



EDUCATION BUSINESS

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AGENDA



Georgia K-12 education market overview

Education business overview

Strategy

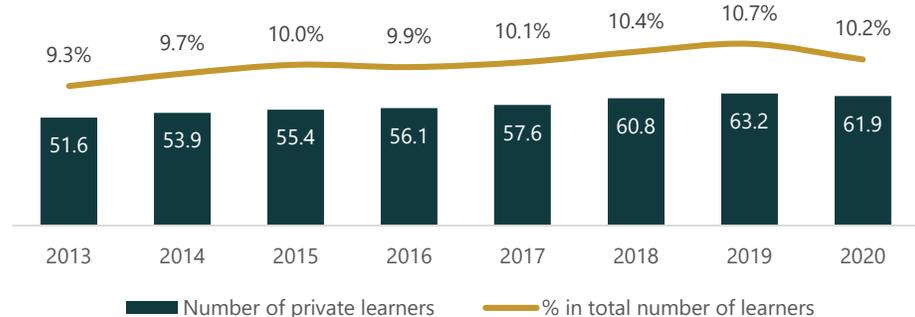
Q&A

PRIVATE K-12 MARKET IN GEORGIA

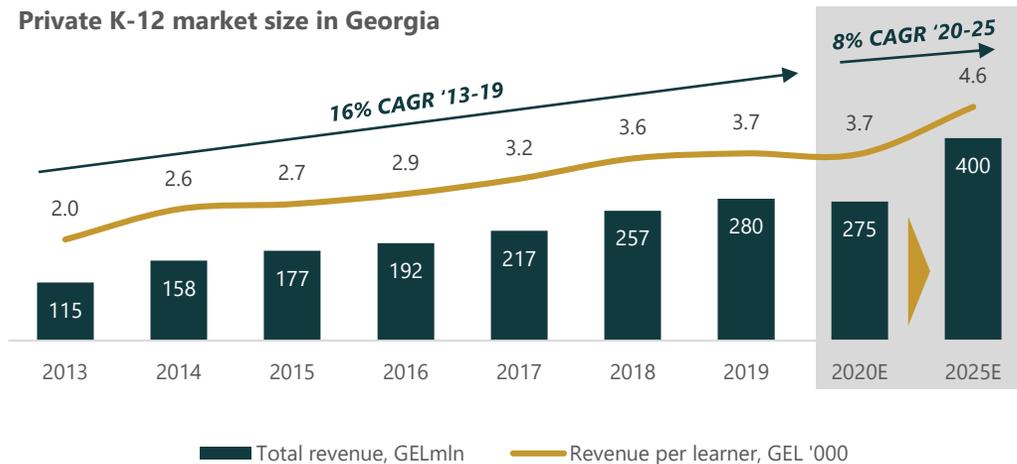


Market growing at c.2x nominal GDP growth rate

Private K-12 learners in Georgia

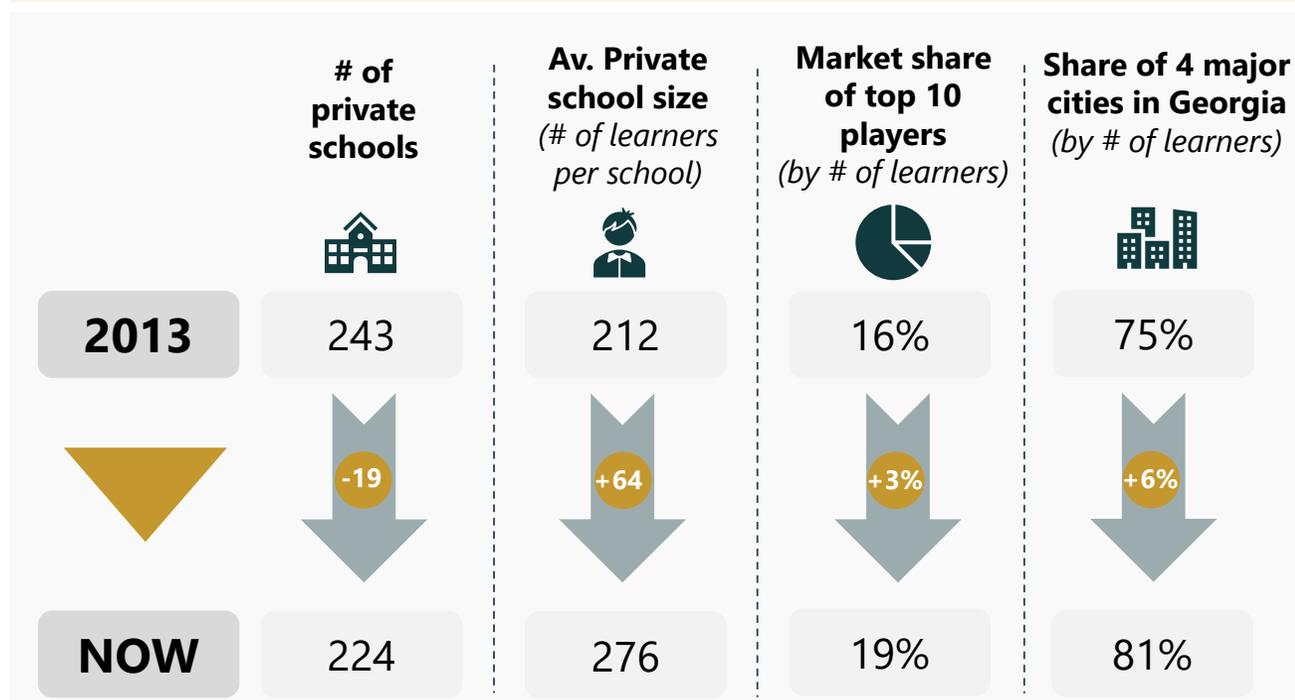


Private K-12 market size in Georgia



Source: G&T, GCAP estimates

