
Water Utility Business

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Georgia Capital Investor Day
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Agenda

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- **Utility market overview**
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- **Electricity market deregulation**
- **Electricity market sales**
- **Water utility business 5-year view**
- **Key takeaways**

Water utility business overview



At a glance

Ownership: 100% Georgia Capital (GCAP)



Natural monopoly in water utility
servicing c. 1.4m population



Hydros linked to utility – 152MW

Zhinvali
130MW

Tetrikhevi
12MW

Saguramo
4.4MW

Pshavela
2.9MW¹

Bodorna
2.5MW

EBITDA 2018: GEL 83m
Revenue 2018: GEL 149m

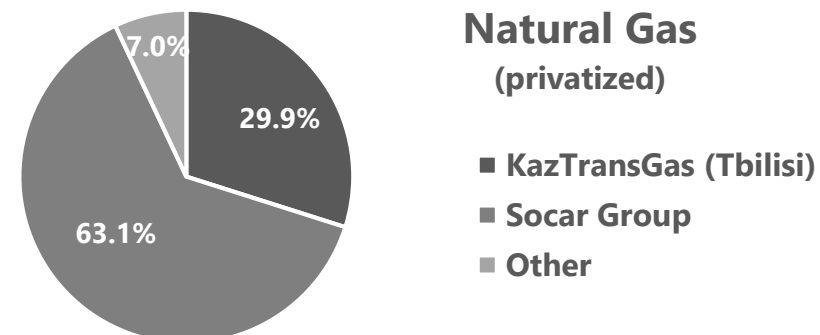
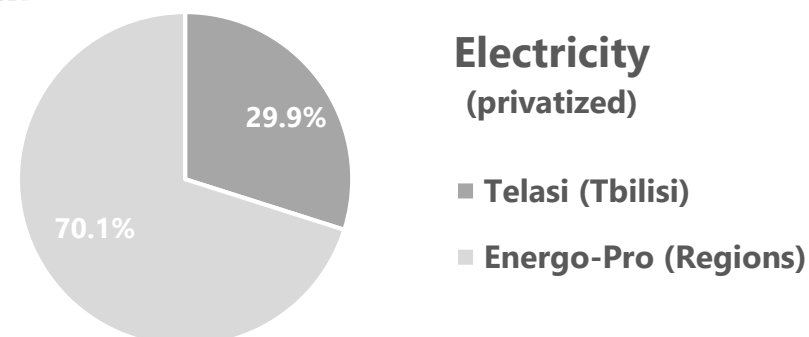
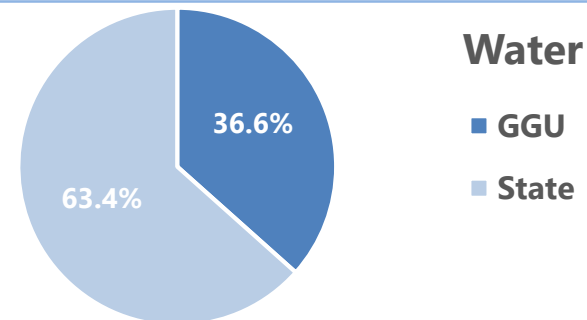
Note 1: Under operating lease

