



სადავო-საბაიერიზო კომპანია  
GEORGIAN LEASING COMPANY

## **Bond Presentation**

August, 2017



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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	10 bonds
Maturity	3 Years
Coupon Range	6.5%-7.25% per annum, (To be determined during book-building)*
Coupon Payment	Semi Annual
Issue Date	August, 2017
Issue price	100% of the principal amount (nominal value) of the Bonds
Selected Financial Covenants	<ul style="list-style-type: none"> <li>▪ Indebtedness : Maintain total indebtedness of the excluding unsecured contingent liabilities arising in the ordinary course of business at less than 80% (eighty per cent) of the total consolidated assets of the Group;</li> <li>▪ Restricted payments: when aggregated with all other restricted payments previously made on or after 31 December 2016, but prior to the issue date, exceeds 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 2016 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2016 of any Indebtedness of the Issuer into or for share capital of the Issuer;</li> </ul>
Use of Proceeds	The net proceeds received by the Company from the issuance of the Bonds will be used for refinancing existing bonds (ISIN: GE2700603246)
Governing Law	Georgian law
Listing	Georgian Stock Exchange
Placement Agent	JSC Galt & Taggart

\* Income tax applies if free float is not determined

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# GLC at a Glance

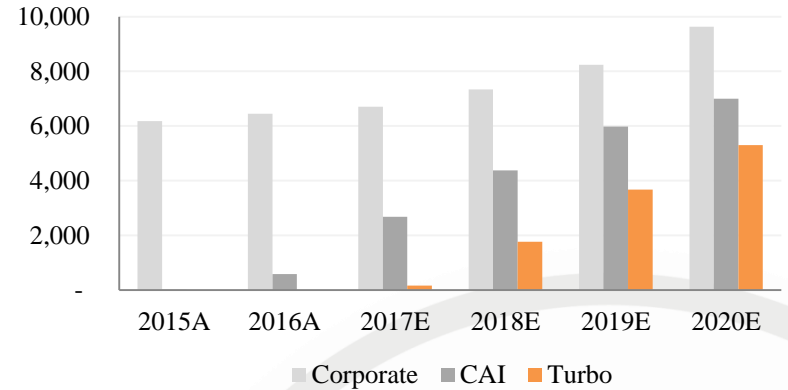
Established in 2001, GLC was the first Company to offer leasing services in Georgia. With the total portfolio amounting **GEL 37mln** as of 31/12/2016 GLC comprises **25% of the market share**. Diversified through more than 12 business sectors, portfolio accounts for 702 active clients. The Company currently has 32 employees.

In 2016, the company revenue consists of three main business lines:

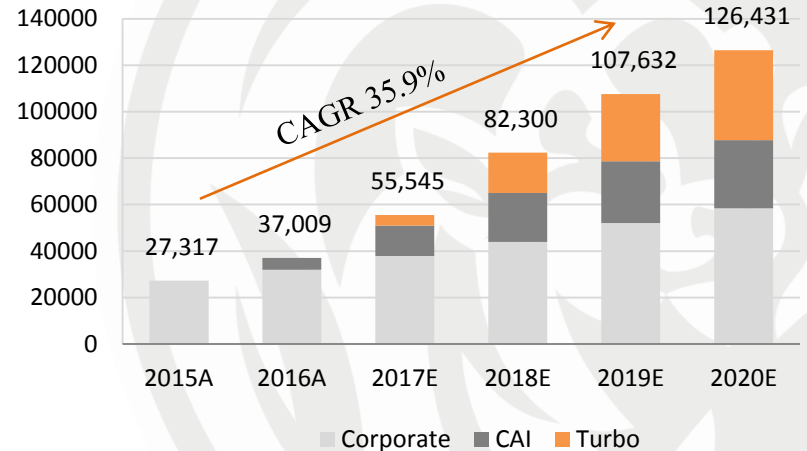
- **Corporate Lease:**
  - Portfolio -GEL 32 mln;
  - Revenue - GEL 5 mln;
  - Average interest rate - 15%
  
- **Auto Leasing Partnership with Caucasus Auto Import (CAI)**
  - Launched in 2015;
  - Portfolio - GEL 5 mln;
  - Revenue - GEL 0.5 mln;
  - Average interest rate - 17%;
  
- **Turbo**
  - To be launched in August 2017;
  - Projected Portfolio - GEL 45 mln by 2020;
  - Projected average interest rate - 40%;

Total portfolio showed growth rates of 28% and 29% in 2015 and 2016 respectively;