Consolidation trend & opportunity in a fragmented market



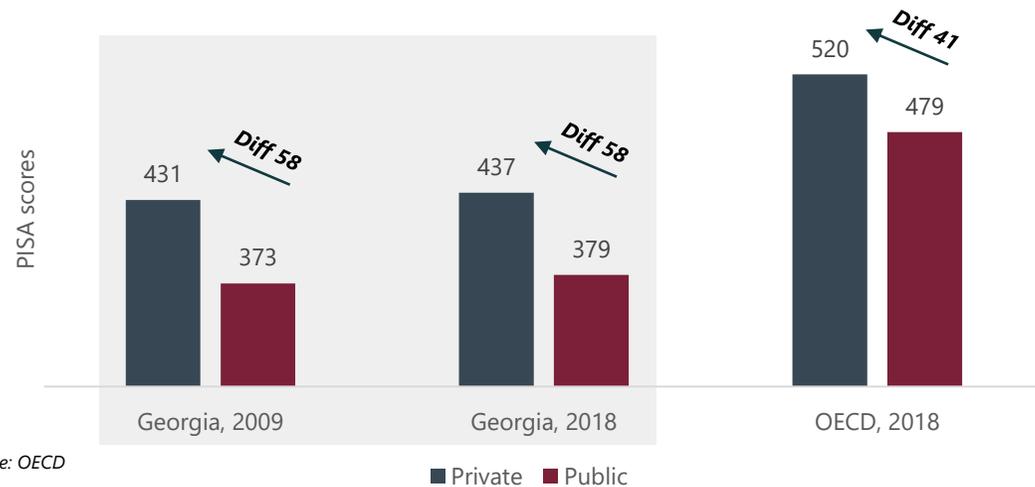
Source: Ministry of Education of Georgia

- Currently GCAP is the largest player on the market with 4.2% market share in terms of learners, while the 2nd largest player on the market holds 2.2%
- Only 3% of private schools have 1,000+ learners, while 63% of private schools have less than 250 learners
- Private learners are consolidating in 4 cities with population larger than 100k Tbilisi, Batumi, Kutaisi and Rustavi