Utility market overview

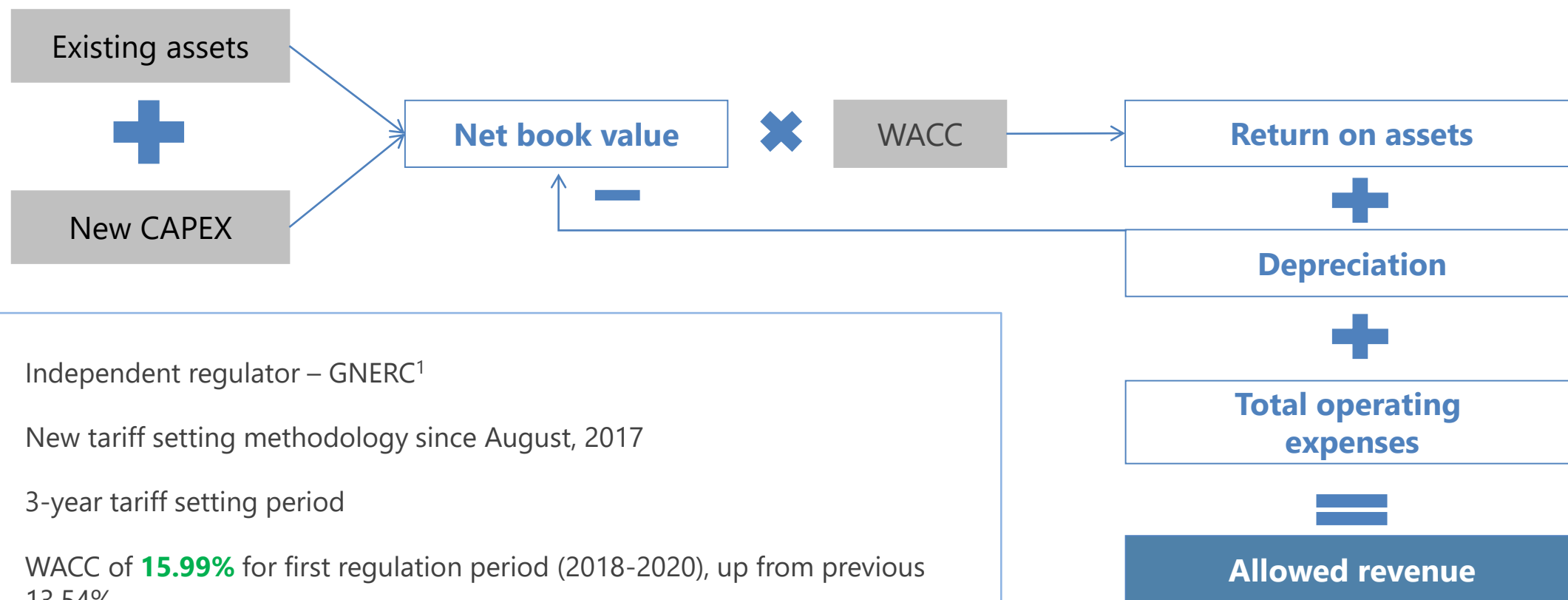
Industry highlights

- Sectoral output increasing at a robust growth rate (on average 9.5% in the last 10 years)
- Majority of sector players are natural monopolies
- High barriers to entry
- EU harmonization reforms in progress
- GGU – only profitable player on Georgia's WSS market
- Other water utilities heavily subsidized by state

Coverage by population



Utility market overview



Note 1: Georgian National Energy and Water Supply Regulatory Commission (GNERC) is an independent body that regulates the utilities market