**Revenue Distribution, Gel '000**



**Portfolio Distribution, Gel '000**



# Significant growth potential supported by strong management

Market with  
Significant Growth  
potential

- Attractive macro: Georgian market, one of the fastest growing countries in Eastern Europe
- Room for expansion:
  - Leasing sector remains underdeveloped in Georgia
  - Leveraging on an established brand name, potential for introducing new innovative products for different client groups (retail/corporate)
- Positive changes in Tax and civil codes: Simplified tax administration for lessees and recent income tax reform will result in further growth of leasing market

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
- Increased market share through aggressive pricing strategy - management plans to accelerate growth of portfolio by offering decreased interest rates in the following years
- Entering new market - introducing new brand “Turbo” on the market to compete with existing MFOs and enter the segment of high yield car leases for sub-prime customers

Strategic  
Partnerships

- Partnership with the leading car importer and retailer
- 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 100% shareholder - JSC Bank of Georgia

# Steadily growing existing portfolio along with new market opportunities

## Corporate and SME Lease

- Comprises 86% of the total portfolio in 2016
- Well diversified – customers from more than 12 business sectors
- Demonstrated 11% and 29% portfolio growth rates respectively in 2015 and 2016;

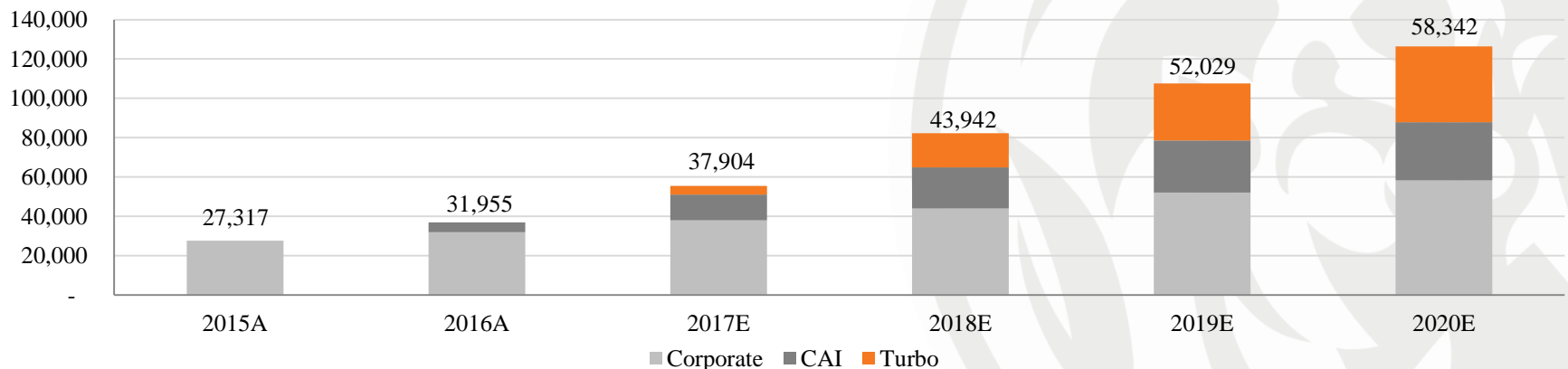
## Auto Leasing partnership with CAI

- New product with significant growth potential
- Exclusive contract with the leading player on second hand car import and retail market (CAI)
- Positive track record - After only one year of operations portfolio amounted GEL 5 mln comprising 14% of the total company's portfolio

