



სადასაფინანსო კომპანია
GEORGIAN LEASING COMPANY

Bond Presentation

July, 2019



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Terms of Bonds

Issuer	Georgian Leasing Company LLC
Bonds	Unsecured and unsubordinated obligation
Issue currency	U.S.\$
Offering Amount	10,000,000 US\$
Nominal Value	1,000 US\$
Minimum Placement Lot	1 bond
Maturity	2 Years
Coupon Range	7% -7.5% per annum, (To be determined during book-building)
Coupon Payment	Semi Annual
Issue Date	July, 2019
Issue price	100% of the principal amount (nominal value) of the Bonds
Selected Financial Covenants	<ul style="list-style-type: none"> ▪ Indebtedness: Maintain total indebtedness of the Group excluding unsecured contingent liabilities arising in the ordinary course of business at less than 90% (ninety per cent) of the total consolidated assets of the Group; ▪ Payments are restricted: when such payments, aggregated with all other restricted payments previously made on or after 31 December 2018, but prior to the issue date, exceed the sum of: a) 50% of the Issuer's consolidated net profit; b) 100% of the aggregate net cash proceeds received by the Issuer subsequent to 31 December 2018 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2018 of any Indebtedness of the Issuer into or for share capital of the Issuer;
Use of Proceeds	The net proceeds received by the Company from the issuance of the Bonds will be used for Company's operating activities
Governing Law	Georgian law
Listing	Georgian Stock Exchange
Placement Agent	JSC Galt & Taggart

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Significant Growth Potential Supported by Strong Management

Market with Significant Growth potential

- Attractive macro: Georgian market, one of the fastest growing markets in Eastern Europe with 4.7% GDP growth in 2018 and expected annual 5.4% growth in next 3 years
- Room for expansion:
 - Leasing sector remains underdeveloped in Georgia (only 0.9% of GDP). Corporate Income Tax reform undertaken in 2017 will result in further growth of leasing market
 - Leveraging on an established brand name, potential for introducing new, innovative products for different client groups (retail/corporate)

Growth Oriented Business Strategy

- Changed risk assessment approach - Asset based financing, which along with new Asset Management Team has resulted in more flexibility and well managed risks
- Entering new market - new brand “Turbo” was introduced on the market to compete with existing MFOs and it covered the segment of high yield car leases for sub-prime customers

Strategic Partnerships

- Partnership with the leading car importer and retailer
- The ability to offer exclusive product for the market
- Providing quick, easy and cheap import financing solutions for light vehicles
- Substantial profit margin

Strong Management Team and Supportive Shareholder

- Management team with extensive experience in leasing sector
- Strong corporate governance and improved business procedures
- Strong and supportive shareholder

Steadily Growing Existing Portfolio along with New Market Opportunities

Corporate and SME
Lease

- Comprises 71% of the total portfolio in 2018
- Well diversified – customers from more than 12 business sectors
- Demonstrated 26% and 74% portfolio growth rates respectively in 2017 and 2018;

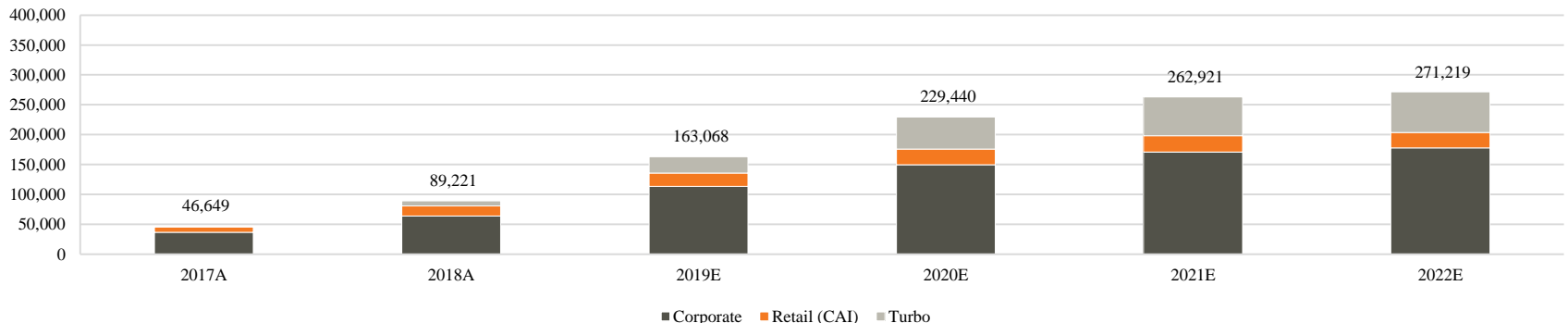
Auto Leasing
partnership with CAI

- Exclusive contract with the leading player on second hand car import and retail market (CAI)
- Positive track record - After 3 years of operations portfolio amounted to GEL 16.9 mln comprising 19% of the total company's portfolio