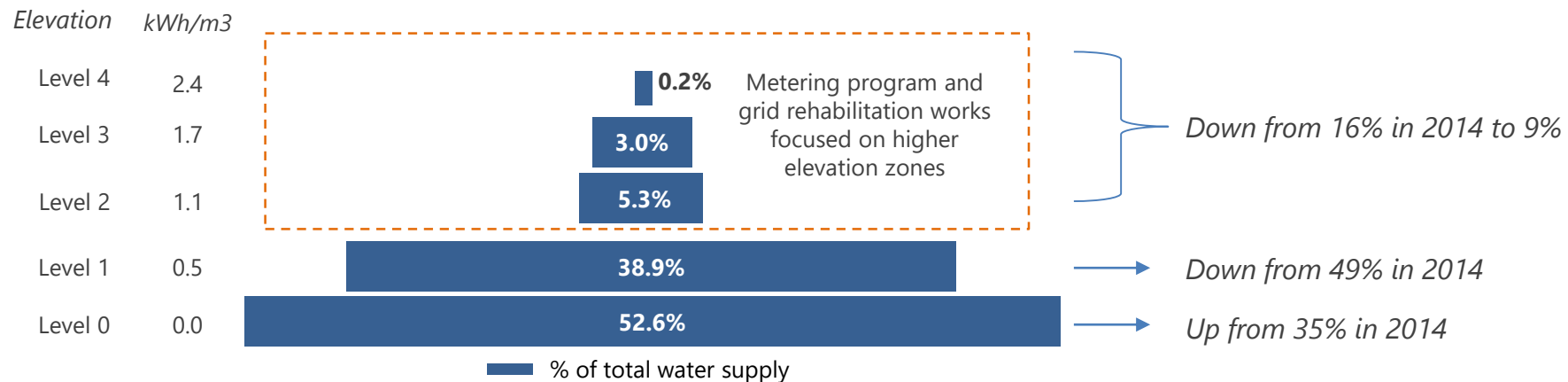
Water utility business highlights

Key facts

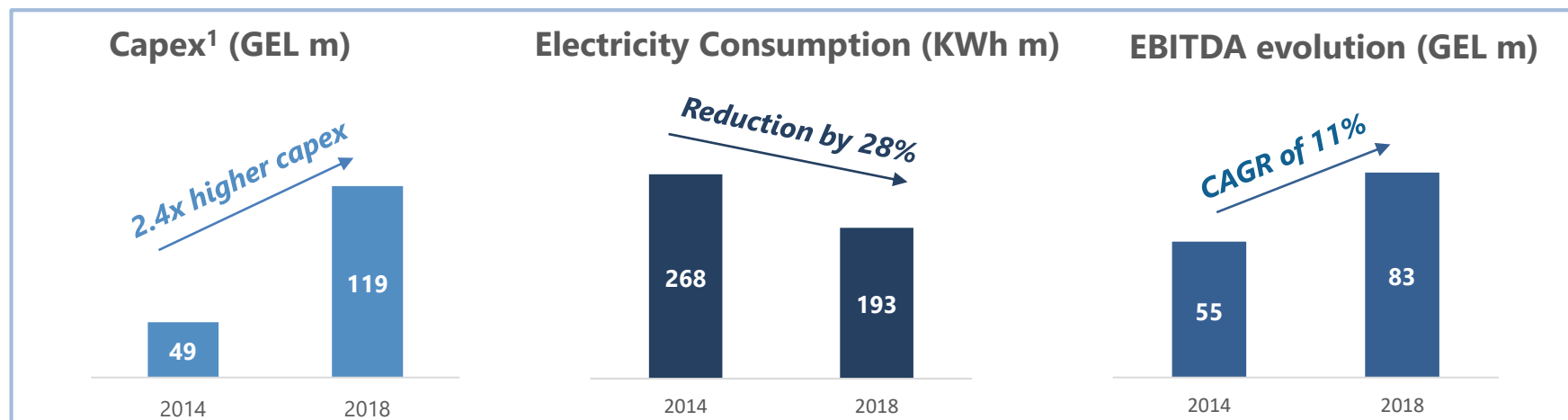
- In May 2019 exited Privatization Agreement with the Government
- Clean title over shares and assets
- Fully renovated wastewater treatment plant
- High collection rates (c. 96%)
- 24-hour water supply

Water utility business highlights

Efficiency gains (2018)



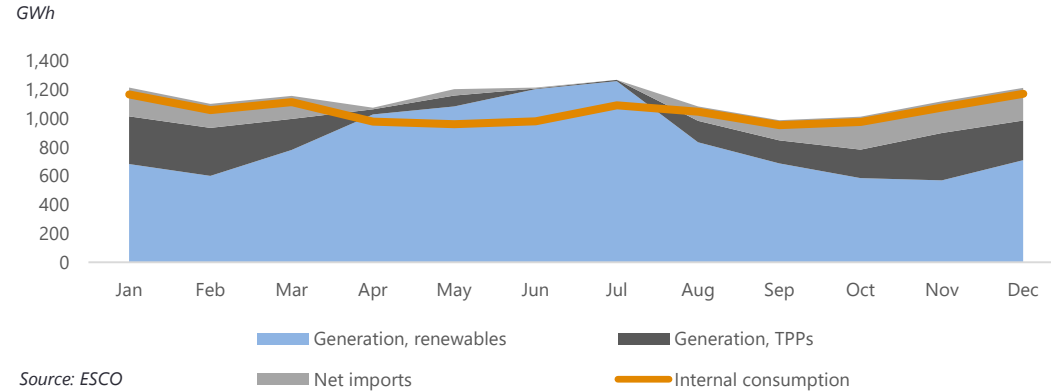
Performance track record



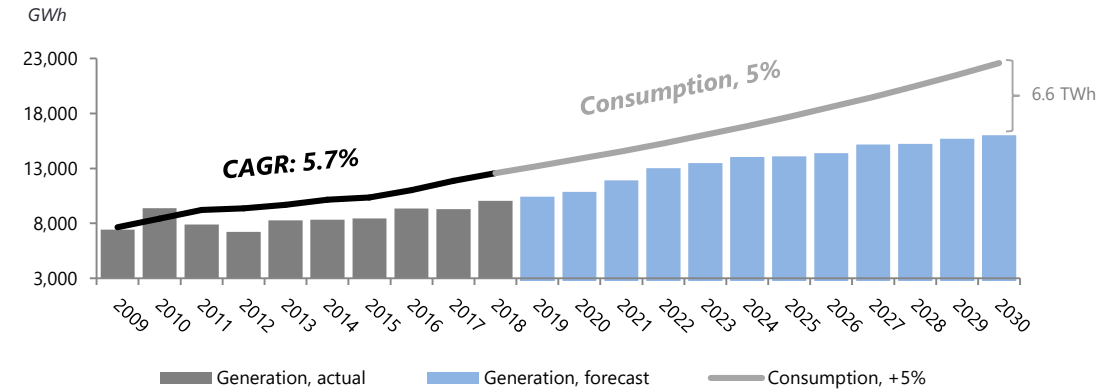
Note 1: 2018 Capex excludes one-offs (rehabilitation of wastewater treatment plant and construction of Bodorna HPP) in the amount of c. GEL 52m