## New Brand "Turbo"

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

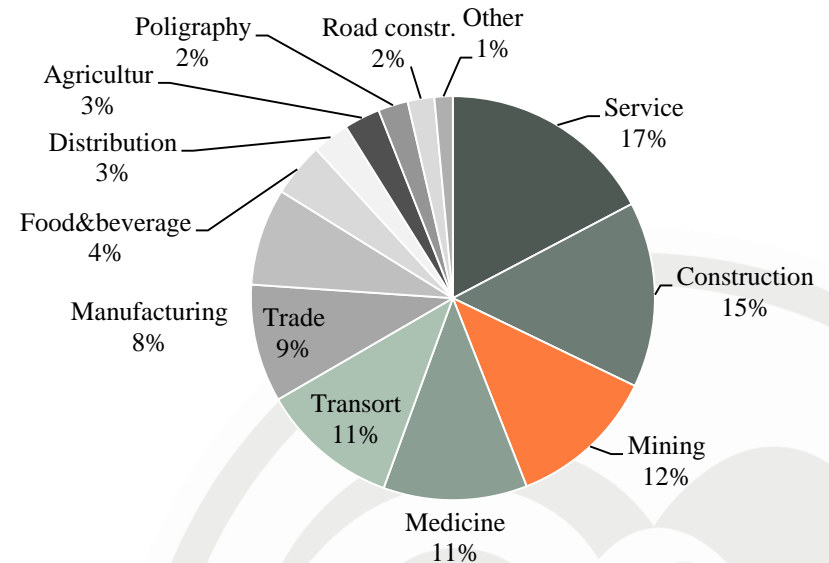
### Portfolio Distribution, Gel '000



# Corporate and SME Lease - Revenue stream with significant growth potential

- Corporate and SME revenue stream comprises major part of the Company portfolio and revenue, respectively 86% and 91% in 2016
- Well diversified portfolio – The Company covers more than 12 industries.
- Despite significant growth, 2015 and 2016 were also characterized with significant level of write-offs, respectively GEL 3.1m and GEL 0.7m. 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 than, 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.
- Despite the above mentioned write-offs, Corporate leasing line showed steadily growing portfolio trend 11% and 29% for the FY 2015 and 2016 respectively. Growth rate excluding the effect of asset write-offs equals 25% and 32% for 2015 and 2016

## Corporate leasing portfolio, 2016



## Portfolio Growth - Corporate & SME

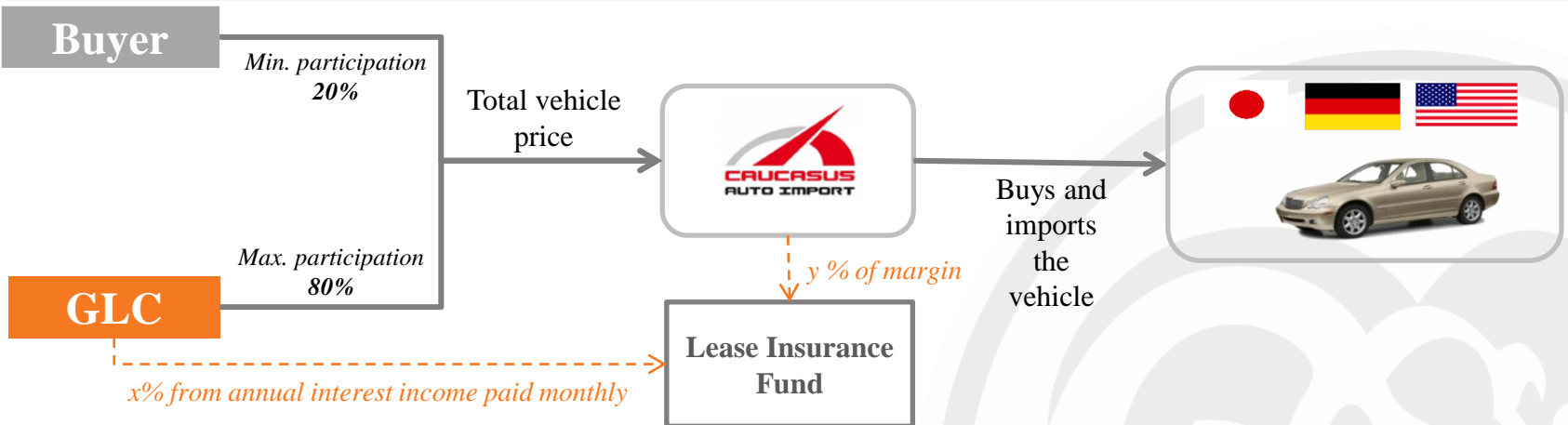
Year	Portfolio Amount, GEL	Growth %	write-off of assets	Growth % without write-off
2014	22,374,331			
2015	24,816,739	11%	3,142,972	25%
2016	31,954,666	29%	749,153	32%



# Innovative Auto Leasing Scheme with Caucasus Auto Import (CAI)

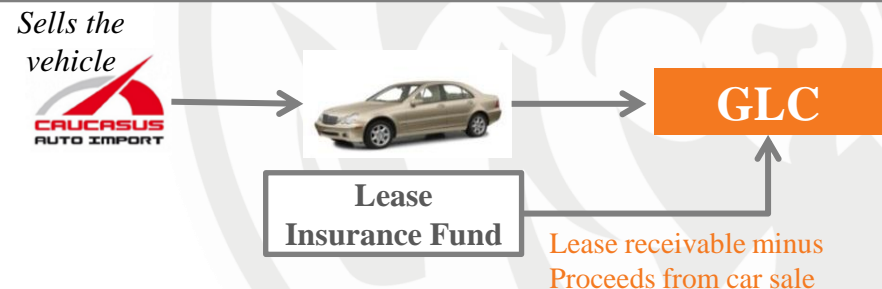
- Strategic partnership with the leading car importer – Caucasus Auto Import. The company is one of the largest second hand car importer, presented on the market since 2004.
- Proposal: Offer customers a quick, easy and cheap import financing solutions for light vehicles by importing cars through GLC 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 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 40% while market average is at 60%)
- First Turbo branch will open in August 2017, followed by 2 branches in 2018 and one in 2019