New Brand “Turbo”

- New segment (from September 2017): higher yield car leases for sub-prime customers
- Aggressive growth strategy: five new branches at strategic locations
- Unorganized market with great growth potential for well managed, financially strong companies

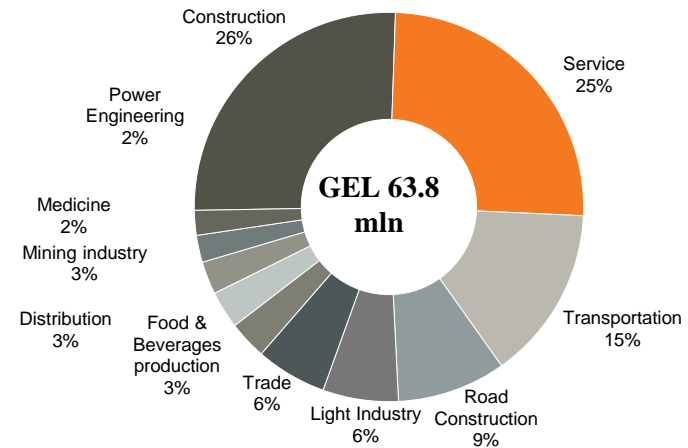
Portfolio Distribution, Gel '000



Corporate and SME Lease - Revenue Stream with Significant Growth Potential

- Corporate and SME revenue streams are the major part of the Company's portfolio and revenue, 71% and 64% in 2018, respectively
- Well diversified portfolio – The Company covers more than 12 industries.
- Despite significant growth, 2016 and 2017 were also characterized with significant level of write-offs, GEL 0.7 mln and GEL 1 mln, respectively. This was due to fact that the company's leasing portfolio was comprised by less liquid assets and in certain cases asset valuation was not adequate and these parameters were not sufficiently taken into consideration while assessing product risk.
- Since 2015, the management team switched to asset based financing, which along with new asset valuation and monitoring team has resulted in more flexibility, well managed risks and improved portfolio quality. Due to changed approach of asset valuation, above mentioned write-offs are considered as one-off expenses by the Management. In 2018, the write-offs amounted to Gel 1.5 mln, but Gel 0.4 mln was attributable to the leases disbursed before 2015. 2018 year write-offs are just 1.7% of the portfolio.
- Company has also substantially changed the procedure of sale/releasing of repossessed assets.

