

# Georgia Capital

FY23 NAV TR of 20% in sterling terms

Georgia Capital (GCAP) reported a Q423 NAV total return (TR) of 7.7% in Georgian lari (GEL) terms (3.4% in sterling terms), bringing the FY23 NAV TR to a strong 26.5% (20.4% in sterling terms). The considerable increase in the sterling share price of Bank of Georgia (BoG) was the main contributor, adding c 5.1% and 19.5% to GCAP's opening NAV in Q423 and FY23, respectively. This was further assisted by positive revaluation of all large and investment-stage private holdings, except for the hospital business. In aggregate, GCAP's private holdings added 1.9pp to its Q423 NAV TR. NAV-accretive buybacks of US\$8.3m added a further 0.9pp.

## Making good progress on its deleveraging agenda

GCAP's net capital commitments ratio went down slightly during Q423 from 15.9% to 15.6% (now close to the 15% over-the-cycle target) and fell significantly versus the 21.1% ratio at end-2022. This was assisted by the increase in portfolio value, as well as the successful bond refinancing completed in August (see our [previous update note](#)). Further support came from GCAP's solid US\$31m free cash flow at holding level in FY23 (vs US\$11m in FY22). This was driven by dividend income (recurring dividends were up 92% y-o-y to GEL180m in FY23, with management's outlook for FY24 at GEL180–190m), prudent oversight of operating expenses, as well as lower interest expense following the bond refinancing. All of this bodes well for GCAP's future buybacks.

## Health insurance acquisition and hospital sale

In terms of recent portfolio highlights, BoG proposed the acquisition of Ameriabank, a leading universal bank in Armenia, at multiples of 0.65x its end-October 2023 NAV and 2.6x its 2023 EPS. The last 12-month revenue and EBITDA (and in turn net debt to EBITDA) of GCAP's hospital business was affected by renovation projects in response to the new facility regulations in Georgia. In December 2023, the business signed an agreement to sell one of its low-ROIC regional and community hospitals for GEL34.6m (implying a 15.2x EV/EBITDA multiple and a 43% uplift to last pre-deal carrying value), with proceeds to be used for business deleveraging. GCAP's retail (pharmacy) chain expanded by 40 pharmacies and 11 franchise stores over the last 12 months. Finally, in January 2024, GCAP's medical insurance business signed a memorandum of understanding to acquire a competitor, which is the third-largest local player, to form the largest health insurer in Georgia with a c 35% share.

## GCAP continues to trade at a wide discount to NAV

Despite the c 50% appreciation in GCAP's share price over the last 12 months, its shares still trade at a c 52% discount to NAV (when adjusted for the post-balance sheet change in BoG's share price). If GCAP's stake in BoG (which at end-2023 made up 33% of total portfolio value) was valued in line with the last closing price, GCAP's current market cap would imply a wide 71% discount to the end-2023 fair value of its private assets (with GCAP's enterprise value excluding BoG roughly equal to the fair value of the retail (pharmacy) business alone).

Investment companies  
Private equity

23 February 2024

**Price** 1,238p  
**Market cap** £531m  
**NAV\*** £987m

NAV per share*	2,423p	
Discount to NAV	48.9%	
Yield	N/A	
Ordinary shares in issue	42.9m	
Code/ISIN	CGEO/GB00BF4HYV08	
Primary exchange	LSE Standard	
AIC sector	N/A	
52-week high/low	1,238p	737p
NAV high/low	2,423p	2,012p

\*As at end-December 2023.

### Gearing

Net gearing at end-2023 8.8%

### Fund objective

Georgia Capital focuses on scalable private equity opportunities in Georgia. These opportunities have the potential to reach an equity value of at least GEL300m over the next three to five years and the company can monetise investments through exits as investments mature.

### Bull points

- The majority of the portfolio is exposed to resilient and well-established businesses.
- The company successfully completed a bond refinancing and made good progress in terms of holding-level deleveraging.
- Regular dividend income from several portfolio companies.

### Bear points

- A concentrated portfolio exposed to a frontier economy is inherently higher risk.
- Recent results of the pharmacy (retail) and hospitals businesses affected by new regulations.
- GCAP has just started building its track record of investment realisations.

### Analyst

Milosz Papst +44 (0)20 3077 5700

[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

**Georgia Capital is a research client of Edison Investment Research Limited**

## General disclaimer and copyright

This report has been commissioned by Georgia Capital and prepared and issued by Edison, in consideration of a fee payable by Georgia Capital. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2024 Edison Investment Research Limited (Edison).

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.