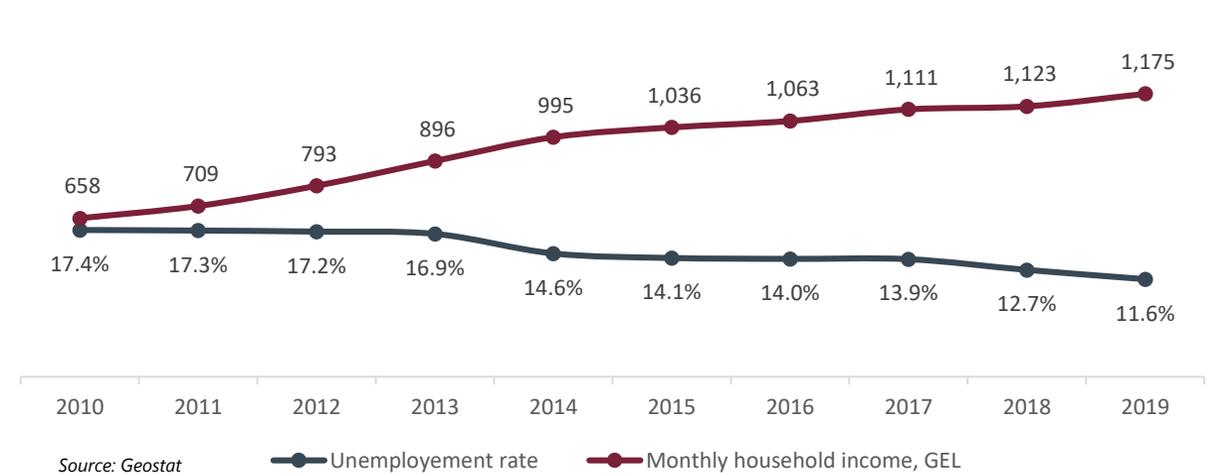
GROWTH DRIVERS FOR PRIVATE K-12 IN GEORGIA



Large gap in quality of public vs. private schools



Increasing household income & decreasing unemployment rate



- According to the latest (2018) PISA* study learners in Georgia rank below learners of most peer countries - 67th in math, 71st in reading and 74th in science (out of 78 countries)
- Despite growth in public spending the gap between private and public schools remains unchanged over the last 10 years
- Private schools outperformed public schools in Georgia in all the subjects tested

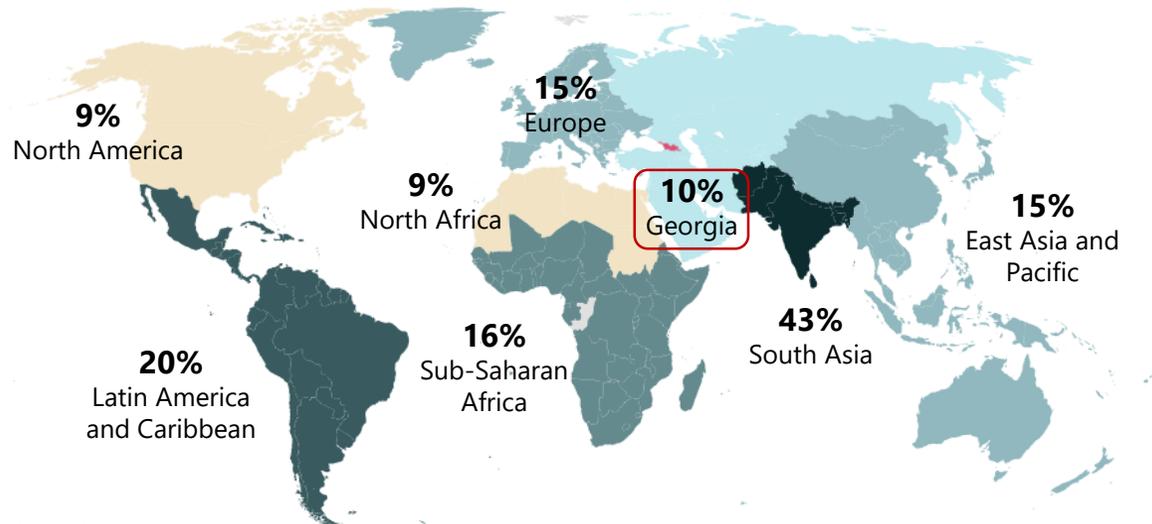
- Average household income growing at 6.7% CAGR '10-19, reaching GEL 1.2k monthly income per household in 2019
- Unemployment rate in Georgia has seen the downward trend in the last 10 years, decreasing from 17.4% back in 2010 to 11.6% in 2019
- COVID-19 expected impact on unemployment rate and household income in coming years is reflected in GCAP market forecasts with CAGR decreasing from 16% 2013-19 to 8% for 2020-25