Corporate leasing portfolio, 2018



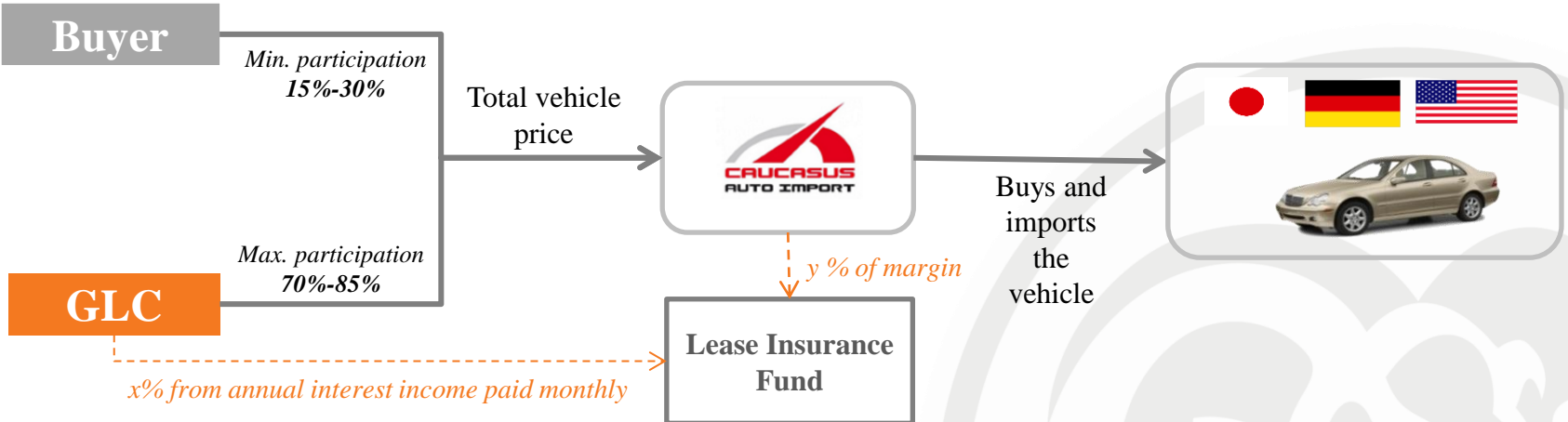
Portfolio Growth - Corporate & SME

Year	Portfolio Amount, GEL 000'	Growth %	Write-off of Assets	Growth % without Write-offs
2015	24,817			
2016	28,991	17%	749	20%
2017	36,617	26%	986	30%
2018	63,775	74%	1,562	78%

Innovative Auto Leasing Scheme with Caucasus Auto Import (CAI)

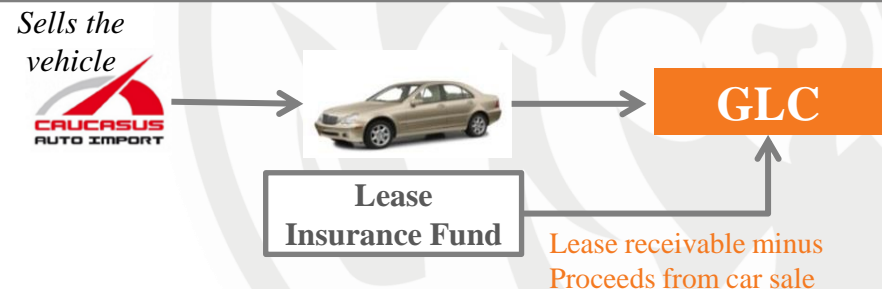
- Strategic partnership with the leading car importer – Caucasus Auto Import. The company is one of the largest second hand car importer, presented on the market since 2004.
- Proposal: Offer customers a quick, easy and cheap import financing solutions for light vehicles by importing cars through GLC leasing service
- Moreover, GLC and CAI have jointly established a Lease Insurance Fund. The fund ensures that GLC risk is covered unless default rate goes over 40%

Illustration of an Example



Event of Default

- In the event of default GLC repossesses the vehicle
- CAI sells the vehicle on behalf of GLC
- Any difference will be covered from the Insurance Fund



“Turbo” – New Business Line with Significant Growth Potential

- Objective to further diversify revenue streams and increase profitability by entering a new market with significant growth potential. The company will target servicing low income customers.
- In order to compete with existing players GLC will offer clients competitive pricing (average interest rate of 35% while market average is at 45%)
- First Turbo branch was opened in September 2017, and has a portfolio of GEL 16.9 mln as of 31/12/2018

What does Turbo do?

Low Income Customer



- Instant Financial/Back Lease
- Average 35% interest rate
- Lease amount to Value 70%-90%
- Average lease length – 5 years
- Security – light vehicle

In the event of default, the vehicles to be sold at a discount or offered for lease to new customers with minimum down payment

Advantages	Results
Higher margins	Accelerated revenue growth
Regional branch network and online lease application platform	Better coverage, increased client number, fast and easy financing procedures
Liquid assets	Fast and easy to manage assets in case of default
New brand to enter new segment (sub-prime clients)	Significant growth and more diversified total lease portfolio

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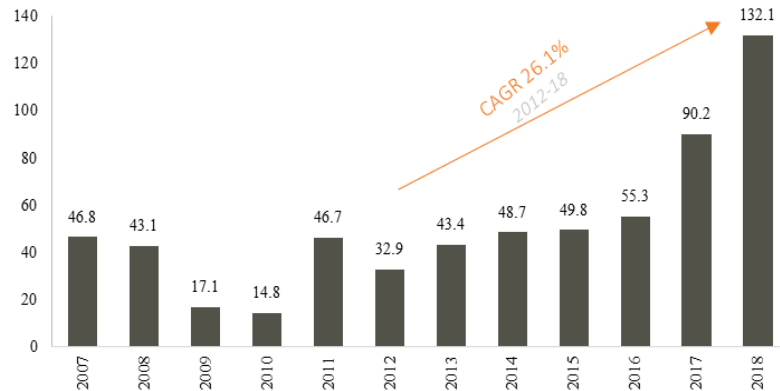
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Industry Overview – Significant Growth Potential