### What does Turbo do?

#### Low Income Customer



- Instant Financial/Back Lease
- Average 40% 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

### Created Opportunities

### Result

Much higher margins with average annual rate at 40%	Accelerated Portfolio and revenue growth
Branches in four new locations as well as online sales opportunity	Better customer communication, increased client number
In the event of default, security – light vehicle	More liquid, easy to manage asset in a possession
New brand tailored for different client group - sub-prime customers	More diversified portfolio and significant growth potential
Increased company awareness due to marketing activities for new brand promotion	Increased number of clients, future portfolio growth potential;



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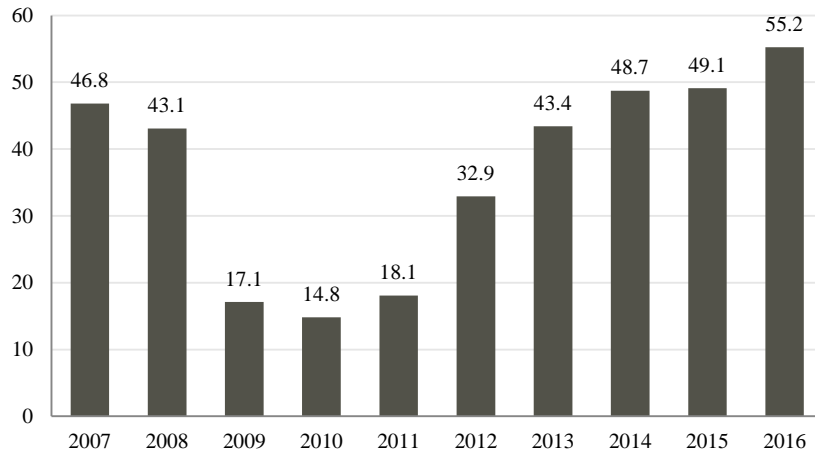
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# Industry Overview – Significant Growth Potential

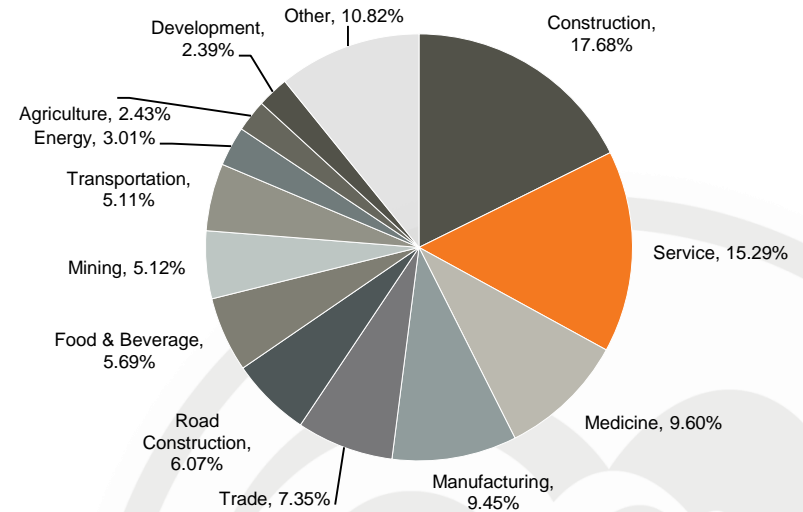
The Georgian leasing sector total portfolio amounted to US\$ 55.2 million, in 2016 (0.4% of GDP)

**Leasing market development, US\$ million**



- In 2007 the Georgian Leasing market represented GEL 47m. 2008 Conflict between Russia and Georgia had a major negative impact on the sector – market was halved in size and remained stable throughout 2009-2011
- 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, 2016**

