EDISON

Georgia Capital

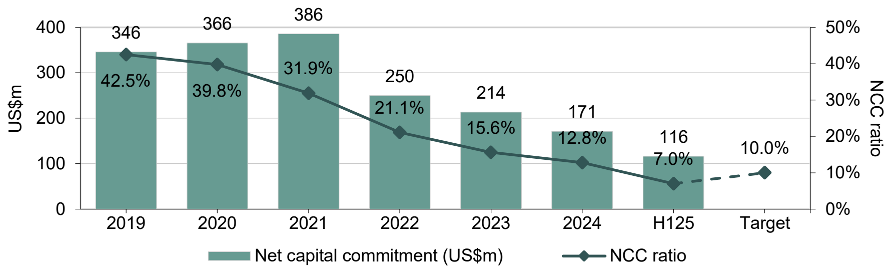
Accelerating capital deployment

Investment companies
Private equity

13 October 2025

Georgia Capital (GCAP) posted strong H125 results, with NAV per share up 31% in Georgian lari and 24% in pounds sterling in total return terms, accelerating its long-term growth (five-year NAV TR in Georgian lari stood at 31.7% pa). The main value driver remains GCAP's stake in LSE-listed Lion Finance Group (LFG), a leading Georgian bank representing roughly half of GCAP's portfolio. Its portfolio of private companies (concentrated in Georgian market leaders) posted aggregate EBITDA growth in H125 of 22% y-o-y. Over the past two years GCAP has made significant progress in deleveraging, reducing its net capital commitment (NCC) ratio below target, which allows it to accelerate capital deployment. GCAP recently announced a GEL700m capital return programme (15.7% compared to end-June 2025 NAV), which may include share repurchases, dividends and debt repayments. Confirmation of the validity of GCAP's strategy through successful exits and its capital distributions have contributed to a narrowing of the discount to 30%, which we continue to view as wide.

Exhibit 1: Deleveraging has reached GCAP's target



Source: GCAP. Note: NCC ratio is net capital commitment as a percentage of portfolio value.

Why consider GCAP?

GCAP's US$1.7bn portfolio consists predominantly of four mature companies. While portfolio turnover is low, GCAP has demonstrated its exit capabilities through the disposals of its water utility and beer and distribution business at healthy uplifts to carrying values. The exits also highlighted strategic investor interest in this rapidly developing economy. Georgia's economy is expanding on the back of IT growth (supported by a quality workforce influx from Russia), the revival of tourism and shifts in trade patterns related to geopolitical tensions. The economy is expected to continue to grow at c 5% a year in the near term.

The portfolio generates healthy cash flow and regularly distributes recurring dividends to GCAP, which amounted to 4% of end-June NAV. GCAP's smaller education and renewable energy businesses have room for further significant growth within Georgia and its larger businesses have started to expand into the region, as highlighted by LFG's acquisition of Ameriabank in Armenia and GCAP's pharmacy chain opening in several locations throughout Armenia and Azerbaijan.

With the process of deleveraging announced in 2022 largely completed, GCAP can accelerate capital deployment in line with its strategy. Historically, new investments were constrained by the wide discount to NAV, but with the discount narrowing, GCAP's pool of investment opportunities broadens. Capital will also be deployed in line with the announced distribution programme.

Price		**2,370.00p**
Market cap		**£842m**
NAV		3,361.0p
Discount to NAV		29.5%
Shares in issue		35.6m
Code/ISIN		CGEO/GB00BF4HYV08
Primary exchange		LSE
AIC sector		N/A
Financial year end		31 December
52-week high/low	2,490.0p	987.0p
NAV high/low	3,361.0p	2,282.0p

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.
- Successful disposal of the beer and distribution business reinforces confidence in GCAP's exit capabilities and portfolio valuations.
- Regular dividend income from several portfolio companies.

Bear points

- High discount to NAV limits GCAP's activity in terms of new investments.
- GCAP has just started building its track record of investment realisations.
- A concentrated portfolio exposed to a frontier economy is inherently higher risk.

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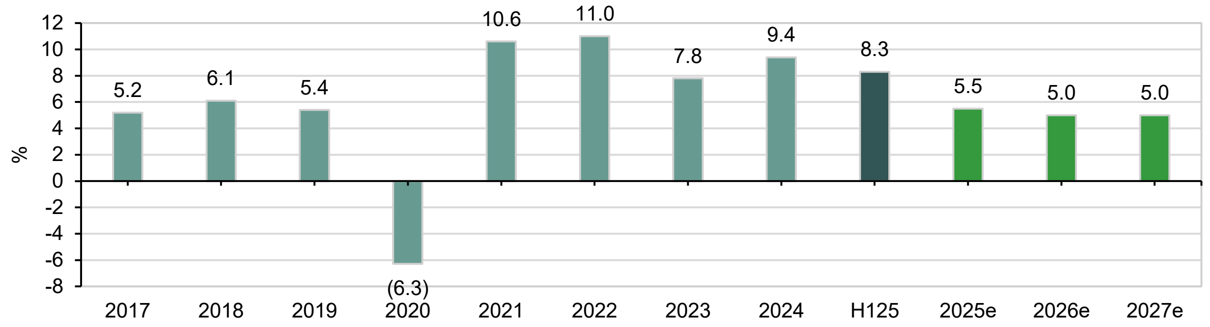
Investment summary: A portfolio of Georgian market leaders

GCAP provides exposure to the Georgian economy through its portfolio of market leaders. The economy has developed rapidly since broad market reforms were introduced after the Rose Revolution in 2003, growing almost 6% a year on average, and it is expected to continue to grow c 5% per year (according to World Bank forecasts). Georgia is benefiting from an inflow of skilled workers and shifts in trade patterns related to geopolitical tensions, supporting further growth. The country has a population of c 11 million and scores higher in the Human Development Index than its neighbours.