Electricity market overview

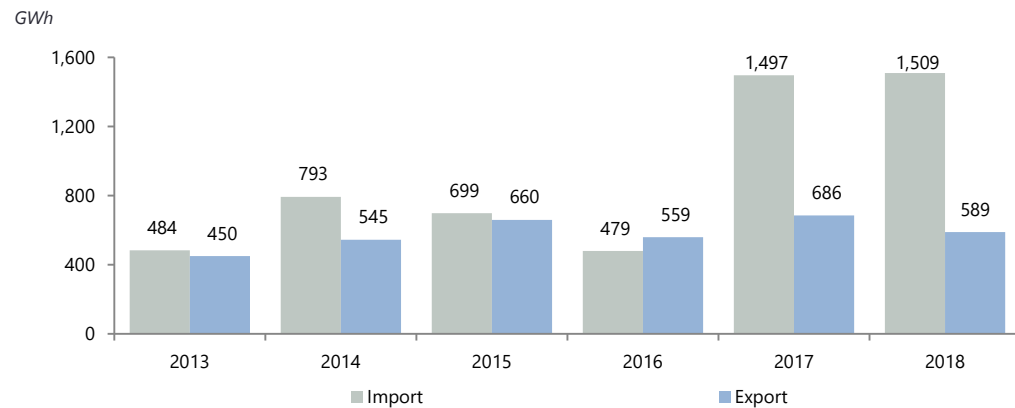
Electricity supply and consumption, 2018