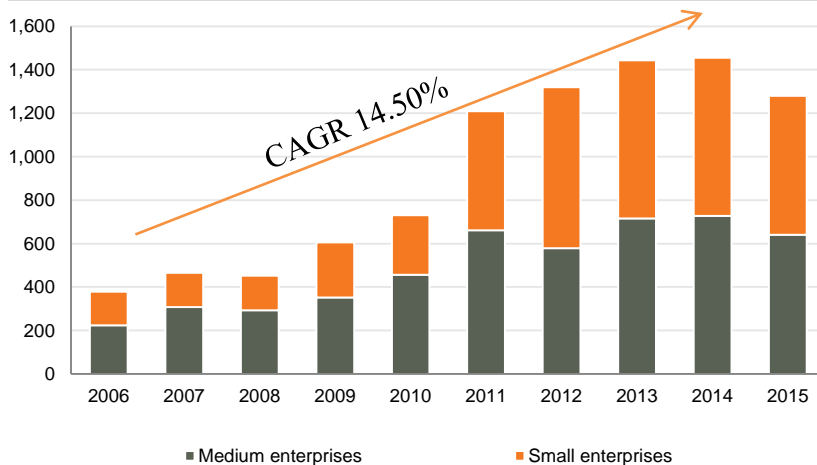


- Construction, service, medicine, manufacturing and trade sectors are the largest in terms of leasing activities.
- Portfolio of GLC is comprised of more than 12 different sectors, holding overall 25% of the total market share as of 31/12/2016.

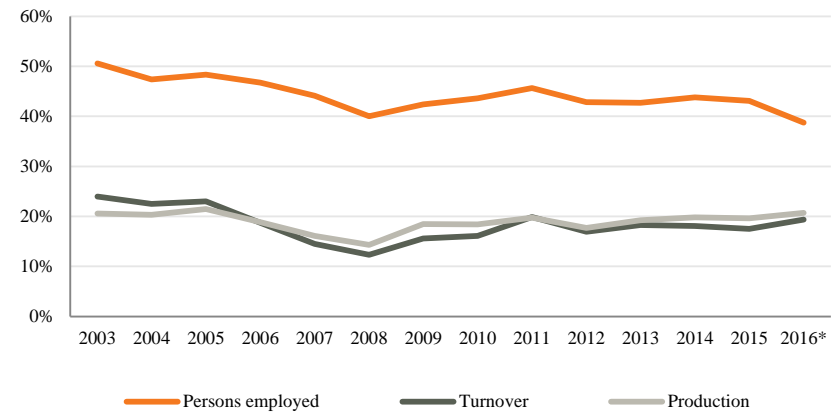
## Industry Overview – Significant Growth Potential, Cont'd

- 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 doubled 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

Value added by SMEs, US\$ million



SMEs share in total turnover, production and employment



- SMEs, which are the main driver behind growth in leasing demand, have increased their turnover by 4.5x over the past decade to reach US\$ 4.2 billion in 2016.
- Nominal GDP is expected to grow from current USD14.3bn to USD23.5bn (more than 60% growth), which will result in respective growth of SME.

- SMEs employ disproportionately large share of the population compared to their share of production. In Q4 2016, they employed 38.7% of the total workforce but had more limited share of turnover and production at just 19% and 20%, respectively. The gap is a reflection of the previous low acceptance rates among SMEs of new technologies designed to improve labor efficiency, which indicates further growth opportunities for the leasing industry.

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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			
	2015	2016	2017	2018	2019	2020
<b>Total Assets</b>	<b>45,314</b>	<b>51,158</b>	<b>68,391</b>	<b>91,862</b>	<b>114,493</b>	<b>131,175</b>
<i>of which</i>						
<i>Finance Lease Receivables, net</i>	26,273	32,612	48,331	74,976	100,222	118,970
<i>Corporate</i>	26,207	31,955	37,904	43,942	52,029	58,342
<i>CAI</i>	2,533	5,054	13,101	20,994	26,552	29,442
<i>Turbo</i>	-	-	4,540	17,365	29,051	38,647
<i>Assets Repossessed</i>	8,858	11,156	10,145	9,524	9,584	10,276
<b>Total Liabilities</b>	<b>40,631</b>	<b>47,595</b>	<b>51,521</b>	<b>71,245</b>	<b>83,776</b>	<b>84,290</b>
<i>of which</i>						
<i>Amounts owed to credit institutions</i>	15,815	17,729	20,592	40,313	52,811	79,719 <sup>2</sup>
<i>Debt Securities issued</i>	22,696	26,905	26,396	26,396	26,396	-
<b>Total Equity</b>	<b>4,683</b>	<b>3,563</b>	<b>16,870<sup>1</sup></b>	<b>20,617</b>	<b>30,717</b>	<b>46,886</b>
<i>of which</i>						
<i>Share capital</i>	3,180	3,180	3,190	3,190	3,190	3,190
<i>Additional Paid-in Capital</i>			12,004 <sup>1</sup>	12,004	12,004	12,004
<i>Retained earnings / (accumulated deficit)</i>	5,656	1,553	424	917	4,664	14,763
<i>Net profit / (loss) for the period</i>	(4,102)	(1,130)	493	3,747	10,099	16,169

<sup>1</sup> Equity is considerably increased due to JSC Bank of Georgia supervisory board resolution to convert sub-debt and accrued interest in the amount of GEL 12,004 thousand in Q2 of 2017 into equity

<sup>2</sup> For the year 2020 Debt Securities Issues (bonds) are projected to be refinanced with the Borrowed funds from credit institutions.