* The Programme for International Student Assessment (PISA) is a worldwide study by the Organisation for Economic Co-operation and Development (OECD) intended to evaluate educational systems by measuring 15-year-old learners' scholastic performance on mathematics, science and reading

BENCHMARKING GEORGIA WITH OTHER COUNTRIES

Demand on private K-12 education is trending globally

Enrolment rate of learners in private schools by region, 2019

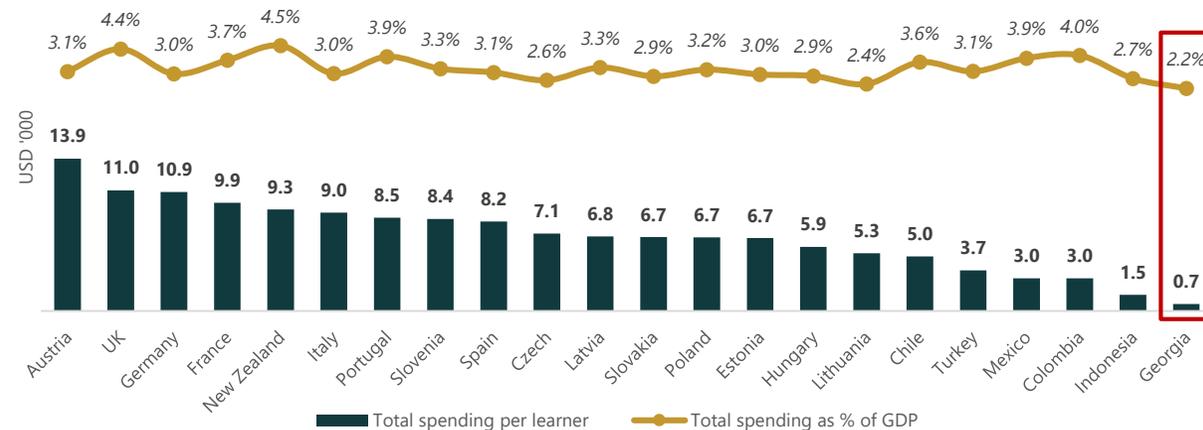


Source: data.uis.unesco.org

Region	Private enrollment growth over '13-19
Sub-Saharan Africa	19%
Georgia	19%
East Asia and Pacific	19%
North America	14%
World	13%
South Asia	13%
Europe	11%
Latin America and Caribbean	2%

Georgia has room to grow its current 10% enrolment rate of learners in private schools and catch up with Sub-Saharan Africa (16%), Latin America (20%), and South Asia (43%)

Lower average annual spending per K-12 learner in Georgia indicating room for further growth



Source: OECD, Ministry of Finance of Georgia

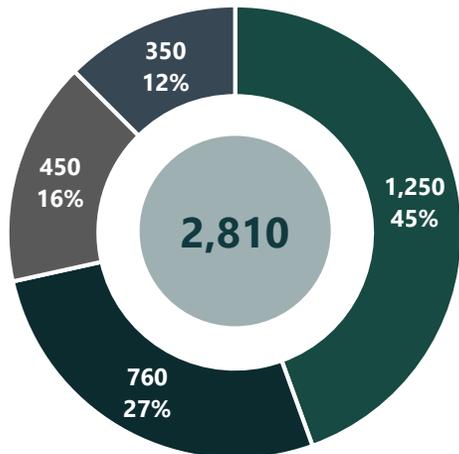
Georgia has lower spending on education compared to other countries:

- Total spending per learner is USD 650 vs. ~USD 9,000 OECD average
- Total spending as % of GDP stands at 2.2% versus 3.1% OECD average

