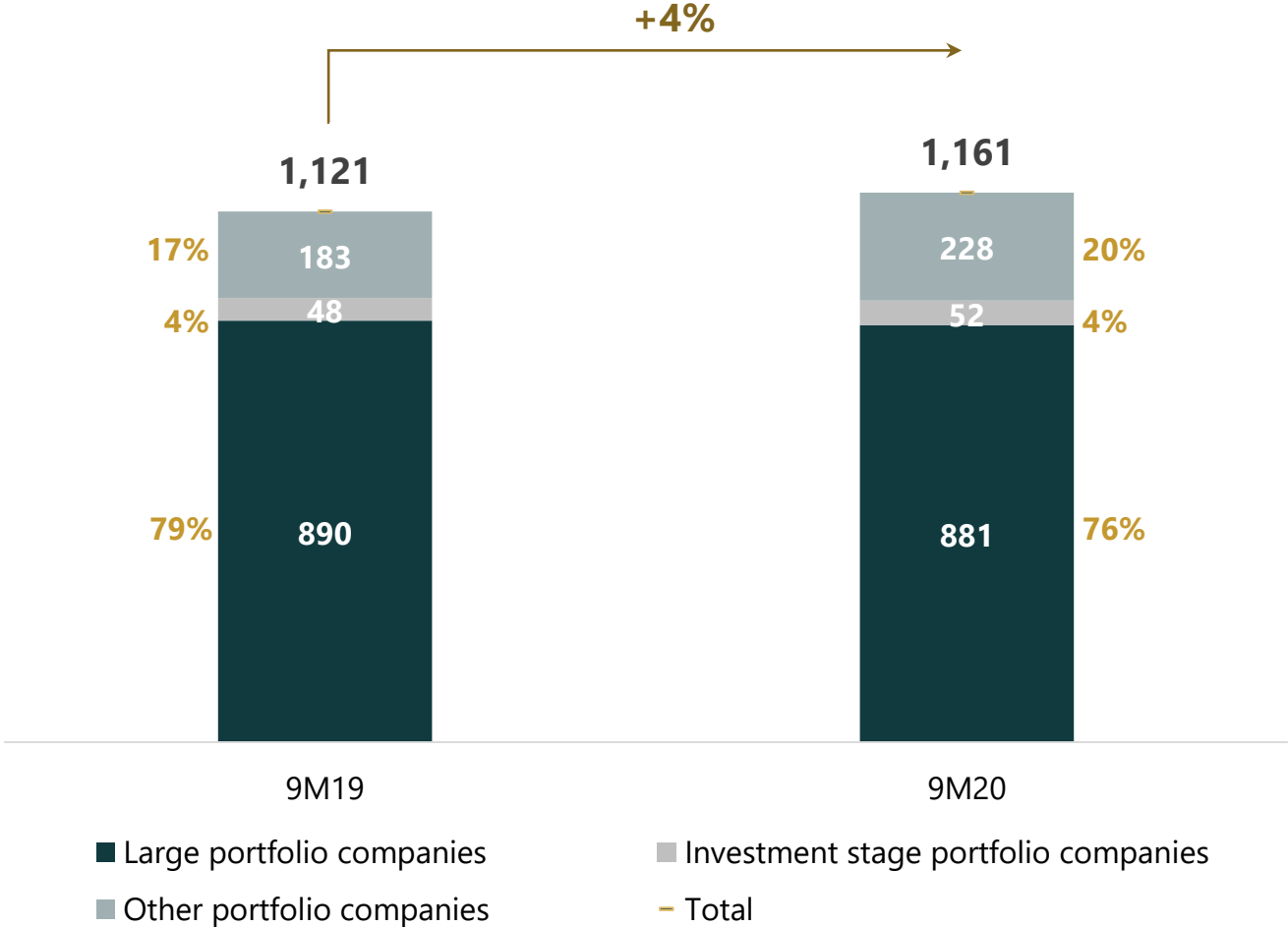
TOTAL REVENUE UP 3% Y-O-Y IN 3Q20 ON LIKE-FOR LIKE BASIS



# TOTAL REVENUE DEVELOPMENT ACROSS PRIVATE PORTFOLIO IN 9M20



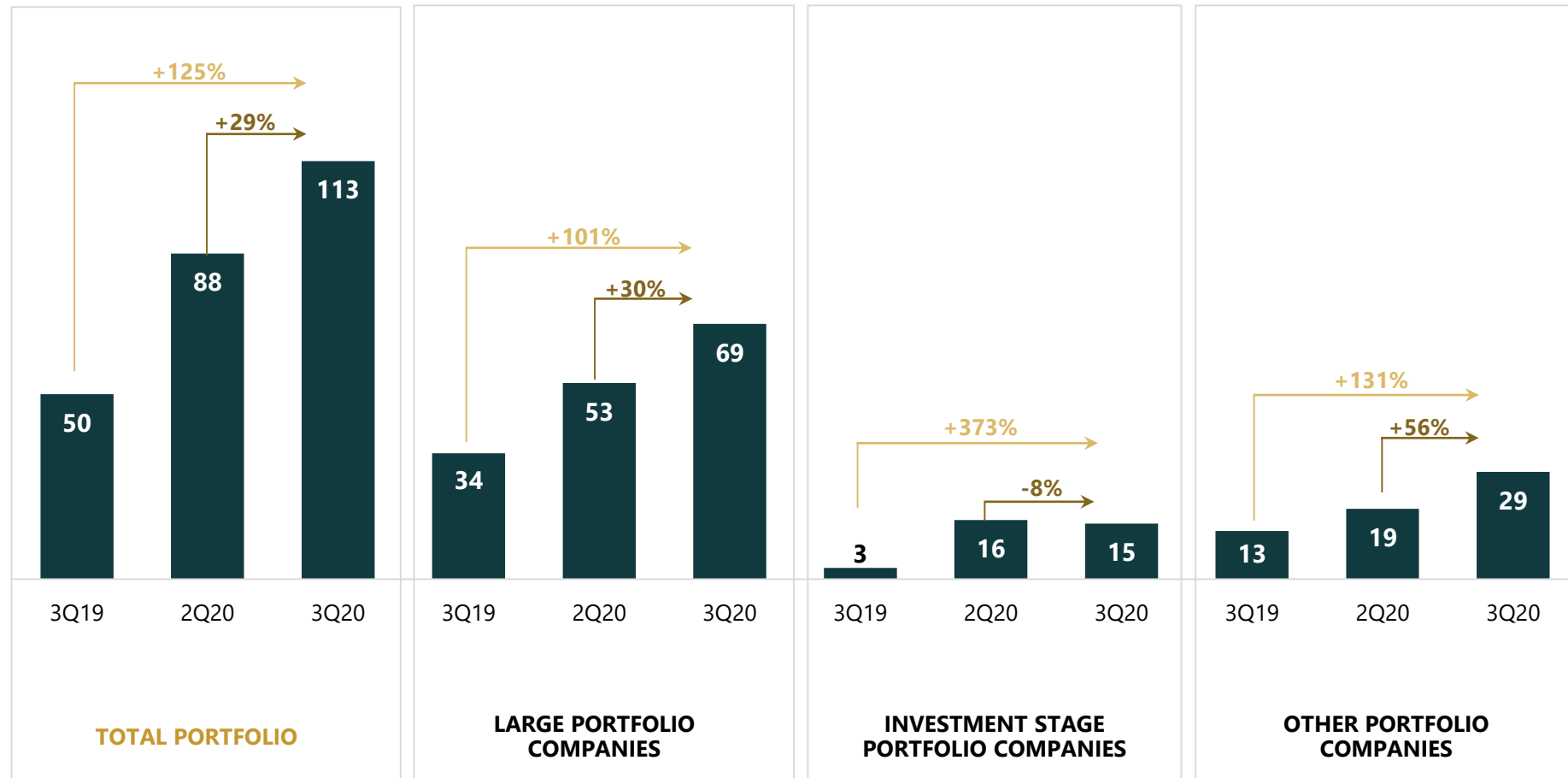
TOTAL AGGREGATED REVENUE UP 4% Y-O-Y IN 9M20 ON LIKE-FOR LIKE BASIS



# TOTAL NET OPERATING CASH FLOW DEVELOPMENT ACROSS PRIVATE PORTFOLIO IN 3Q20



TOTAL AGGREGATED NET OPERATING CASH FLOW UP 125% Y-O-Y IN 3Q20 TO GEL 113 MILLION

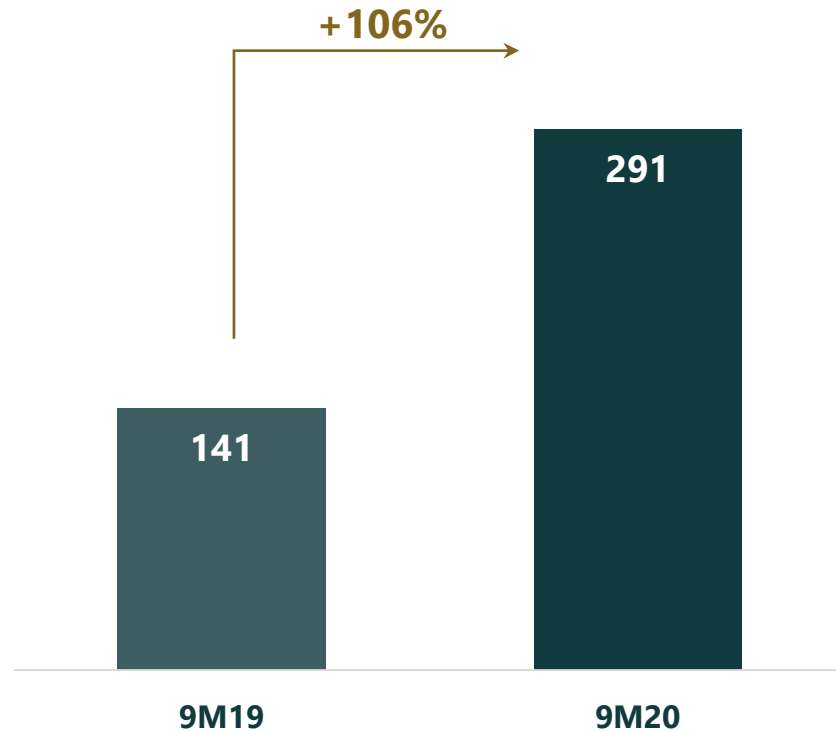


