

Georgia Capital

Strong Q326 NAV and healthcare expansion

Georgia Capital (GCAP) delivered another strong quarter, with NAV per share increasing by 13.6% q-o-q in Georgian lari (GEL) terms to a record GEL198.91 at end-September 2026 (up 15.1% q-o-q in sterling to £57.69). This brings the first nine months of 2026 (9M26) increase to 28.6% in GEL and 35.9% in sterling. The largest contributor remained LSE-listed Lion Finance Group (LFG), whose share price increased by 26.8% q-o-q, adding 11.3pp to GCAP's NAV per share growth. Operating performance across the three large private holdings contributed another 2.4pp, while NAV-accretive buybacks added 0.6pp. An important new development is GCAP's plan to invest c GEL53m in expanding its healthcare services business over the next two to three years, focusing on private-pay specialist healthcare, outpatient services and diagnostic imaging. GCAP will contribute GEL10m, with the balance financed at the portfolio company level. Management targets a return on incremental invested capital of more than 20% once the investments are fully operational. It will also consider an IPO of the healthcare services business in the next three to five years.

Sustained strong private company earnings growth

GCAP's three large private businesses continued to deliver strong operating results, with aggregate revenue and EBITDA up by 18.5% and 26.3% y-o-y, respectively, in Q326 (17.1% and 24.7% y-o-y in 9M26). Net operating cash flow grew by a more moderate 12.3% y-o-y in Q326, although 9M26 growth remained healthy at 26.7% y-o-y. The three businesses generated GEL145.1m of value creation in Q326, of which GEL141.4m was attributable to operating performance and changes in net debt, with only GEL3.7m coming from changes in valuation multiples and fx rates.

Retail pharmacy delivered particularly strong Q326 EBITDA growth of 34.4% y-o-y on revenue growth of 14.8% y-o-y, supported by 8.7% same-store sales growth, improved supplier terms and a shift towards higher-margin products. Its gross profit margin increased by 2.0pp y-o-y to 35.4%, and EBITDA-to-cash conversion in 9M26 remained relatively healthy at 86.9% versus 93.2% in 9M25 (despite a somewhat lower 62.5% in Q326), with management expecting a normalised run-rate of c 90% going forward.

Healthcare services grew revenue and EBITDA by 15.9% and 22.4% y-o-y, respectively, supported by increased outpatient activity, a broader service offering and the Gormed acquisition completed in December 2025. Healthcare services' EBITDA-to-cash conversion improved significantly to 95.3% in Q326, aided by the settlement of delayed state payments, bringing the 9M26 figure to 72.7%, with some state payments yet to be collected (management targets a medium-term cash conversion of c 85% or higher). Net debt/EBITDA declined to 3.4x from 3.7x at end-2025 but remains above the company's 3.0x limit.

Meanwhile, insurance revenue increased by 30.2% y-o-y, driven particularly by 48.1% growth in medical insurance, translating into a 21.0% increase in the combined insurance business's pre-tax profit. The slower profit growth partly reflects higher claims, with the medical insurance combined ratio increasing by 1.3pp y-o-y to 91.7% in Q326 due to a greater contribution from state tenders with structurally higher claims ratios. That said, the combined ratio improved by 2.3pp y-o-y to 91.7% in 9M26.

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Investment companies
Georgia

29 October 2026

Price	4,395.00p
Market cap	£1,447m
NAV	5,396.0p
Discount to NAV	18.6%
Shares in issue	32.9m
Code/ISIN	CGEO/GB00BF4HYV08
Primary exchange	LSE
AIC sector	N/A
Financial year end	31 December
52-week high/low	5,100.0p 2,440.0p
NAV high/low	5,660.0p 3,725.0p

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

- Market-leading positions across banking, retail pharmacy, healthcare and insurance.
- A debt-free holding company and lower portfolio leverage provide significant capacity for shareholder returns and selective new investment.
- Current share price still implies a substantial discount to the carrying value of GCAP's private holdings.

Bear points

- High portfolio concentration with four assets making up 91% of portfolio value at end-September 2026.
- New investments in Armenia bear execution risks.
- Investments in a frontier economy such as Georgia is inherently higher risk.

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Debt-free holding company supports further capital deployment

GCAP completed the early redemption of its remaining \$50m holding company bonds in August 2026, reducing gross debt to zero for the first time and leaving it with GEL291m of net cash at end-September 2026. Its net capital commitment (NCC) ratio increased from -2.9% at end-June to -0.9% at end-September, largely reflecting new capital commitments, but remains comfortably below GCAP's through-the-cycle target of 10% and means that GCAP's net cash continues to exceed planned investments, announced buybacks and its liquidity buffer. The company has also announced a further \$50m extension of its share buyback and cancellation programme, bringing the total programme launched in August to \$100m. We estimate that the additional commitment, which is not reflected in the reported end-September 2026 NCC ratio, would increase the ratio to c 1.1% on a simple pro forma basis, assuming no other changes to portfolio value or capital commitments.

GCAP repurchased 840,604 shares for \$49.7m during Q326 and a further 200,000 shares for \$11.5m by 27 October. This brings cumulative buybacks since the 2018 demerger to \$348m, representing 36.8% of its peak issued share capital. Portfolio dividend income amounted to GEL138.8m in 9M26, with management maintaining its expectation of c GEL200m for the full year. Management also expects a double-digit percentage increase in dividend income in FY27, supported by the LFG dividends and buybacks, as well as a positive outlook for distributable capital from its three large private portfolio companies, in particular, retail pharmacy and insurance. While GCAP expects the operating cash flow of the healthcare services business to be largely reinvested into development capital expenditure, it sees the potential for some minor positive distributable capital in FY27. The ongoing GEL1bn capital allocation programme through end-2029, of which at least half is intended for shareholder returns, therefore provides scope for continued buybacks alongside selective new investments in Georgia and Armenia.

We estimate that the current GCAP's discount to NAV of 18.6% implies a c 37% discount to the carrying value of its private portfolio after marking LFG (whose share in GCAP's portfolio increased from 46.9% at end-June to 51.3% at end-September 2026) at its quoted share price and accounting for holding company net cash. We continue to view this as a meaningful discount, given the strong earnings growth across GCAP's large private holdings and the considerable improvement in its financial position. The discount also supports continued NAV-accretive buybacks, while the stronger balance sheet and narrowing of the discount over the past two years broaden the potential for new investments. That said, GCAP's concentration in LFG, its exposure to frontier-market political and economic risks in Georgia and the execution risks associated with future investments and potential exits remain important considerations.

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