EDUCATION BUSINESS OVERVIEW



LEARNER CAPACITY*



93% UTILIZATION

2,614 learners

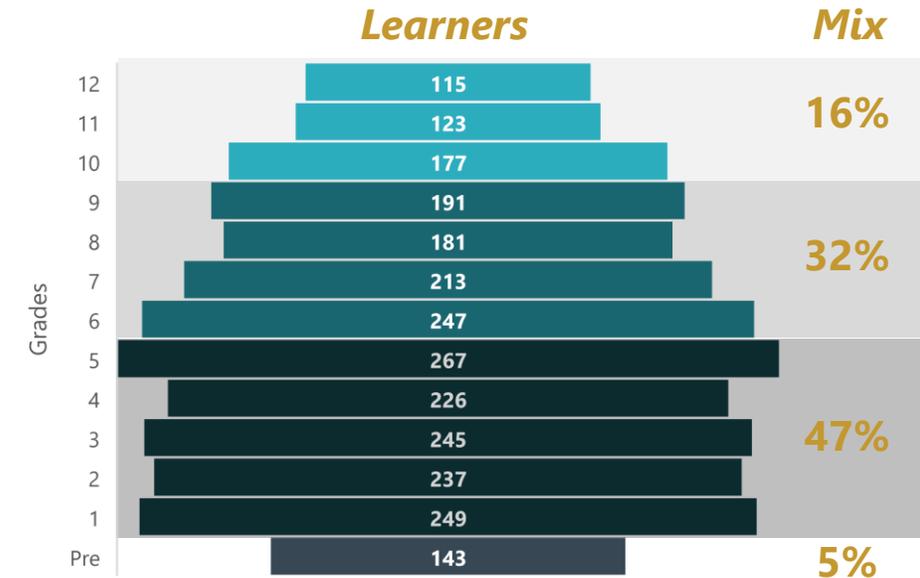


INTAKE FEES

	AFFORDABLE	MIDSCALE	PREMIUM	SPECIALIZED
	GREEN SCHOOL	BUCKSWOOD	BGA	BIST
School	GEL 6,000 (USD 1,800)	GBP 2,900 (USD 3,800)	USD 5,900	USD 9,950 - USD 17,400
Pre-school	GEL 4,500 (USD 1,400)	GBP 1,800 (USD 2,300)	USD 5,000	USD 5,750 - USD 6,800

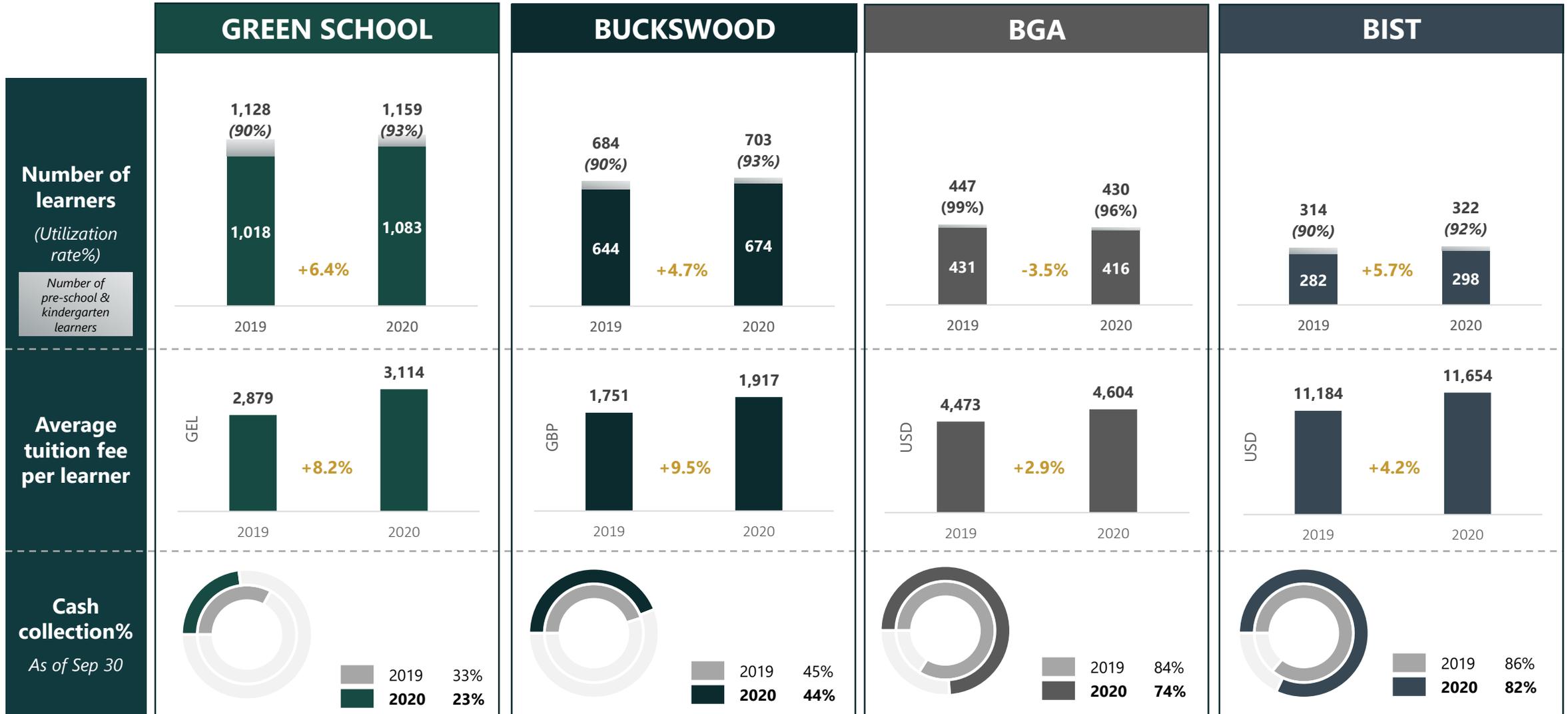
Presence in all private school segments with annual tuition fees ranging from USD 1,400 to USD 17,400