Exhibit 2: Georgian GDP growth



Source: World Bank, June 2025 estimates

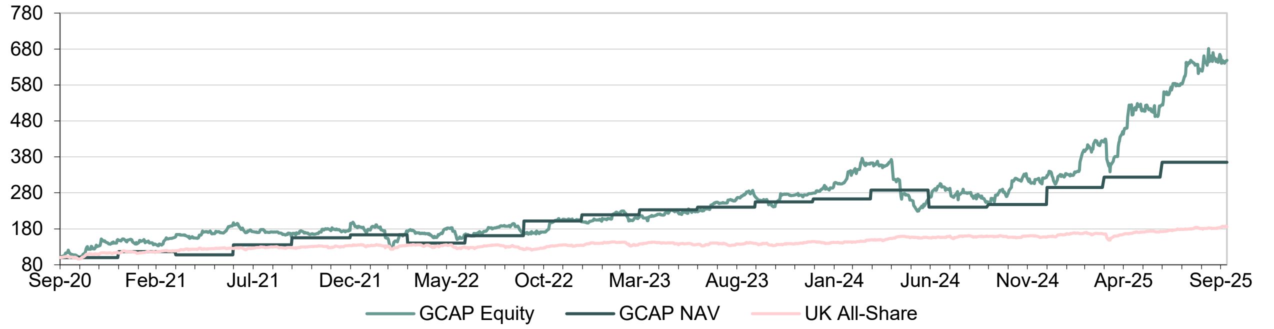
GCAP's portfolio is composed of Georgian market leaders that provide services in (most notably) banking (LFG), insurance (400k insured), pharmacy (449 stores), healthcare services (34 hospitals, 16 polyclinics and one laboratory), education and energy generation. The portfolio is stable, as GCAP has been building the companies over years. However, GCAP has completed successful portfolio exits to global strategic investors: in 2022 it sold its water utility business for US$250m at a multiple on invested capital (MOIC) of 2.9x; and in 2024 it sold its beer and distribution business for US$63m at a c 30% uplift to carrying value (Edison estimate). These transactions confirmed GCAP's exit capabilities, and proved there is interest from global players in investing in Georgia.

The rapid growth of GCAP's portfolio companies, supported by successful exits and NAV-accretive share buybacks, results in strong NAV performance. Since inception (demerger from LFG) in 2018 to end-June 2025 GCAP's NAV per share has increased by 17.4% a year on average (in Georgian lari terms), with growth accelerating recently (the five- and three-year total return stood at 31.7% and 33.6% pa, respectively).

Over the past two years, GCAP has focused on, and made substantial progress in, deleveraging, achieving the target NCC ratio of 10% (already reduced from 15%) ahead of schedule and advancing towards eliminating holding company debt entirely. These efforts are complemented by deleveraging at the portfolio companies' level. With the current level of NCC ratio GCAP can accelerate capital deployment in line with its strategy, and it has announced a GEL700m (c US$260m) distribution programme, which will include further debt repayments, share repurchases and dividends. We calculate a prospective yield of c 12% on NAV (based on capital remaining to be deployed as of 13 October 2025).

The recent share price rally, which we attribute partially to confirmation of GCAP's exit capabilities, continuous buybacks and the announcement of the new capital distribution programme, has significantly narrowed GCAP's discount to NAV to the current level of 30% compared to the three-year average of 54%. Nevertheless, we continue to view the discount as wide, as, if we exclude LFG from GCAP's market capitalisation at its market value, we calculate an implied 69% discount on the private portfolio.

Exhibit 3: Five-year price, NAV and index total return performance, re-based



Source: LSEG Data & Analytics, Edison Investment Research

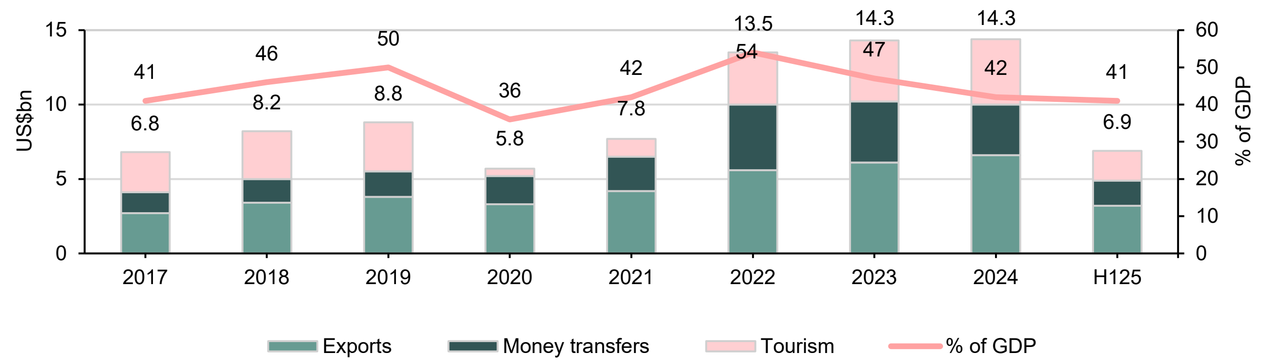
Market outlook: Resilient growth and macroeconomic stability

The Georgian economy has sustained a long-term growth trajectory over the past 15+ years, underpinned by wide-ranging reforms in economic management and governance following the 2003 Rose Revolution. Between 2002 and 2019, real GDP expanded at a robust 5.9% CAGR (International Monetary Fund data), supported by private investment, foreign direct investment (FDI) inflows and consumption. This momentum was only temporarily interrupted in 2020, when GDP contracted by 6.3% due to the COVID-19 pandemic, driven primarily by the sharp decline in tourism.

The Georgian economy rebounded swiftly from the pandemic, supported by fiscal stimulus and commercial lending, which boosted domestic demand, alongside strong export recovery and elevated remittance inflows. Notably, tourism revenues exceeded pre-pandemic levels as early as 2022. The World Bank forecasts further GDP growth of 5.5% in 2025 and 5.0% in 2026, reflecting the economy's resilience, near-target inflation and moderate debt levels. Growth is expected to remain underpinned by sustained expansion in the information and communication technology sector, tourism and transport services.

Pandemic-driven inflation was brought under control relatively quickly, supported by a strong lari and a tight monetary stance, with the policy rate temporarily raised to 11% before being gradually reduced to the current 8.0%. As of July 2025, headline inflation stood slightly above the target at 4.3%, driven by rising food prices, while core inflation remained below target at 2.4%.