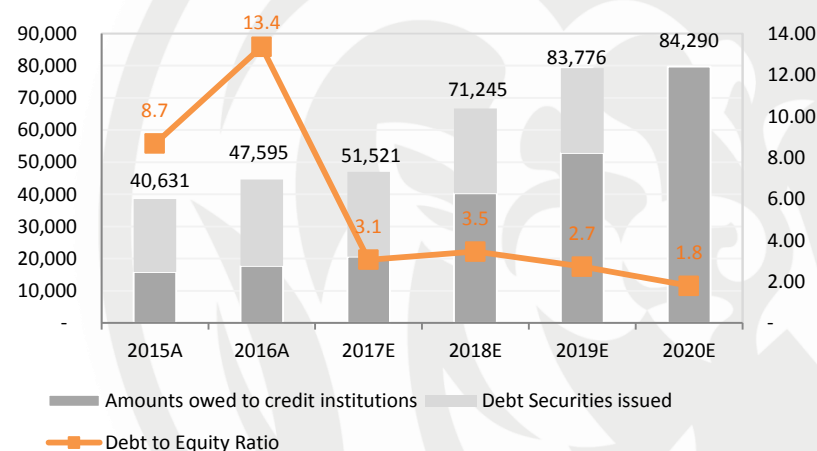
## Supportive Shareholder – Improved Capital Structure

<i>All Amounts are in Thousands of Georgian Lari</i>	Actual (Audited)		Projected			
	2015	2016	2017	2018	2019	2020
<b>Total Liabilities</b>	<b>40,631</b>	<b>47,595</b>	<b>51,521</b>	<b>71,245</b>	<b>83,776</b>	<b>84,290</b>
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<b>Debt to Equity Ratio</b>	<b>8.68</b>	<b>13.36</b>	<b>3.05</b>	<b>3.46</b>	<b>2.73</b>	<b>1.80</b>

- 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 GEL47.6 million as at 31 December 2016 and GEL40.6 million as at 31 December 2015, which led to the gearing ratio of 8.7x and 13.36x respectively.

- 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.
- Sub-debt as of 31/12/2016 amounts GEL 12,002 thousand including accrued interest.
- This equity injection will reduce the gearing of the company to 3.05.
- Management expects this ratio to decrease further to 1.80 by 2020, which is a very low indicator for the industry.
- Bonds, that mature in 2020 are assumed to be converted to a bank loan.** Considering company's projected leverage ratio by 2020, 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

<i>All Amounts are in Thousands of Georgian Lari</i>		Actual (Audited)		Projected			
		2015	2016	2017	2018	2019	2020
<b>Total Interest Income</b>		<b>5,752</b>	<b>6,586</b>	<b>9,938</b>	<b>18,082</b>	<b>27,494</b>	<b>35,987</b>
<i>Growth Rate %</i>			14%	51%	82%	52%	31%
<i>of which</i>							
	Corporate			6,362	5,298	5,860	6,843
	CAI			1,335	3,160	4,257	4,966
	Turbo			405	4,597	9,538	13,788
<b>Interest Expense</b>		<b>(3,345)</b>	<b>(3,765)</b>	<b>(3,889)</b>	<b>(3,973)</b>	<b>(4,790)</b>	<b>(5,901)</b>
<b>Interest Income, net</b>		<b>2,094</b>	<b>4,039</b>	<b>6,918</b>	<b>14,110</b>	<b>22,704</b>	<b>30,085</b>
<i>Net Interest Income Margin %</i>		36%	61%	70%	78%	83%	84%
<b>Other Operating non interest expenses</b>		<b>(6,059)</b>	<b>(3,983)</b>	<b>(4,647)</b>	<b>(6,565)</b>	<b>(8,310)</b>	<b>(9,738)</b>
<i>of which</i>							
	Salaries and other employee benefits	(404)	(1,043)	(1,300)	(1,519)	(1,777)	(1,933)
	Selling and administrative expenses	(2,512)	(2,191)	(2,118)	(2,947)	(4,176)	(5,257)
	Write down of assets held for leasing purposes	(3,143) <sup>1</sup>	(749) <sup>1</sup>	-	-	-	-
<b>Operating Income</b>		<b>(3,965)</b>	<b>56</b>	<b>2,271</b>	<b>7,545</b>	<b>14,394</b>	<b>20,347</b>
<i>Operating Income Margin %</i>		N/A	0.9%	23%	42%	52%	57%
<b>Other Income/(Expenses)</b>		<b>(137)</b>	<b>(1,186)</b>	<b>(1,778)</b>	<b>(3,798)</b>	<b>(4,294)</b>	<b>(4,178)</b>
<i>of which</i>							
	Impairment Charges	(474)	(459)	(1,736)	(3,270)	(3,336)	(3,366)
	Tax Benefit/(expense)	337	(727)	-	-	-	-
<b>Net Income/ (loss) for the year</b>		<b>(4,102)</b>	<b>(1,130)</b>	<b>493</b>	<b>3,747</b>	<b>10,099</b>	<b>16,169</b>