The Georgian leasing sector total portfolio amounted to US\$ 132.1 million, in 2018 (0.9% of GDP)

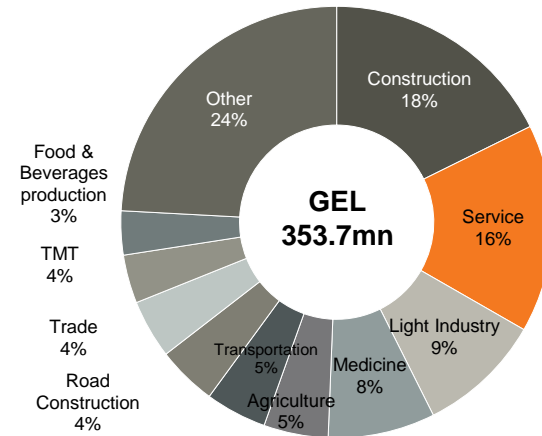
Leasing market development, US\$ million



Source: Company Information

- Georgian Leasing market has been growing steadily since 2012. However, year 2017 and 2018 were significant for the sector with 63% and 46% growths y/y, respectively.
- Following the changes in legislation in 2011, the Georgian leasing sector has grown and reached pre crisis levels in 2014. The new legislation created stronger incentives for companies to lease by allowing them some tax flexibility as well as easier tax procedures for lessees, and reduced effective tax rates for lessors and lessees due to changes in lease accounting treatments.

Leasing market portfolio by sectors, 2018



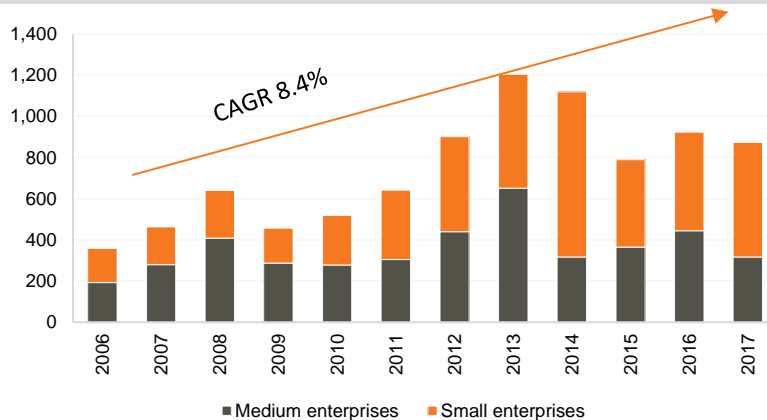
Source: Company Information

- Construction, service, medicine are the largest in terms of leasing activities.
- Portfolio of GLC is comprised of more than 12 different sectors. According to management estimate the company holds overall 27% of the total market share as of 31/12/2018.

Industry Overview – Significant Growth Potential, Cont'd

- Most businesses in Georgia are local SMEs involved in trade and services. The number of registered firms has been growing since 2006. Their number has more than tripled last 10 years on the back of strong GDP growth.
- Economic acceleration forecasted in coming years is expected to further enhance SME business growth and by the same drive increased demand for leasing

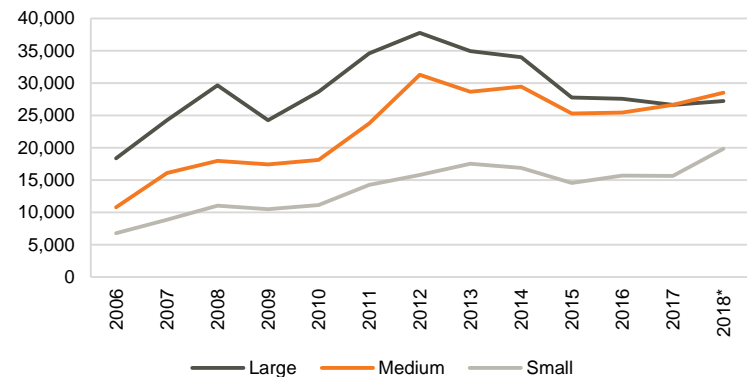
SMEs' Investments in Fixed Assets



Source: Geostat

- The demand for leasing sector in Georgia stems from primarily SMEs as leasing allows them to hold the asset while saving on working capital
- However, public awareness of leasing products and its benefits remains still low in Georgia, which results in relatively weak demand for leasing
- On a positive note, imports of potentially leasable products has increased substantially over the last 5 years, with c. US\$ 218mn worth of goods with leasing potential imported in 2018.