Exhibit 4: Total Georgian FX inflows



Source: GCAP citing Geostat, National Bank of Georgia

Geopolitical risks contained, investor confidence intact

Counterintuitively, Georgia has derived economic benefits from the ongoing Russia-Ukraine conflict. The country has absorbed an influx of skilled professionals, particularly in the IT sector, which has reinforced growth in the information and communication technology sector. At the same time, Georgia's transport services sector has benefited from shifting regional trade patterns, as well as increased immigration. Remittance inflows have also strengthened, contributing to a sharp rise in total FX inflows, which reached US$14.3bn in 2024 versus US$8.8bn in 2019 (see Exhibit 4).

Nevertheless, the ongoing war in the region and Russia's historical claim over former Soviet territories may raise concerns among some observers. We consider the risk of renewed Russian intervention in Georgia to be low, given Russia's continued focus on the conflict in Ukraine and escalating tensions with NATO, which limit its capacity to engage elsewhere. Moreover, Russia achieved key strategic objectives during the 2008 conflict, including the de facto seizure of South Ossetia and Abkhazia, the deployment of anti-missile systems on the southern side of the Greater Caucasus Mountains and the effective prevention of Georgia's accession to NATO.

Another source of concern is the domestic political environment. In 2024, the government introduced a series of laws viewed by Western institutions as a sign of democratic backsliding, which resulted in the suspension of EU accession talks, the freezing of €30m in EU aid and the cancellation of US military exercises. We discussed the controversial 'foreign agents act' in our September 2024 note, but it is important to note that the ruling Georgian Dream party, in power since 2012, has overseen a period of rapid economic growth. While there is a risk that further unpopular legislation could damage international perceptions of Georgia and, in turn, constrain its ability to attract foreign capital, there is so far little evidence of such an impact.

Asset allocation: Concentrated in market leaders

GCAP's portfolio is concentrated, with approximately half of its assets at end-H125 accounted for by its 19.1% stake in LSE-listed LFG (formerly Bank of Georgia). Around 40% of the portfolio is represented by three large companies: a pharmacy business, an insurance business (covering both P&C and medical insurance) and a healthcare services business (hospitals, clinics and diagnostics). The remaining 12% comprises smaller businesses, either in early development stages or mature but smaller-scale enterprises.

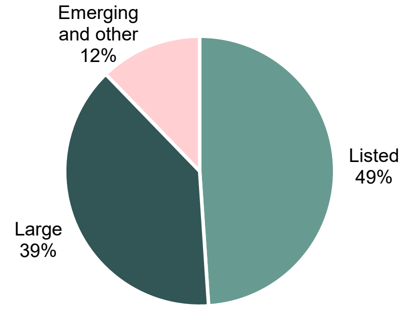
GCAP's investment strategy focuses on opportunities with the potential to achieve a GEL300m equity valuation (c US $110m), a scale management considers sufficient to attract foreign investors. In late 2021 GCAP agreed the divestment of one of its large holdings (a water utility) at a healthy uplift to carrying value (see our January 2022 note for details) to international corporation Aqualia, the ninth-largest water management company in terms of population served in the world. Initially, GCAP sold an 80% stake and had a put option for the remaining 20%, which was exercised in June 2025. Including the 56% uplift on the value of the put option since the agreement, GCAP has received a total of US$250m, translating into an attractive MOIC of 2.9x (3.8x in GEL terms) and a 19.1% internal rate of return (IRR; 25.3% in GEL terms). The transaction highlighted GCAP's exit capabilities, confirmed portfolio valuations and proved there is strategic investor interest in quality assets in Georgia.

GCAP recently completed a successful exit from a smaller holding, selling its beer and distribution business to Royal Swinkels in Q424 for US$63m. GCAP has two smaller 'emerging' businesses targeted for growth to a scale suitable for potential international exit: in renewable energy (currently with 71MW installed capacity) and in education (seven private K-12 campuses). The portfolio is further supplemented by auto services, wine and legacy real estate businesses, which generate healthy cash flows but offer limited potential for rapid expansion.

The majority of GCAP's portfolio value is determined through external valuation. LFG shares are carried at their market value, while an independent valuer (Kroll) provides semi-annual valuations for GCAP's three large companies and its two 'emerging' businesses.

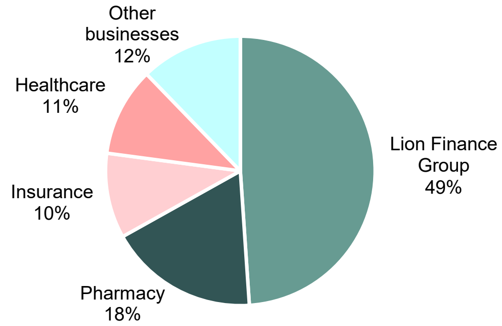
ESG considerations are central to GCAP's investment approach and portfolio management. This commitment was underscored by its 2023 issuance of a sustainability-linked bond, the first instrument of its kind in the region, and receipt of the Impact Award from the Asian Development Bank in 2024. GCAP focuses on capital-light businesses and industries that deliver positive impacts for people and the planet, and is progressing towards its target of achieving net-zero greenhouse gas emissions by 2050.

Exhibit 5: Portfolio breakdown (June 2025)



Source: GCAP

Exhibit 6: Portfolio components (June 2025)



Source: GCAP

As the portfolio is dominated by mature, market-leading companies, it delivers robust dividend income for GCAP. In both 2023 and 2024, GCAP received GEL180m in distributions, and it expects to collect more than GEL180m in 2025 (with H125 distributions reaching GEL58m, up 16% y-o-y). This annual recurring income of GEL180m represents 4.0% of end-H125 NAV. The majority of dividend income has been from LFG (GEL122m in 2024, and GEL125m in 2023), including cash received from buyback dividends. The insurance business and pharmacies have also been strong contributors to dividend income.