<sup>1</sup> Assets held for sale for leasing purposes were written-off in the amount of GEL 3.1 million and GEL 0.7 million in 2015 and 2016 respectively. AS a result, currently assets are valued at a Fair Value, acceptable by company's current auditors and no significant write-offs are expected in the following years.

# Key Growth Drivers

All Amounts are in Thousands of Georgian Lari	Actual (Audited)		Projected				CAGR
	2015	2016	2017	2018	2019	2020	2017 - 2020
<b>Gross Portfolio (including prepayments)</b>	<b>28,740</b>	<b>37,009</b>	<b>55,545</b>	<b>82,300</b>	<b>107,632</b>	<b>126,431</b>	<b>32%</b>
Corporate	26,207	31,955	37,904	43,942	52,029	58,342	15%
CAI	2,533	5,054	13,101	20,994	26,552	29,442	31%
Turbo	-	-	4,540	17,365	29,051	38,647	104%

## Corporate

By 2020 in GEL '000 :

- Average Interest Income : 6,843
- Total Portfolio volume : 58,341
- % of total portfolio: 46%

- Decrease of the Interest rate on corporate portfolio from 15% to 13%, which as a result will increase portfolio and interest income in a long term;
- Aggressive Marketing Strategy to increase product awareness;
- Asset based financing approach;

## CAI

By 2020 in GEL '000 :

- Average Interest Income : 4,966
- Total Portfolio volume : 29,442
- % of total portfolio: 23%

- Planned marketing activities for better brand awareness, which is currently on-going; (both companies contribute)
- Product is in the growth stage of product life cycle, thus sharp increase of the profitability is expected;

## Turbo

By 2020 in GEL '000 :

- Average Interest Income : 5,303
- Total Portfolio volume : 38,647
- % of total portfolio: 31%

- Planned marketing activities for increased brand awareness;
- Attracting completely new segment of customers;
- High yield income with liquid collateral;

# Managed Risks Along With Conservative approach for expense projection

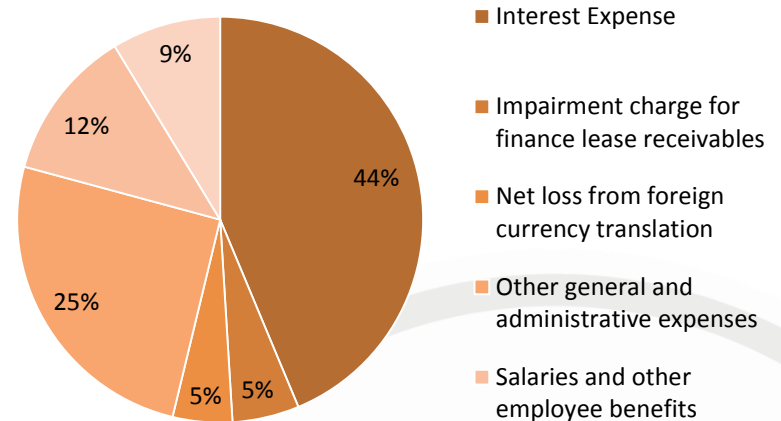
- Main Part of the company expenses is Interest Expense – GEL 3,7m as of 31/12/2016.
- Additional funds are projected to be borrowed at 8%, which represents pessimistic approach of the company, taking into consideration the current conditions on the market

- Impairment Charge for Finance Lease receivables comprised 1.41% of the gross lease receivables as of 31/12/2016;
- PAR rate of the company has reduced from 22.21% to 9.98% as of 2015 and 2016 years respectively
- 3.32% and 2.81% of the Lease Receivables were provisioned for lease losses as of 31 December 2015 and 2016 respectively. Despite the switch to the better risk mitigation scheme, Company uses realistic approach and assesses 2.34% of the receivables to be provisioned for the first quarter of 2017.