Effectiveness* of Employees in Small, Medium and Large Enterprises, 000' GEL per Employee



*Value of Products issued/Number of Employees

- SMEs employ disproportionately large share of the population compared to their share of production. The effectiveness of employees is higher in large enterprises than in small and medium ones. This is due to the fact that small and medium enterprises invest in new technologies much less than large enterprises do. This fact itself indicates the huge potential for leasing market development.

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Statement of Financial Position with 4 year projection

<i>All Amounts are in Thousands of Georgian Lari</i>	Actual (Audited)		Projected			
	2017	2018	2019	2020	2021	2022
Total Assets	66,207	116,698	183,777	249,103	286,484	295,228
<i>of which</i>						
Finance Lease Receivables (Gross)	46,649	89,221	163,068 ²	229,440	262,921	271,219
Corporate	36,617	63,775	113,060	149,532	170,704	177,592
Retail (CAI)	8,790	16,877	22,604	26,173	27,144	25,727
Turbo	1,242	8,569	27,404	53,735	65,073	67,900
Assets held for leasing purposes	9,446	11,115	14,310	14,628	14,655	14,345
Total Liabilities	48,514	96,053	159,495	209,172	219,807	196,123
<i>of which</i>						
Amounts owed to credit institutions	20,180	55,292	83,653	118,819	142,185	145,880
Debt Securities Issued	26,150	36,941	70,870	85,276	72,532	45,147
Total Equity	17,692	20,645	24,282	39,931	66,678	99,105
<i>of which</i>						
Share Capital	3,180	3,180	3,180	3,180	3,180	3,180
Additional Paid-in Capital	14,895 ¹	15,030	15,251	15,445	15,549	15,549
(Accumulated Deficit) / Retained Earnings	(2,105)	384	4,002	19,737	46,501	78,928
Net Profit / (Loss) for the Period	1,855	2,330	3,618	15,735	26,764	32,427

¹ Equity is considerably increased because JSC Bank of Georgia supervisory board resolution to convert sub-debt and accrued interest in the amount of GEL 12 mln in Q2 of 2017 into equity

² As of June 2019, company's total finance lease receivable is GEL 113 mln

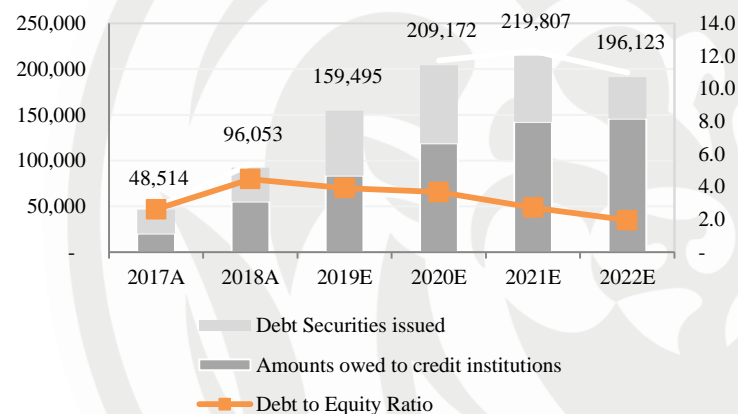
Supportive Shareholder – Improved Capital Structure

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Debt to Equity Ratio	2.62	4.47	6.36	5.11	3.22	1.93

- As a balance sheet-driven business, the Company requires a substantial amount of funding to support steady growth of the leased asset portfolio, fund its operations and repay the debts.
- Company's total liabilities amounted GEL 96 million as of 31 December 2018, which led to the Debt to Equity of 4.47x.