Market opportunity



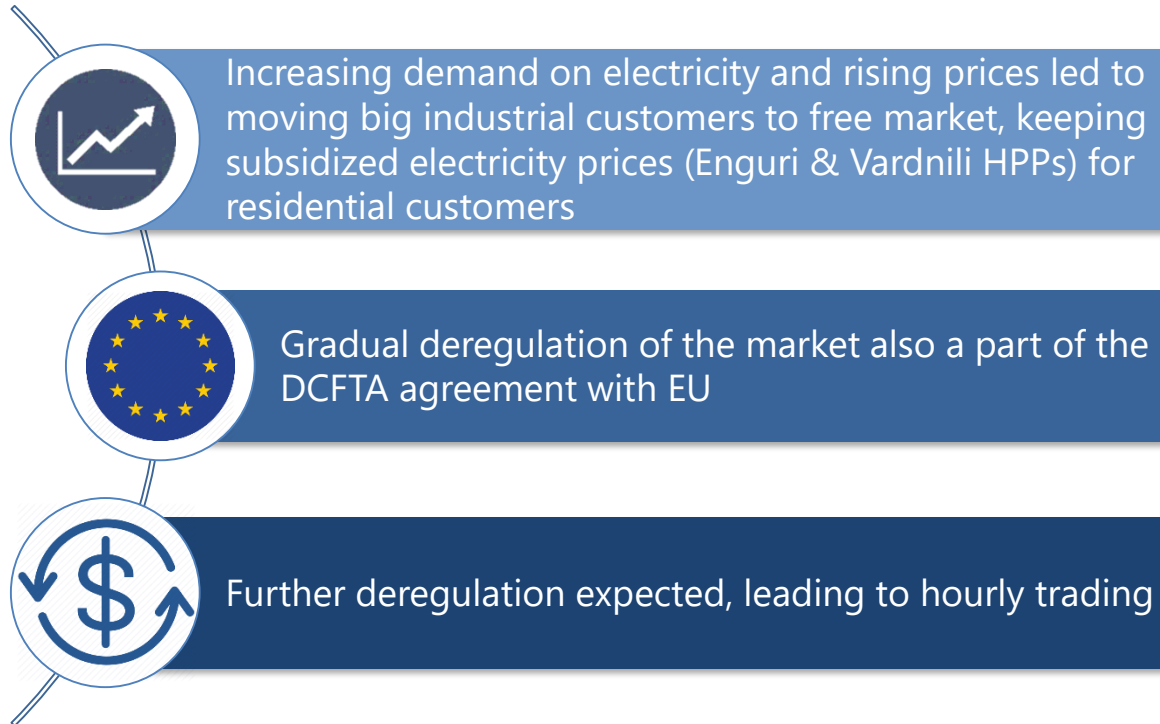
Import-export dynamics



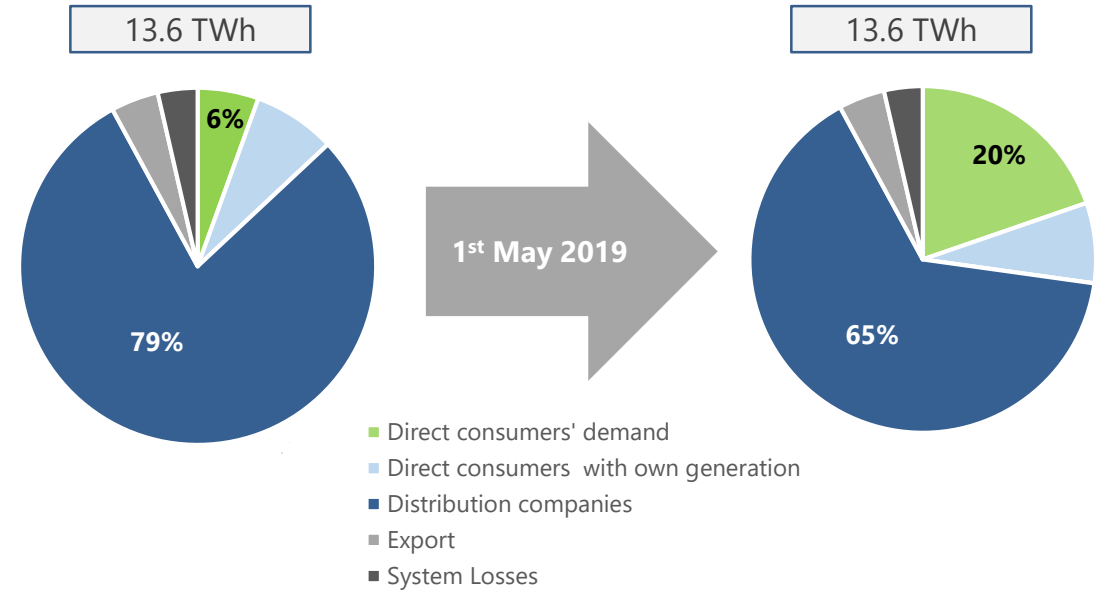
- Electricity deficit occurs during August-April
- 16.8% of total consumption is produced by gas-fired TPPs, 12.0% is imported
- Growth of internal consumption was 7.7% in 2017 (9.7% and 14.4% growth in July and August) and 6.1% in 2018 (10.8% and 1.0% in July and August)
- Deficit is anticipated at least of 6.6 TWh by 2030

Electricity market deregulation

Rationale for deregulation



Effect of new consumers on the market



Deregulation in May 2019 enabled the company to immediately increase the selling price per KWh by at least 1.5x

Electricity market sales

Electricity sales growth drivers			
	2018	2019F	2023F
Generation, GWh	324	395	443
Own consumption, GWh	193	174	165
Available for sale, GWh	131	221	278
Selling price, Tetri/KWh	6.9	10.5	13.5
Revenue, GEL m	9.0	23.1	37.5

We expect 2.6x growth in electricity sales revenue in 2019, due to deregulation effect on sales price and normalized generation

Water utility business 5-year view

Numbers are given in GEL million

	2018	CAGR over 2018-2023	2023
Revenue	149	+7.4%	212
<i>Revenue, water</i>	140	+4.6%	175
<i>Revenue, energy</i>	9	+32.7%	37
EBITDA	83	+11.3%	142
Net debt	307	+8.9%	470
Capex	119 ¹	-7.9%	79

Note 1: 2018 Capex excludes one-offs (rehabilitation of wastewater treatment plant and construction of Bodorna HPP) in the amount of c. GEL 52m

Key takeaways



Value Creation

Stable revenue streams and dividend distribution capacity



Favorable environment

Transparent and investor-friendly price control policies
High barriers to entry due to natural monopolies

Diversification Benefit

Upside opportunity from efficiency gains leading to increased electricity sales and diversified revenue streams



Energy market deregulation

Deregulated market leading to increased electricity prices and more liquid market



Questions?

Forward looking statements

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