Performance: Strong NAV growth and share price momentum

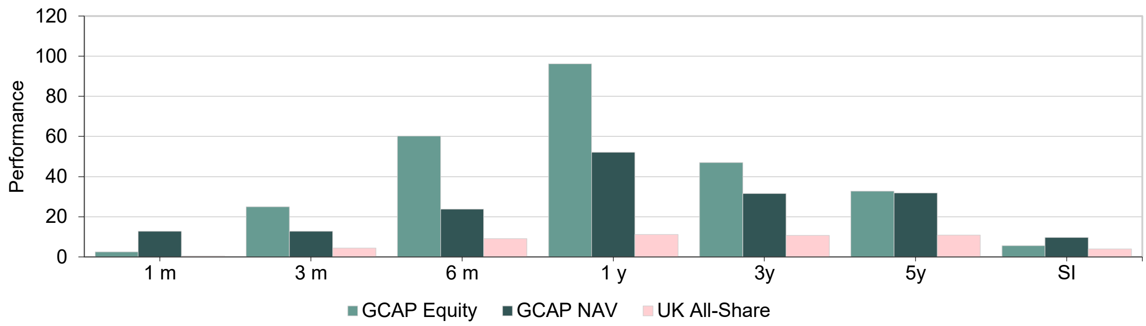
GCAP delivered a notable 52% NAV increase over the 12 months to June 2025 in pounds sterling total return terms, driven primarily by an 86% total return in pounds sterling terms on LFG shares. Gradual revaluations of its private companies, stemming from their strong operational performances, were another strong driver of the NAV increase. Additional contributors included the NAV uplift from the disposal of its subscale beer and distribution business in Q424 (see our December 2024 note) and NAV-accretive share buybacks.

The strong NAV performance, coupled with confirmed interest from international investors in high-quality Georgian assets, has driven a rally in GCAP's share price, delivering a 96% total return over the year to June 2025. Both share price and NAV gains have significantly outperformed major UK equity indices and listed private equity peers on the LSE.

The strong rally over the past year has bolstered GCAP's long-term performance. As of end-June 2025, its annualised total return (in pounds sterling) over the past five years stood at 32.8% for equity and 31.9% for NAV, compared with 10.8% per year for the broad UK equity market over the same period. Notably, since end-June, the share price has risen a further 23% to 10 October, while LFG shares have gained 12%, resulting in a 11.8% increase in 'live' NAV.

Given that LFG accounts for around half of GCAP's portfolio, its share price performance has a significant impact on GCAP's overall portfolio value. To reflect this, GCAP provides a 'live' NAV estimate on its website, combining the most recent private portfolio valuations (currently end-June) with the latest market valuation of its LFG stake.

Exhibit 7: Price, NAV and index total return performance (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-year, five-year and since inception performance annualised.

Exhibit 8: Five-year discrete performance data

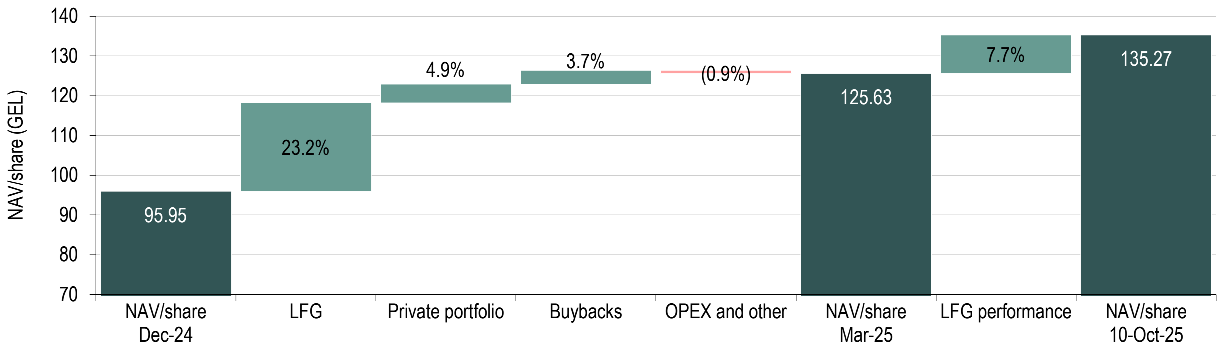
12 months ending	GCAP equity (%)	GCAP NAV (£) (%)	GCAP NAV (GEL) (%)	MSCI World (%)	UK All-Share (%)
30/06/21	54.8	48.4	72.0	24.9	21.5
30/06/22	(15.8)	18.4	(3.2)	(2.1)	1.6
30/06/23	37.1	49.7	39.0	13.8	7.9
30/06/24	17.9	(0.1)	7.2	21.4	13.0
30/06/25	96.1	52.1	59.9	7.7	11.2

Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling, except for NAV expressed both in Georgian lari and pounds sterling terms.

NAV drivers in H125: Strong LFG performance and private portfolio growth

In the first half of 2025, GCAP's NAV per share rose by 30.9% in Georgian lari terms, driven predominantly by a 52.1% appreciation in LFG shares, which contributed 23.2 percentage points to NAV growth. The private portfolio added 4.9 percentage points (equivalent to a GEL176m uplift), reflecting a GEL346m performance-related increase in value, partly offset by a GEL170m contraction from valuation multiples and FX effects. This growth was led by the large portfolio companies, while the emerging and subscale businesses saw a 9% decline in valuation compared with end-2024. An additional 3.7 percentage points of NAV uplift derived from NAV-accretive buybacks, with operating costs remaining broadly in line with prior periods (0.9 percentage points).

Exhibit 9: NAV attribution in H125



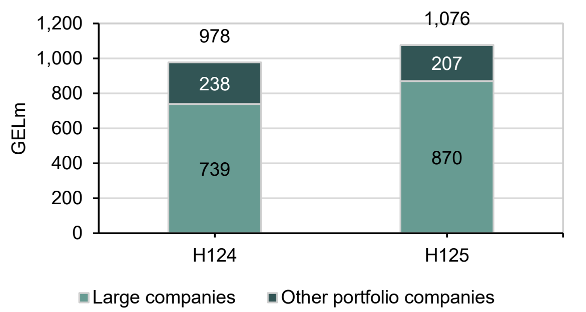
Source: GCAP, LSEG Data & Analytics

H125 was strong in both valuation uplifts and operational progress

In Q225, GCAP exercised the put option on its remaining 20% stake in its water utility business, completing the disposal process. The transaction was executed at balance sheet carrying value, with no impact on NAV, and generated cash proceeds of US$70.4m (GEL192m), strengthening GCAP's NCC ratio beyond its target.