- Per JSC Bank of Georgia supervisory board resolution, Company's equity was increased by USD 5 million by converting outstanding sub-debt and accrued interest in July of 2017.
- The injection of this amount reduced Debt to Equity ratio from 12.5x to 2.6x
- Management expects this ratio to decrease further to 1.93 by 2021, which is a very low indicator for the industry.
- Management assumes that Bonds, that mature in 2020 and in 2021 will be converted to bank loans.** Considering company's projected Debt to Equity ratio by 2021 and 2022, it should not be an issue for the company to repay bonds at maturity.

Liability Distribution, GEL '000



Statement of Profit and Loss with 4 Year Projection

All Amounts are in Thousands of Georgian Lari		Actual (Audited)		Projected			
		2017	2018	2019	2020	2021	2022
Total Interest Income		9,827	16,001	27,770	52,683	68,761	74,194
Growth Rate %			63%	74%	90%	31%	8%
of which							
	Corporate	6,883	10,244	15,269	25,182	30,047	31,994
	Retail (CAI)	2,892	3,795	6,181	9,922	12,338	13,416
	Turbo	52	1,962	6,321	17,580	26,375	28,784
Interest Expense		(3,954)	(4,766)	(10,184)	(17,374)	(20,479)	(19,507)
		-	-	-	-	-	-
Interest Income, net		5,873	11,236	17,587	35,309	48,281	54,687
Net interest Income Margin		60%	70%	63%	67%	70%	74%
Other Operating non-interest income		2,649	1,596	602	1,419	1,620	1,687
Other Operating non-interest expenses		(5,955)	(9,419)	(12,508)	(19,428)	(22,401)	(23,763)
of which		-	-	-	-	-	-
	Salaries and other employee benefits	(1,208)	(1,855)	(2,980)	(3,900)	(4,164)	(4,334)
	Other General and Administrative expenses	(3,761)	(7,100)	(8,617)	(15,167)	(17,877)	(19,070)
	Write down of assets held for leasing purposes	(986)	(464)	(912)	(360)	(360)	(360)
Operating Income		2,567	3,413	5,681	17,300	27,501	32,610
Operating Income Margin %		26%	21%	20%	33%	40%	44%
Other Income/(Expense)		(712)	(1,083)	(2,063)	(1,566)	(737)	(183)
of which		-	-	-	-	-	-
	Impairment Charges	(712)	(1,029)	(2,063)	(1,566)	(737)	(183)
	Tax Benefit (Expense)	-	(54)	-	-	-	-
Net Income/(Loss for the year)		1,855	2,330	3,618	15,735	26,764	32,427

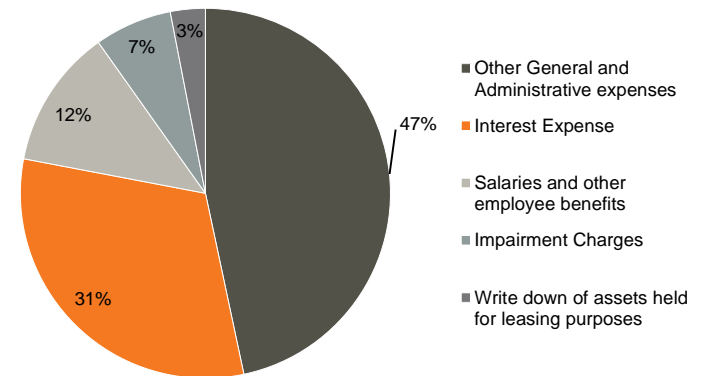
Managed Risks along with Conservative Approach for Expense Projection

- One of the main part of the company expenses is Interest Expense – GEL 4.7 mln for the 2018 year.
- Additional funds are projected to be borrowed at 8%, which represents pessimistic approach of the company, taking into consideration the current conditions on the market

- Impairment Charge for Finance Lease receivables comprised 1.15% of the gross lease receivables as of 31/12/2018;
- PAR rate of the company has reduced from 22.2% in 2015 to 8.7% in 2018

- Other General and Administrative expenses were 47% of total expenses and mainly consisted of insurance, legal and other professional service, marketing and advertising expenses. It is expected that these expenses will increase 28% annually on average which is necessary for portfolio increase and its administration.
- Salaries and other employee benefits increased by 53% in 2017 to GEL 1.85 mln, which was mainly attributable to more staff and good results of the company (as bonuses are linked to company growth and profitability)