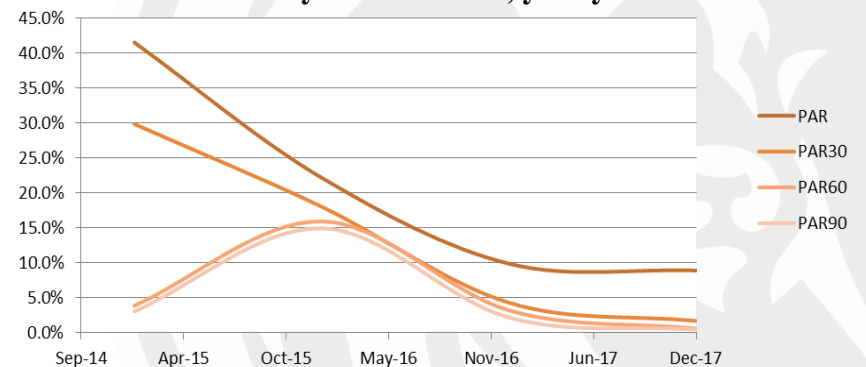
- As of 31/12/2016 company had foreign exchange losses of nearly GEL 410 thousand.
- Using conservative approach, Company used the foreign exchange rate of 2.60 GEL/USD as an assumption for the projection of the 2017-2020 figures.

- Salaries and other employee benefits increased by GEL 0.6 million in 2016 y/y, as 2015 year employee bounces were accounted in 2016. Adjusted figures show GEL 274,000 increase in salaries and other employee benefits expenses which is explained by increased number of employees.
- As a projection, Company used approximately 16% increase in Salaries and employee benefits to be in line with the further growth of the Portfolio

Share of the Expenses per Types, 2016



Dynamic of PAR, yearly



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## Consolidated Statement of Financial Position (Audited)

Balance sheet data, 000' GEL	2016	2015
Cash and cash equivalents	676	2,314
Investment securities: available-for-sale	41	1,829
Finance lease receivables	32,612	26,273
Assets held for leasing purposes	11,156	8,858
Prepayments for assets held for leasing purposes	3,259	1,391
Current income tax assets	632	609
Deferred income tax assets	-	726
Investment property	2,488	2,488
Other assets	295	827
<b>TOTAL ASSETS</b>	<b>51,159</b>	<b>45,315</b>
Loans payable	17,729	15,815
Debt securities issued	26,905	22,696
Advances received from customers	2,079	1,904
VAT and other taxes payable	434	-
Other liabilities	449	217
<b>Total Liabilities</b>	<b>47,596</b>	<b>40,632</b>
Charter Capital	3,180	3,180
Additional paid-in capital	2,473	2,473
(Accumulated losses) / retained earnings	(2,104)	(975)
Other reserve	14	5
<b>Total Equity</b>	<b>3,563</b>	<b>4,683</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>51,159</b>	<b>45,315</b>

# Consolidated Statement of Profit or Loss (Audited)

Income Statement data, 000' GEL	2016	2015
Interest Income from Leases	6,586	5,752
Finance income from leases	19	107
Bank Deposits	-	69
Cash and cash equivalents	71	144
Interest expense	(1,500)	(1,239)
Loans payable	(2,266)	(2,106)
<b>Net Interest Income</b>	<b>2,910</b>	<b>2,727</b>
Impairment charge for finance lease receivables	(459)	(474)
Net Interest income after Imp. charge for finance lease receivables	2,451	2,253
Income from penalties of finance lease receivables	985	987
Rent Income from investment property	169	169
Net loss on revaluation of investment property	-	(199)
Net loss from foreign currency translation	(409)	(2,171)
Other Income	383	580
<b>Operating Income</b>	<b>3,579</b>	<b>1,619</b>
Other general and administrative expenses	(2,191)	(2,512)
Salaries and other employee benefits	(1,043)	(404)
Write down of assets held for leasing purposes to net realizable value	(749)	(3,143)
<b>Operating expenses</b>	<b>(3,983)</b>	<b>(6,059)</b>
Loss before income tax expense	(404)	(4,440)
Income tax (expense)/benefit	(727)	337
<b>Net loss for the year</b>	<b>(1,131)</b>	<b>(4,103)</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized gains on investment securities available-for-sale	14	6
Realized gains on investment securities available-for-sale	(6)	-
Income tax effect	1	(1)
Other comprehensive income for the year, net of tax	9	5
<b>Total comprehensive loss for the year</b>	<b>(1,122)</b>	<b>(4,098)</b>