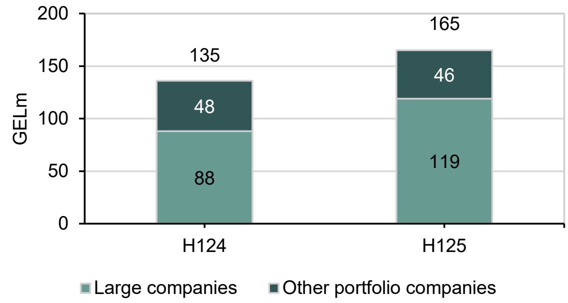
The private portfolio companies maintained steady growth, with aggregate revenue across the private portfolio rising 10% y-o-y in H125, while aggregate EBITDA grew 22%, underscoring improved profitability. This growth was driven by large, mature companies, and the revenues and EBITDA for these businesses (healthcare services, pharmacies and insurance) increased by 18% and 37%, respectively.

Exhibit 10: Revenue development of private portfolio



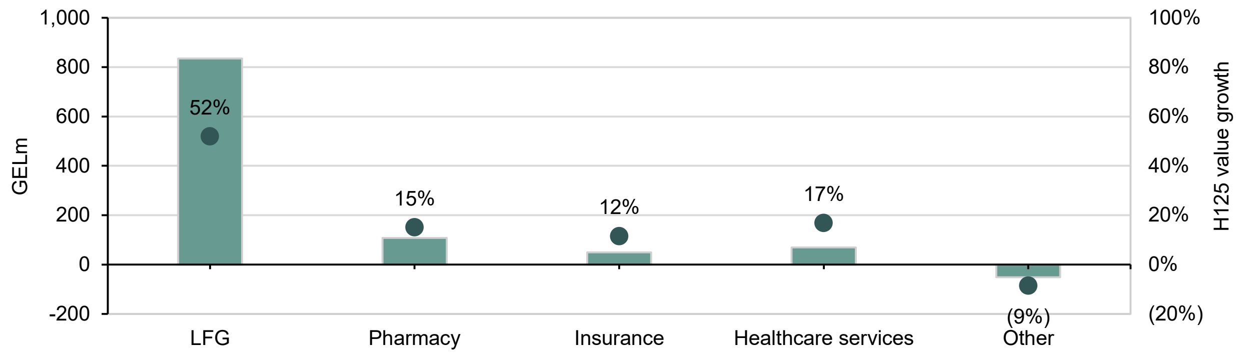
Source: GCAP

Exhibit 11: EBITDA development of private portfolio



Source: GCAP

Exhibit 12: H125 value creation components



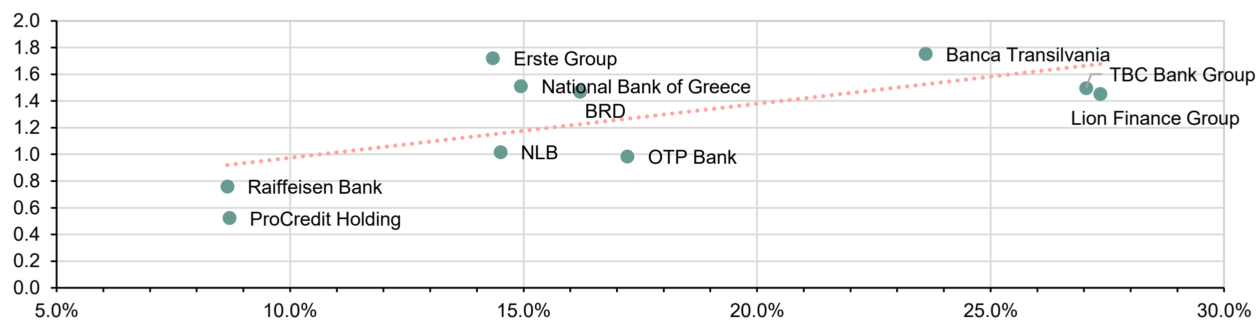
Source: GCAP, Edison Investment Research

Lion Finance Group: Core driver of GCAP's portfolio performance

LFG (formerly Bank of Georgia) is a leading bank in Georgia and Armenia, with £15bn of assets as of end-June 2025. The bank has consistently delivered strong profitability, achieving a return on average equity (ROAE) above 20% (27.9% in H125) and maintaining loan book growth of around 15% per year (17% year-on-year in H125). In H125 its net interest margin amounted to 5.9% (vs 6.3% in H124), while its cost to income ratio improved to 49.3% (vs 53.4% in H124).

Its scale of operations was significantly enhanced by the acquisition of Ameriabank in 2024 (see our September 2024 note), which increased total assets by 23% upon consolidation. The merger process was smooth, preserving the bank's strong ROAE and loan book growth, thereby boosting investor confidence. LFG continues to return value to shareholders through both cash dividends and share buybacks, delivering a last 12 months total return yield of 5%. The bank remains the principal driver of GCAP's portfolio value, with shares achieving an average annual total return of 23% over the past decade. Despite a strong price rally, LFG's valuation remains relatively undemanding compared to its regional peers based on a return on tangible equity (ROTE) versus price to book value (P/BV) analysis (see Exhibit 13).

Exhibit 13: ROTE-P/BV analysis of banks in the broad region (10 October 2025)



Source: LSEG Data & Analytics, Edison Investment Research. Note: ROTE, return on tangible equity

Pharmacies business: Strategic expansion

The pharmacies business is GCAP's second-largest portfolio holding and was the second-largest contributor to NAV growth in H125, recording a 15% increase in value. As of end-June 2025, it operated 449 points of sale (up from 429 at end-2024), primarily in Georgia, with an established presence in Armenia and Azerbaijan offering further expansion potential. The business operates two pharmacy chains – GPC (premium segment) and Pharmadepot (mass retail) – and holds master franchise contracts in the region for The Body Shop and Alain Afflelou stores. Wholesale operations, supplying hospitals across Georgia (including GCAP-owned facilities) and other pharmacies, accounted for 22% of total revenue in H125.