Share of the Expenses per Types, 2018



Dynamic of PAR, yearly

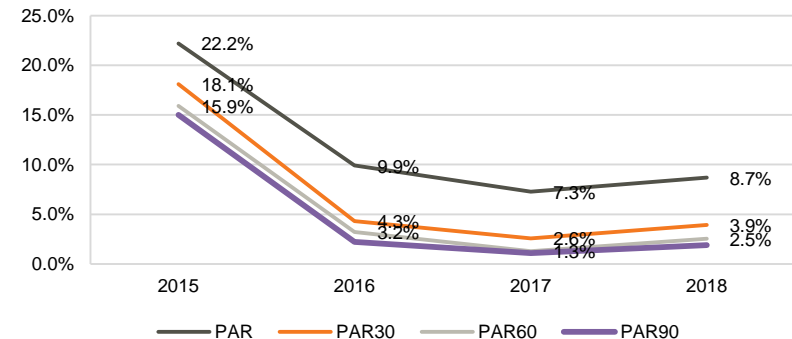


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Consolidated Statement of Financial Position (Audited)

Consolidated Statement of Financial Position (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
ASSETS				
Cash and cash equivalents	4,608	1,278	3,541	1,178
Restricted cash	-	-	2,794	-
Finance lease receivables	94,164	48,333	88,081	45,424
Assets held for leasing purposes	13,130	10,292	11,115	9,446
Prepayments for assets held for leasing purposes	4,000	6,218	6,112	6,307
Property plant and equipment	767	447	750	413
Right of use assets	1,050	-	-	-
Investment property	2,764	2,745	2,754	2,745
VAT and other taxes payable	-	439	-	-
Other Assets	1,837	683	1,551	694
Total Assets	122,320	70,435	116,698	66,207
Liabilities				
Loans payable	58,686	24,897	55,292	20,179
Debt securities issued	38,138	23,953	36,941	26,151
Right of use liabilities	1,100	-	-	-
Advances from customers	1,216	1,473	2,606	1,160
Current income tax payable	-	-	54	-
VAT and other taxes payable	63	-	63	131
Other liabilities	872	923	1,098	893
Total Liabilities	100,076	51,246	96,053	48,514
Equity				
Charter capital	3,180	3,180	3,180	3,180
Additional paid-in capital	15,065	14,925	15,030	14,895
(Accumulated losses) / retained earnings	4,278	1,217	2,714	(250)
Other reserve	(279)	(133)	(279)	(133)
Total equity	22,244	19,189	20,645	17,693
Total liabilities and equity	122,320	70,435	116,698	66,207

Consolidated Statement of Profit or Loss (Audited)

Consolidated Statement of Profit or Loss (000' GEL)	Unaudited 2019 1Q	Unaudited 2018 1Q	Audited 2018	Audited 2017
Interest income				
Finance income from leases	5,705	2,814	16,001	9,827
Cash and cash equivalents	42	15	119	58
Interest expense				
Interest expense on ROUL	(20)	-	-	-
Loans payable	(1,131)	(390)	(2,505)	(1,568)
Debt securities issued	(669)	(457)	(2,261)	(2,386)
Net interest income	3,927	1,982	11,355	5,931
Impairment charge for interest earning assets	(110)	(191)	(932)	(712)
Impairment charge for other assets	-	-	(97)	-
Net interest income after impairment charge for finance lease receivables	3,817	1,790	10,325	5,219
Income from penalties on finance lease receivables	393	230	983	669
Rent income from investment property	-	42	84	169
Net loss on revaluation of investment property	-	-	19	257
Net loss from foreign currency translation	61	141	(556)	663
Other income	303	109	947	833
Operating income	4,574	2,312	11,803	7,810
Other general and administrative expenses	(2,470)	(1,311)	(7,100)	(3,761)
Salaries and other employee benefits	(556)	(315)	(1,855)	(1,208)
Write-off of assets held for leasing purposes	18	(3)	(464)	(986)
Operating expenses	(3,008)	(1,629)	(9,419)	(5,955)
Income before income tax expense	1,567	683	2,384	1,854
Income tax (expense)/ benefit	(2)	-	(54)	-
Net income for the year	1,565	683	2,330	1,854
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-	-	-
Unrealized gains on investment securities available-for-sale	-	-	-	(14)
Realized gains on investment securities available-for-sale	-	-	-	-
Income tax effect	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	(14)
Total comprehensive loss for the year	1,565	683	2,330	1,840