# TOTAL CASH BALANCE & NET OPERATING CASH FLOW DEVELOPMENT ACROSS PRIVATE PORTFOLIO IN 9M20

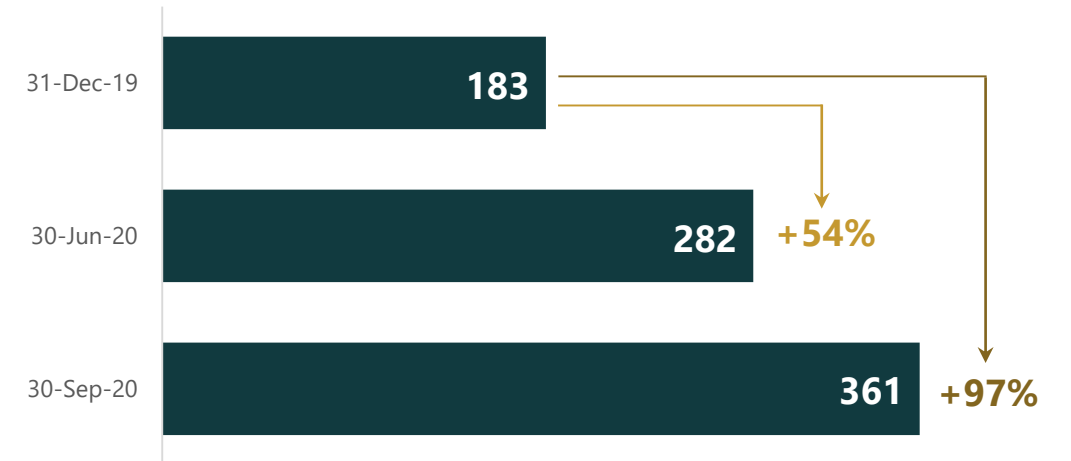


**TOTAL NET OPERATING CASH FLOW UP 106% Y-O-Y IN 9M20 TO GEL 291 MILLION**

**TOTAL AGGREGATED NET OPERATING CASH FLOW**  
(GEL MILLIONS)



**TOTAL AGGREGATED CASH BALANCE OF PRIVATE BUSINESSES**  
(GEL MILLIONS)



**GCAP LIQUIDITY REMAINED HIGH AT 30-SEP-20**

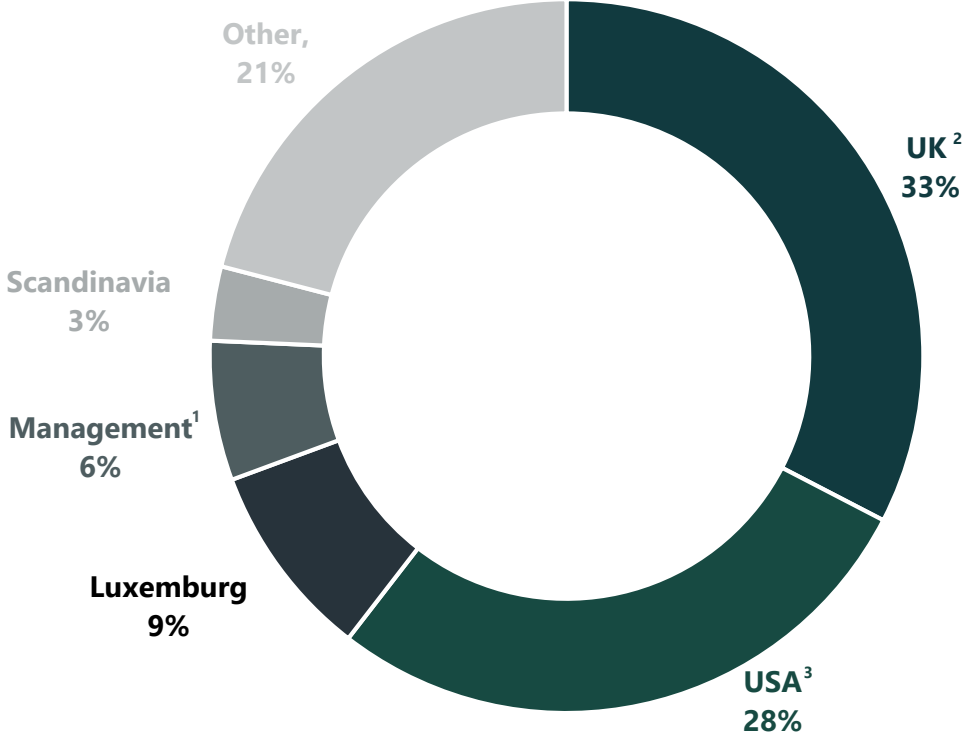
**GEL 267 MILLION**

# GEORGIA CAPITAL (GCAP) SHAREHOLDERS AT 30-SEP-20



**LISTED ON THE PREMIUM SEGMENT OF THE LONDON STOCK EXCHANGE WITH 100% FREE FLOAT AND STRONG MANAGEMENT BUY-IN**

**GCAP SHAREHOLDERS ALLOCATION BY GEOGRAPHY**



Georgia Capital PLC | 1. Management shares include both vested and unvested awarded shares. 2. UK also includes Ireland and Channel Islands. 3. USA also includes Cayman Islands.

# Q&A



# FORWARD LOOKING STATEMENTS



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, which could include, among other things: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that indicated could adversely affect our business and financial performance, which are contained in our past and future filings and reports and also the 'Principal Risks and Uncertainties' and Emerging Risks included in the 1H20 Results Announcement and Georgia Capital PLC's Annual Report and Accounts 2019. 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.