In H125, the pharmacy business delivered revenue growth of 9.4% y-o-y to GEL450m, driven by a 5.4% increase in retail sales (with same-store sales up 4.7%) and a 25.8% rise in wholesale revenues. The expansion in wholesale sales reflected a strategic decision to broaden distribution of the company's proprietary brands beyond its retail chain, a move GCAP believes will support future international expansion and attract partners outside Georgia. Gross profit margin rose by 2.6pp to 32.5%, supported by a shift toward higher-margin non-medication products, which comprised 48% of the sales mix in H125 (including food supplements, baby care and beauty products).

The business continues to deliver strong operational efficiency, converting approximately 90% of EBITDA into cash (89.3% in H125), and has achieved its strategic deleveraging target, reducing the adjusted net debt to EBITDA ratio to 1.4x at end-June 2025, down from 2.4x a year earlier.

Exhibit 14: Pharmacy business stores, by chain

	Total	Georgia	Armenia	Azerbaijan
Pharmacies	430	415	15	-
The Body Shop stores	14	7	2	5
Optics - Alain Afflelou	5	5	-	-

Source: GCAP

Healthcare services: Successful refinancing

As of end-June 2025, GCAP's healthcare services business was the third-largest portfolio component, representing 11% of portfolio value following a solid 17% uplift in valuation. Operations are carried out through 34 hospitals, 16 polyclinics and one laboratory in Georgia. The business delivered strong operational performance in H125, with revenues rising 19% y-o-y and EBITDA increasing 41%, supported by higher bed occupancy rates and growth in higher-margin outpatient services.

Bed occupancy in H125 reached 72.1%, up from 65.7% in H124. This level is healthy, as occupancy rates approaching 100% can risk overcrowding and reduced quality of outpatient care. OECD data (2021) indicate an average occupancy rate of around 70% across member countries, while NICE guidelines suggest a pragmatic maximum of approximately 90%. Occupancy at GCAP hospitals had declined following the termination of COVID-19-related government contracts, with recovery delayed due to renovation and reorganisation efforts to comply with new regulations introduced in Georgia.

Operational progress translated into a marked improvement in cash generation, with operating cash flow rising 128% y-o-y to GEL32m in H125. This supported acceleration of the business's deleveraging plan, reducing the net debt to EBITDA ratio to 3.9x at end-June 2025, from 5.4x a year earlier, although the target ratio of 2.5x is yet to be achieved.

Post reporting date, the healthcare services business successfully placed GEL350m of secured social bonds in the Georgian market, attracting participation from institutions including the International Finance Corporation, the Asian Infrastructure Investment Bank and the Pension Fund of Georgia. The five-year bullet-maturity notes carry a coupon of TIBR+3.75% (with the Tbilisi Interbank Interest Rate currently at 8.0%). Proceeds will be used predominantly to refinance existing long-term debt, but also to finance capex. Upon completion, these notes will constitute the business's sole outstanding debt; as of end-June, borrowings stood at GEL367m.

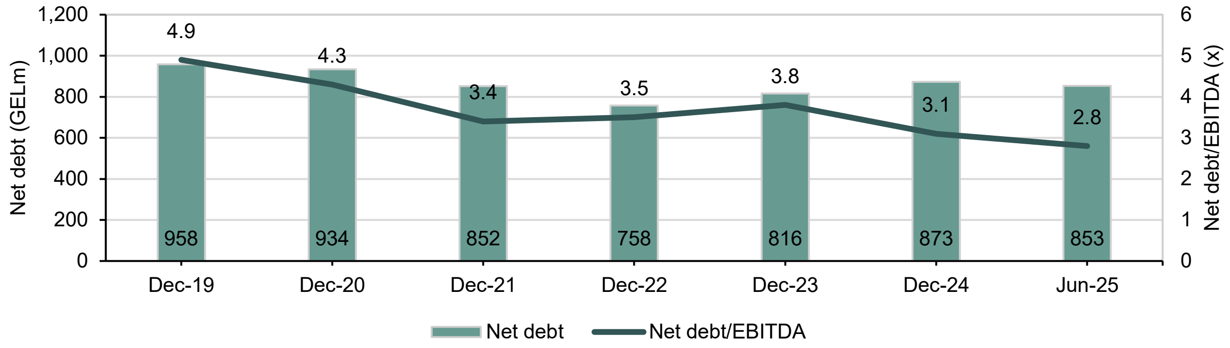
Insurance: Successful consolidation of the Ardi brand

GCAP's insurance business operates across two verticals under three brand names: property and casualty insurance (Aldagi) and medical insurance (Imedi L and Ardi). Like GCAP's other large portfolio companies, the insurance business delivered strong results in H125 while making significant progress in deleveraging. Revenues and pre-tax profit grew by 42% and 24% y-o-y respectively, supported in part by the full-period consolidation of Ardi following its acquisition in April 2024. All business lines recorded healthy double-digit organic growth in H125.

As of end-June 2025, the business had approximately 400k insured individuals – 130k in property and casualty (P&C) and 269k in medical insurance – with high renewal rates of 78% (P&C) and 82% (medical). Both verticals maintained combined ratios below 100% (86% in P&C and 96% in medical in H125), reflecting strong underwriting discipline. The business also sustained a robust balance sheet, as evidenced by AM Best's upgrade of Aldagi's financial strength rating to B+ with a positive outlook in July 2025 (from B with neutral outlook previously), highlighting resilience in balance sheet strength and risk-adjusted capitalisation, supported by prudent capital and underwriting management.

The company remains committed to reducing leverage, and as of end-June 2025 the net debt to EBITDA ratio stood at 0.4x, down from 0.7x a year earlier. GCAP targets deleveraging the insurance business to nil.

