

INVESTMENT BUSINESS STRATEGY

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BGEO Investor Day
9 November 2017 | Tbilisi, Georgia

1 Investment Business Strategy

2 Portfolio Business Overview

3 Q&A

Investment Business value proposition – Three pillars

1

Strong corporate governance

- **Outstanding track record in:**
 - institutionalising businesses, creating independently run/managed institutions
 - investor reporting transparency and granularity
- **Top class board and governance**
- **Aligned shareholders' and management's interests**
 - Management compensation linked to performance
 - Equity/performance dominating compensation structure

2

Access to management

- Reputation among talented managers as the - **“best group to work for”**
- Attracted talent have demonstrated track record of successful delivery
- **Proven DNA in turning around the companies and growing them efficiently**
- **Strong skillset in company exits**
 - LSE IPO track record
 - Divestiture skills

3

Superior access to capital

- Only investment company in Georgia
- 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 four Eurobonds totaling **US\$ 1.2 billion**
 - **US\$ 3 billion+** raised from IFIs (EBRD, IFC etc.)
- **Flexibility to use own shares as acquisition currency**

We are a Georgia focused diversified investment company targeting minimum IRR of 25%

1

Investment & Capital Management

- **Highly disciplined approach** to unlock value through opportunistic investments – acquiring early stage, developing businesses or establishing greenfield businesses
- **360° analysis to be performed** when evaluating capital returns, new investment opportunities or divestments:
 - BGEO Investments share buybacks
 - Recycling of publicly traded investments into privately held ones
 - Use of BGEO Investments shares as acquisition currency
 - Cash dividends to be considered in lieu of large exits

2

Managing portfolio companies

- Attracting and developing talent is a top priority
- Hands-on management approach to the non-public portfolio companies at early stages of their development
- Advisory approach for management of more mature phase companies
- Board participation (if needed) in publicly listed companies

3

EXITS

- **Clear exit paths** through IPO or trade sale in 5-10 years

Key to Success – Aligned shareholder and management interests

	BGEO Investments	Private Equity
2% Management Fee	✗	✓
20% Success Fee	✗	✓
c.2% Investment Co Operating Expenses	✓	n/a

- Cash preservation is a key target for BGEO Investments and therefore, two thirds of total operating expenses are related to share-based compensation
- BGEO Investments senior management's compensation will be paid in long-vested shares only, with no cash component
- Portfolio company management will be paid in proxy shares of their respective companies

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Industry Investment Rationale

- **Very low base:** healthcare services spending per capita only US\$ 217, outpatient encounters only 3.9 per capita annually
- **Growing market:** 16% CAGR in 2011-2016
- **Strong growth in highly fragmented Polyclinics (outpatient clinics) market**
- **GHG is the only integrated player in the region with significant cost advantage through scale and synergies**

Strategy

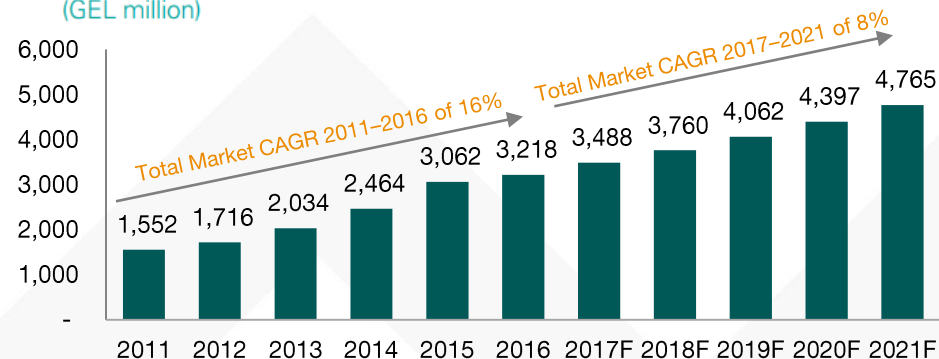
- Target **30%+ market share in Hospitals** – currently **24%**
- Target **c.15%+ market share in Polyclinics** – currently **2%**
- Maintain **largest market share as pharmaceuticals retailer** and wholesaler in Georgia - currently **29%** market share
- Exceed 30% market share in health insurance: currently **30%**

Exit Strategy - Sell downs/Block trades

- In May 2017 we sold 9.5 million shares of GHG (7%) for GEL 98 million
- Our stake in GHG at 30 September 2017 was 57%

Market Opportunity

Total healthcare market (including healthcare services and pharmacy)
(GEL million)



