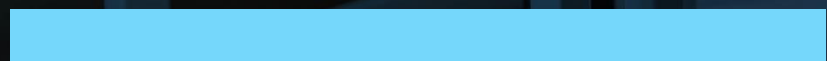




GENERAL EDUCATION SECTOR IN GEORGIA

23 JUNE 2023

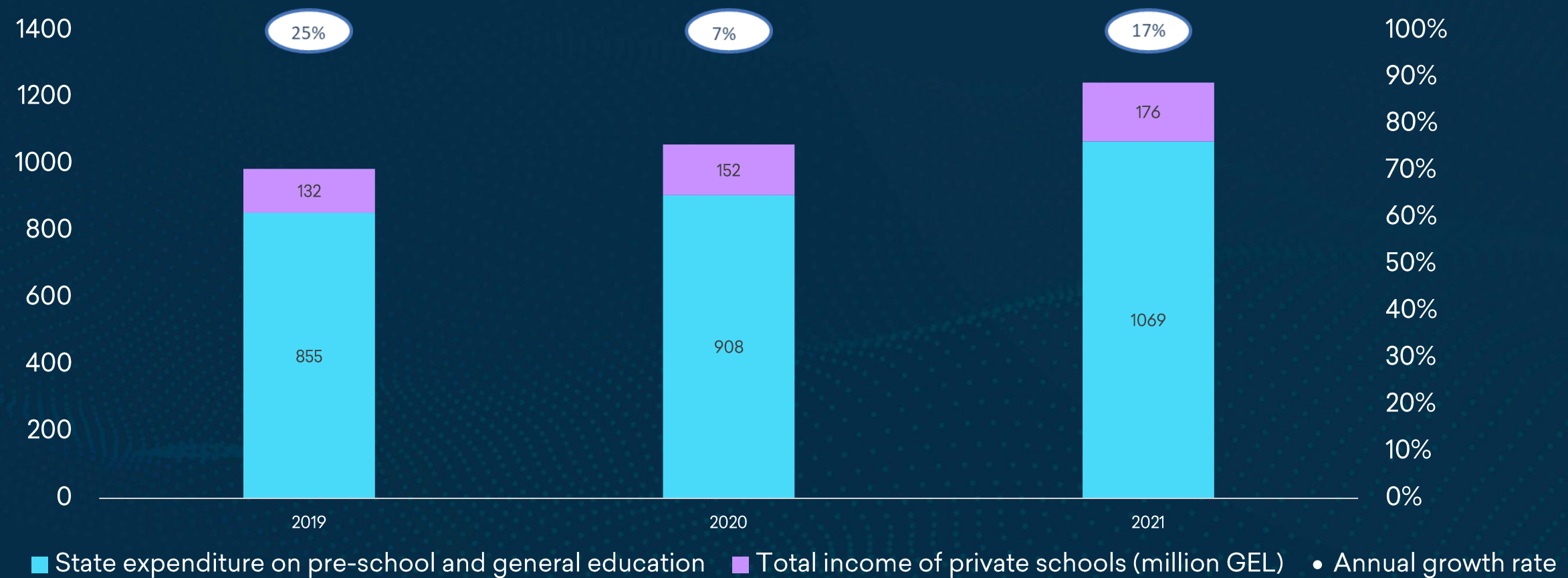
Market Size



Private increased significantly in the period of 2018-2021. By the end of 2021, the total annual income has reached 176 million GEL. The total value of the general education market will exceed 1.5 billion GEL in 2023 and is expected to grow in the next year as well, at an annual growth rate of 11%.