Exhibit 15: Aggregate net debt/EBITDA of the private portfolio



Source: GCAP

Strategy: Strong progress and a clear path to zero debt

In 2022, GCAP announced a strategic focus on deleveraging and introduced the net capital commitment (NCC) ratio, a measure comparing net debt (adjusted for planned investments and a US$50m liquidity buffer) to portfolio value. The ratio has been successfully reduced from 32% at end-2021 to 7% at end-June 2025. Following this progress, management recently announced a lowered over-the-cycle target NCC of 10% (from 15%).

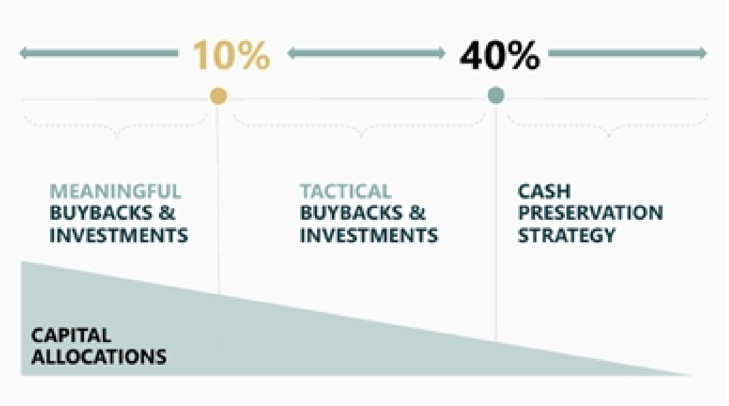
Alongside overall leverage reduction measured by the NCC ratio, GCAP confirmed its commitment to reducing gross debt at the holding company level to zero. Currently, gross debt at the holdco level stands at US$50m, consisting of sustainability-linked bonds maturing in August 2028. These bonds, issued in 2023 for US$150m, were the first of their kind in the region and carry an obligation to reduce the group's greenhouse gas emissions by 20% by end-2027, in line with GCAP's net-zero target for 2050.

After the balance sheet date, in September 2025, GCAP exercised a call option on US$100m of the outstanding bonds, significantly reducing gross debt at the holding company level. The option was exercised at a 1.7% premium to par value, and GCAP retains the right to call the remaining US$50m before maturity. The premium reduces to 0.7% in August 2026 and to 0.0% in August 2027, and in both cases may increase by 0.3pp if GCAP does not meet its emission reduction targets.

GCAP can accelerate capital deployment

With the NCC ratio reduced to just 7.0%, GCAP now has greater flexibility to accelerate capital deployment in line with its policy. Given the persistent wide discount at which GCAP's shares traded in recent years, management viewed share repurchases as the most attractive investment route, as few external opportunities offered higher potential returns. That said, the discount has been narrowing in recent months, gradually broadening GCAP's investment opportunity set. While GCAP's own investment pace was slow in recent years, its portfolio companies have continued to expand meaningfully, including through add-on acquisitions, as outlined above.

Exhibit 16: NCC ratio navigation tool



Source: GCAP

Regulatory considerations in the investment process

In its investment and divestment decisions, GCAP also factors in the implications of potentially being classified as a passive foreign investment company (PFIC), which would have negative tax consequences for US shareholders, which are the company's largest investor group by geography. Under US tax regulations, a non-US corporation is considered a PFIC if more than 50% of its average assets generate passive income. As at end-June 2025, the one-year average of GCAP's assets deemed passive stood at 45%, consisting primarily of its stake in LFG and cash reserves. While this level remained safely below the threshold, a continued rally in LFG shares could push GCAP above it, prompting management to actively manage its exposure. Reflecting this, GCAP trimmed its LFG stake after the balance sheet date, reducing it to 18.0% as at 13 October 2025, from 19.1% at end-June 2025.

Discount has narrowed, but still excessive

GCAP shares currently trade at a 29.3% discount to end-June NAV, well below their one- and three-year averages of 46% and 54%, respectively. The narrowing has effectively brought the discount back to pre-COVID levels, which we attribute primarily to: 1) ongoing NAV-accretive share repurchases; 2) successful exits that validated GCAP's strategy; and 3) material deleveraging that has lowered the company's risk profile.

At present, GCAP's discount is only marginally wider than that of UK-listed direct private equity peers, which trade at around a 25% discount on average. However, if we assume GCAP's LFG stake is reflected in GCAP's equity at market value, the implied valuation of its private portfolio equates to a steep 69% discount, despite the proven quality of assets and track record of successful exits. While we acknowledge the higher perceived risk associated with Georgia's frontier market status and the geopolitical context discussed earlier, we continue to see the current discount as excessive.

Exhibit 17: Discount to NAV since inception

Source: LSEG Data & Analytics, Edison Investment Research

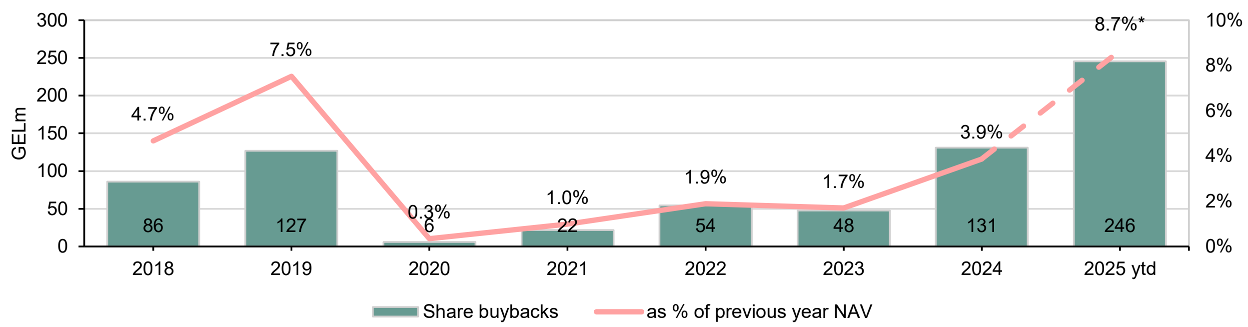
Distributions: Launch of GEL700m capital return programme

GCAP continues to return capital to shareholders primarily through NAV-accretive share repurchases, with record year-to-date distributions equivalent to an annualised 9% yield on end-2024 NAV. In August 2025 GCAP concluded the final stage of the GEL300m programme announced in May 2024, which was initially scheduled to run until 2026.