DISTRIBUTION OF 2,614 LEARNERS



c. 52% of learners distributed in lower grades Pre-5 – indicating schools' future organic growth potential

2020-21 ACADEMIC YEAR OPERATIONAL PERFORMANCE



EDUCATION BUSINESS FINANCIAL PERFORMANCE



FY2019 and 9M19 vs 9M20 results

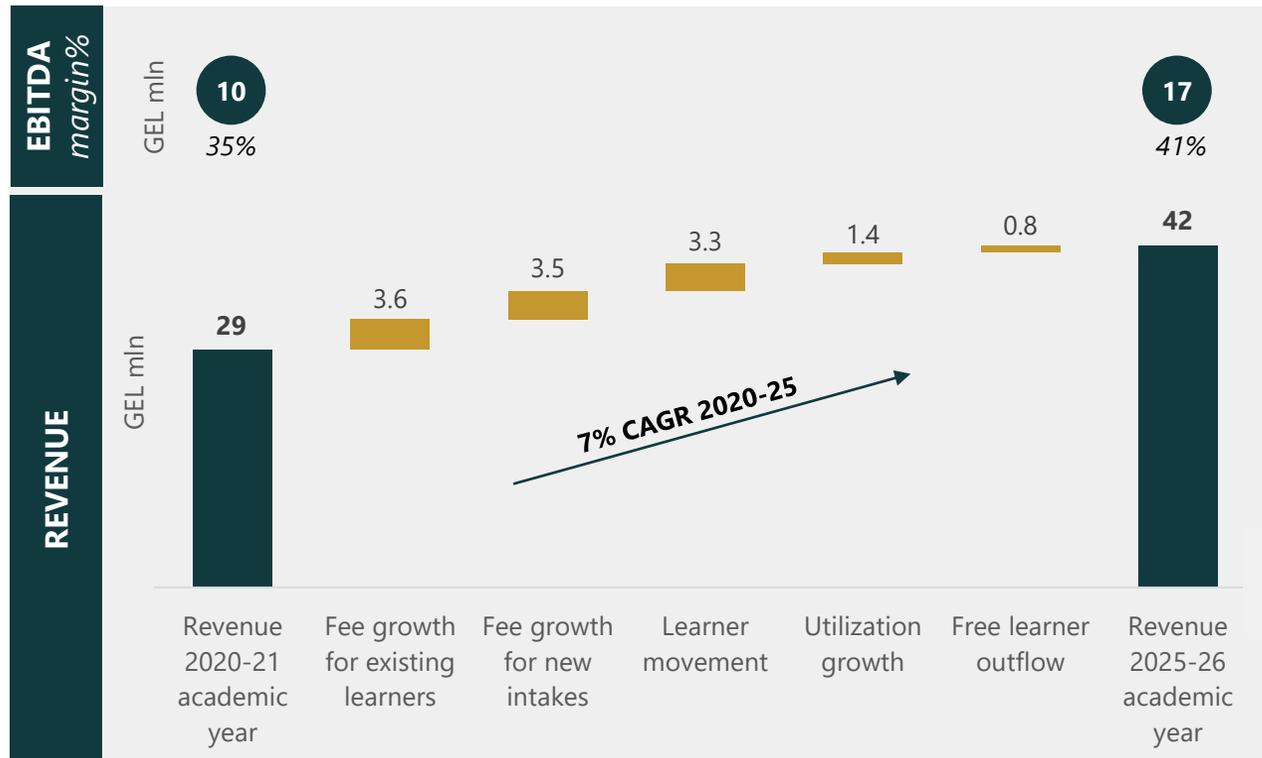
	2019	9M'19	9M'20	Change (9M'19 vs 9M'20)
<i>All amounts in GEL '000</i>				
Revenue	24,580	16,328	17,112	+4.8%
EBITDA	7,456	4,626	4,220	-8.8%
EBITDA margin, %	30.3%	28.3%	24.7%	-3.7 ppts
Operating cash flow	9,777	8,618	8,152	-5.4%
Debt to LTM EBITDA	2.7x	2.7x	3.4x	+0.7x