Source: Frost & Sullivan analysis 2017

Financial Highlights

Market Cap*

GEL 1,590 million

Revenues (9M17)

GEL 548 million

EBITDA (9M17)

GEL 77 million

Utility and Energy Business (GGU) Overview

Industry Investment Rationale

Utility

- Natural monopoly
- Stable collection rates
- Growing dividend payment capacity

Energy

- Untapped energy market with potential for significant growth
- Low per capita power usage
- Hydro Power Plants are cheap to build
- Wind Power Plants production peaks during winter, when Georgia faces supply deficit

Strategy

Targeting combined EBITDA in excess of GEL 100 million in 2019

Utility

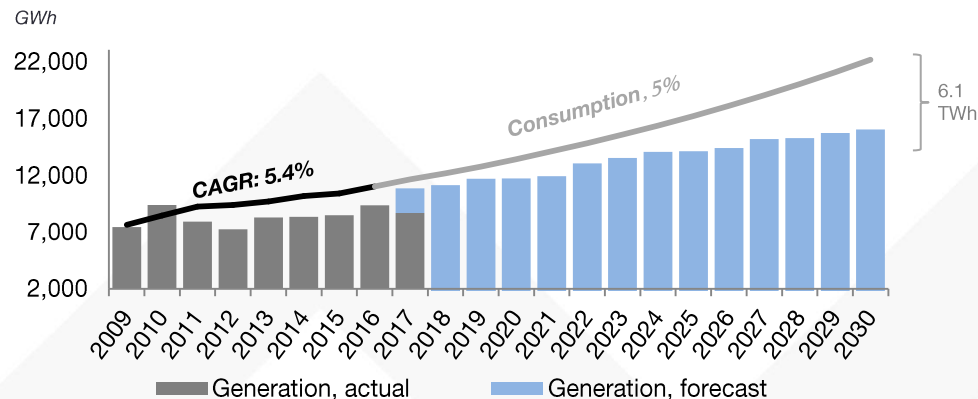
- Substantially reduce water losses - currently c.70% water losses
- Investment of GEL 255mln in infrastructure rehabilitation projects

Energy

- Construction of Hydro, Wind and Solar generation plants

Exit Strategy - IPO in 2-3 years

Market Opportunity



Financial Highlights

Book Value*

GEL 306 million

Revenues (9M17)

GEL 99 million

EBITDA (9M17)

GEL 52 million

* Book value attributable to shareholders of BGEO as of 30-Sep-2017 including GRPC

Industry Investment Rationale

- Average household size is **significantly higher** compared to Europe
- **Most of the housing stock dates back to Soviet era and is amortised**
 - Around 35% of housing units in Tbilisi were built more than 40 years ago and are out of their usable lifecycle
- As country continues to grow **urbanisation levels are increasing**
- **Tourism sector is taking off**
 - Record number of tourists has visited Georgia during 9M17

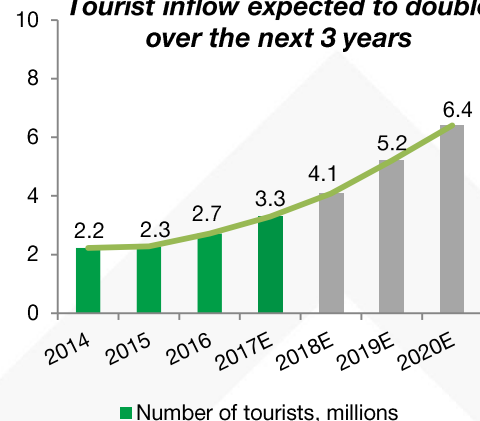
Strategy

- **Asset light strategy**
 - Unlock land value by developing housing projects
 - Developing third party land – franchise m² brand name
 - Grow yielding asset portfolio
 - Generate fee income from third party construction projects
- **Enter hotel development business**
 - **Build, Sell** (by wrapping into REIT) and **Manage**

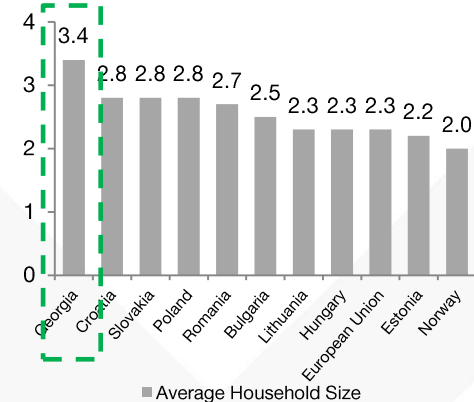
Exit Strategy - Spin-off as REIT

Market Opportunity

Tourist inflow expected to double over the next 3 years



Average household size



Financial Highlights

Book Value*

GEL 149 million

Sales (9M17)