Building on this, GCAP has announced a new distribution target of GEL700m (c US$260m at current exchange rates) by end-2027, with the next US$50m buyback tranche commencing in August, immediately after conclusion of the previous one. The capital plan also incorporates the US$100m bond redemption executed in September 2025. Importantly, the board has the flexibility to allocate returns via either buybacks or dividends, the latter of which could be considered if discount narrowing proves sustained.

Following the recent bond redemption, we estimate that c GEL370m remains available for distribution through to end-2027. This represents roughly 8% of end-June 2025 NAV, offering investors a compelling prospective yield on shareholder returns.

Exhibit 18: GCAP's share repurchases



Source: GCAP, Edison Investment Research. Note:*ytd yield annualized

Fund profile: A private equity play on Georgia

GCAP is an investment company primarily focused on equity investments in Georgia in sectors that are expected to benefit from the growth and diversification of the local economy. The company was established on 29 May 2018, when UK-based holding company BGEO was split into Bank of Georgia (a leading Georgian universal bank, currently LFG) and GCAP. Since then, GCAP has been listed on the London Stock Exchange and has a wide shareholder structure, including 9% employee ownership. As a result of the de-merger, GCAP owned a 19.9% equity stake in Bank of Georgia (currently an 18.0% stake in LFG). It agreed that as long as its stake is greater than 9.9%, it will exercise its voting rights in accordance with the votes cast by all other shareholders (on a pro rata basis) during all shareholder votes at any general meeting.

GCAP is self-managed (ie it has no external investment manager) and has an experienced management team of seven members, with most senior team members coming from the former BGEO Group. The team is led by Irakli Gilauri as chairman and CEO, who was with Bank of Georgia from 2004 and subsequently CEO of BGEO Group from 2011. He has around 20 years of experience in banking, investments and finance. According to the company, his strategic involvement and extensive relationship network has been instrumental over the last 10 years in creating major players in a number of Georgian industries, such as banking, healthcare, utilities and energy, real estate, insurance and wine businesses.

Importantly, GCAP management members have seats on the boards of all its private portfolio companies. The team has a track record of executing more than 40 acquisitions under the BGEO Group in banking, insurance, healthcare, utilities, retail, FMCG and other sectors. After the de-merger, GCAP's management continued to expand the portfolio.

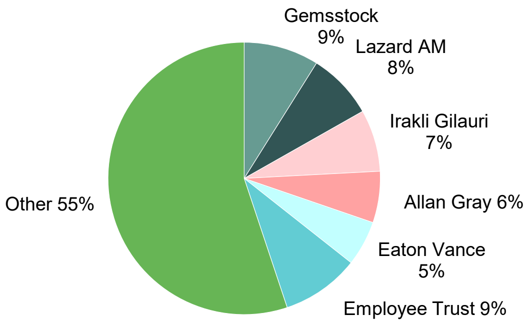
Capital structure

As at 10 September 2025, GCAP's capital consists of 36.1m fully paid shares listed on the LSE premium listing segment, of which 0.3m were held in treasury. The company continuously buys back its shares and the number of outstanding shares has gradually reduced from a peak of 47.9m in 2020.

The shareholder base is diversified, with three asset managers reporting holdings above 5%, as well as Irakli Gilauri who currently owns 7% of the GCAP shares. The CEO has accumulated his shareholding over his 20-year tenure at the company through salary shares, share-based bonuses as well as cash purchases. His recent sale of 625k shares marked his first disposal since 2018 and was encouraged by the remuneration committee.

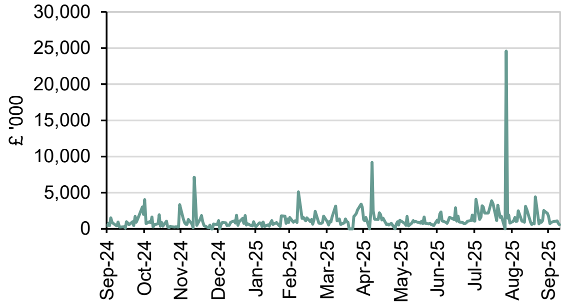
In terms of geography, the largest part of the shareholding was represented by the US with 35.5%, followed by UK-based investors with 28.2% (as at end-June 2025).

Exhibit 19: Shareholders (10 October 2025)



Source: LSEG Data & Analytics

Exhibit 20: Daily turnover



Source: LSEG Data & Analytics

The board

GCAP's management board consists of five directors, four of whom are independent, appointed for six-year tenures. The roles of chairman and CEO are combined due to GCAP's operational structure, as described earlier in this report, and an independent chair would be a bureaucratic overlay. The board size was reduced from seven members in 2023 as Kim Bradley and Jyrki Talvitie did not seek re-election at the 2023 AGM, and the current setup is viewed as well-suited for GCAP's management needs. Irakli Gilauri does not receive any cash compensation and his remuneration is in the form of shares.

Neil Janin joined the board of GCAP in 2022, although he has acted as a non-executive director of LSE-listed entities within GCAP's ecosystem since 2011 (most recently Bank of Georgia). He holds an MBA from York University, Toronto, and a joint honours degree in economics and accounting from McGill University, Montreal. Previously, he was a director of McKinsey & Company, based in its Paris office, for over 27 years. For detailed biographies of the remaining board members please see our May 2022 note.

Exhibit 21: GCAP's board of directors

Board member	Date of appointment	Remuneration in FY24 (US$)	Shares held at end-FY24*	Shareholdings at end-FY24*
Irakli Gilauri	Feb-18	N/A	2,813,112	7.11%
David Morrison	Feb-18	201,626	101,368	0.26%
Massimo Gesua' sive Salvadori	Feb-18	156,956	17,615	0.04%
Maria Chatti-Gautier	Mar-20	156,950	10,443	0.03%
Neil Janin	Oct-22	150,824	142,773	0.36%

Source: GCAP. Note: *Including unvested shares.

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