- 9M20 Revenue up despite offering 10%-25% discounts for distance learning period
- 9M20 EBITDA down reflecting significant reduction in summer school revenue with GEL 0.7mln impact on EBITDA
- EBITDA margin low due to OPEX expenditures during 1H 2020 utilized for expansion projects
- Cash collection rates largely at last year's levels reaching operating cash flow of GEL 8.2mln in 9M'20
- Operating cash flow for 3Q 2020 up by 44% YoY from GEL 2.3mln to GEL 3.3mln

PRE-SECURED REVENUE GROWTH



Revenue growth in existing school facilities – assuming no expansions



Revenue growth of 7% CAGR 2020-2025 in existing facilities is driven by:

- Fee growth for existing learners** - tuition fee growth via contract renewals for existing learners for grade level progression
- Fee growth for new intakes** - stated intake tuition fee growth every 1-3 years depending on the segment
- Learner movement** - intake of stated tuition fee paying learners, replacing outgoing low tuition fee paying learners (churn and graduation)
- Utilization growth** - increase in total number of learners by 83, growing utilization rate from current 93% to 95%
- Free learner outflow** - outflow of learners that do not pay tuition fee from affordable segment, currently 23% learner capacity decreasing to 10% by 2025

For 2025-26 academic year Education business has potential to generate **Revenue - GEL 42mln and EBITDA - GEL 17mln** on existing already operational facilities

EDUCATION BUSINESS STRATEGY



TARGETING FOR 2025...

1 **Equity value**
GEL 0.5bln

2 **EBITDA margin**
40%+

3 **Maintain ROIC**
20%+

4 **Ramp-up for new capacity**
(reaching 80%+ utilization)
3-5 years



...THROUGH

	Expansion plans with existing partner schools		M&A 80% affordable & 20% midscale
	NOW	▶ By 2025	By 2025
Capacity (# of learners)	2,810	6,000	15,000
Utilization on operational campuses	93%	85%	80%-85%
EBITDA	GEL 10mln ¹	GEL 32mln	GEL 18mln
GCAP new equity investment	USD 17.5mln ²	USD 2.6mln	USD 11.4mln
ROIC	20%+	20%+	20%+
<i>Investment per learner capacity in affordable segment</i>	GEL 7,200	GEL 7,000	GEL 6,200

REMAINING GCAP NEW EQUITY INVESTMENT BY 2025	14 USD million	TOTAL EBITDA BY 2025	50+ GEL million	CAPACITY BY 2025	21K learners - Of which, 6,000 (existing schools) - Of which, 15,000 (M&As)
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- With new equity investment of USD 2.6mln, GCAP can expand to 6,000 learner capacity and generate GEL 32mln EBITDA by 2025 on secured real estate locations with existing partner schools
- USD 2.6mln new equity investment for expansion plans with existing partner schools is net of education business reinvestment of USD 5.6mln and net of in-kind contribution of USD 5.5mln (assets already on GCAP Balance Sheet)
- USD 11.4mln new equity investment for M&A pipeline is net of education business reinvestment of USD 15.2mln

¹ EBITDA GEL 10mln is an estimate for 2020-21 academic year

² Investment is calculated at 3.2 USD/GEL exchange rate

ANNEX

GCAP 3 PARTNER SCHOOLS



GREEN SCHOOL

Affordable



BUCKSWOOD

Midscale



BGA

&

BIST

Premium

Specialized



FORWARD LOOKING STATEMENTS



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