GEL 87 million

EBITDA (9M17)

GEL 25 million

* Book value as of 30-Sep-2017

Industry Investment Rationale

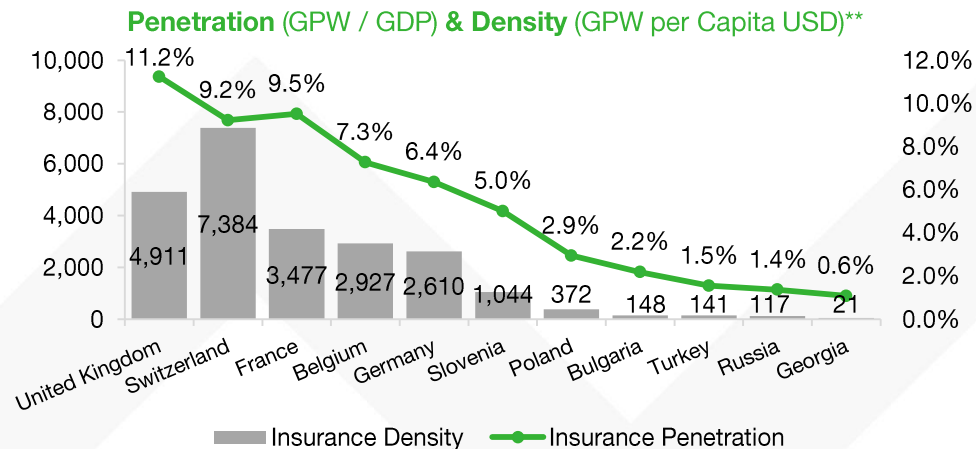
- Underpenetrated insurance market
- Untapped retail and SME segments
- Lack of digitalisation providing first-mover advantage

Strategy

- Targeting to grow net income to GEL 50 million in 5 years

Exit Strategy - IPO or strategic sale in 5 years

Market Opportunity



Financial Highlights

Book Value*

GEL 47 million

Net underwriting profit (9M17)

GEL 22 million

Profit (9M17)

GEL 12 million

Industry Investment Rationale

- High growth sector which has doubled during last 5 years to GEL 1.8 billion
- High multiple business
- Best-in-class distribution network platform provides competitive advantage to onboard additional beverage businesses
- Recent free trade agreements with China and EU provide opportunities for growing wine exports

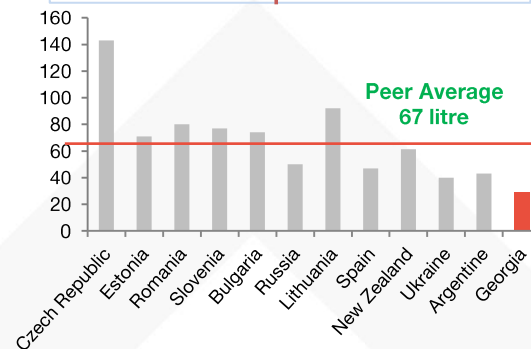
Strategy

- Grow in line with wine market by *stimulating exports*
 - currently **35%** market share, exporting wine to 13 countries
- Enhance distribution product portfolio, *becoming the leading FMCG distributor*
- Achieve 30% market share in beer sales in Georgia
- Export beer and lemonade products launched in 2017

Exit Strategy - Strategic Sale

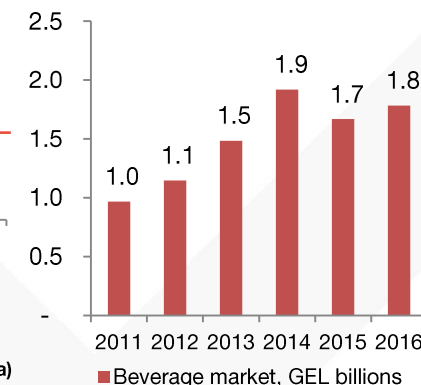
Market Opportunity

Low consumption per capita compared to peers



Beer Consumption in Peer Countries 2015 (l/capita)

Beverage Market in Georgia



Financial Highlights

Book Value*

GEL 60 million

Revenues (9M17)

GEL 41 million

EBITDA (9M17)

GEL 1.5 million

* Book value attributable to shareholders of BGEO as of 30-Sep-2017

QUESTIONS?

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