State expenditures and total revenues of the private sector

GEL mln



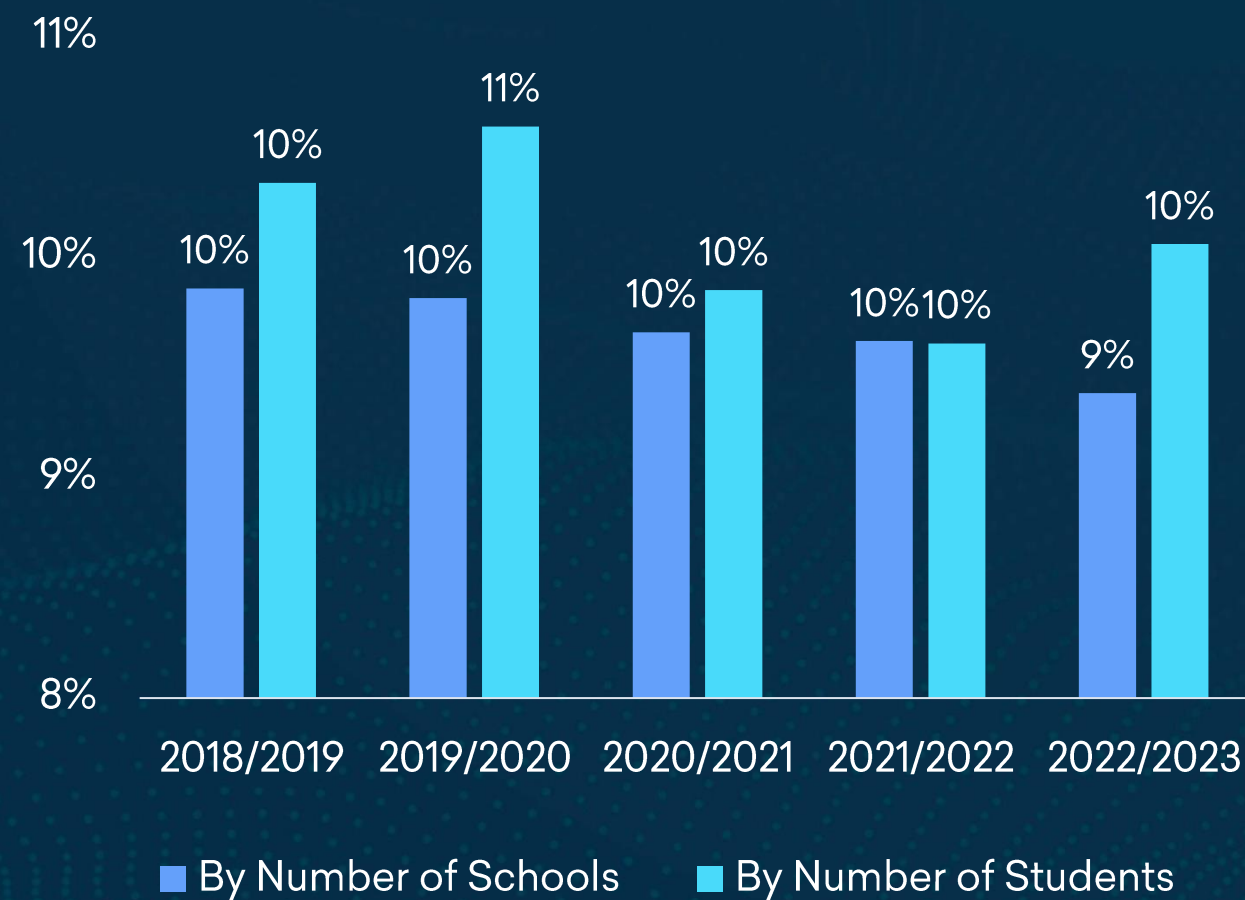
Private Schools: Supply

In 2018, the number of private schools increased from 223 to 228, and in the following years, a downward trend is observed. This decline is largely due to competition in the market and rising fixed costs, which is a great difficulty for small, low- or medium-price private schools. The annual income for these schools is insufficient to cover the increasing fixed costs.

Distribution of Schools by form of Ownership

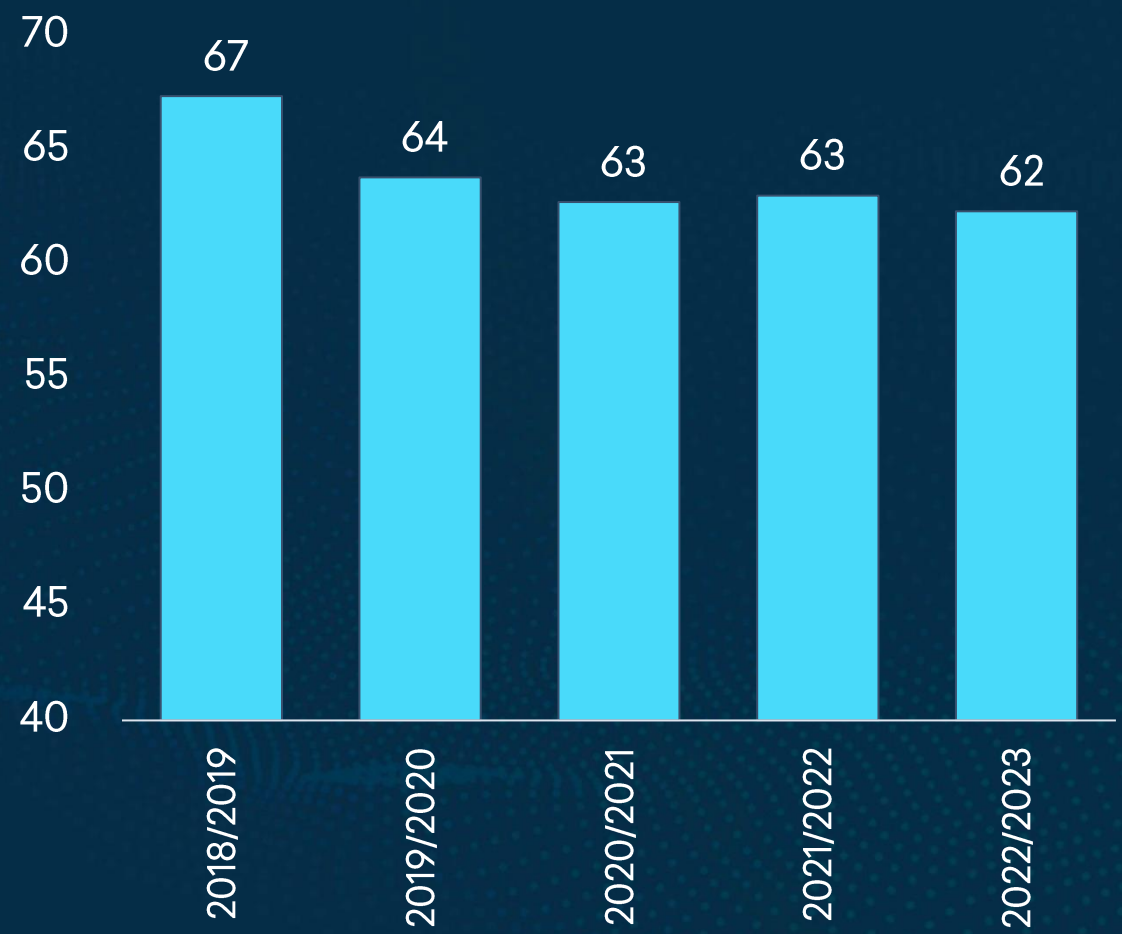


Market Share of Private Schools

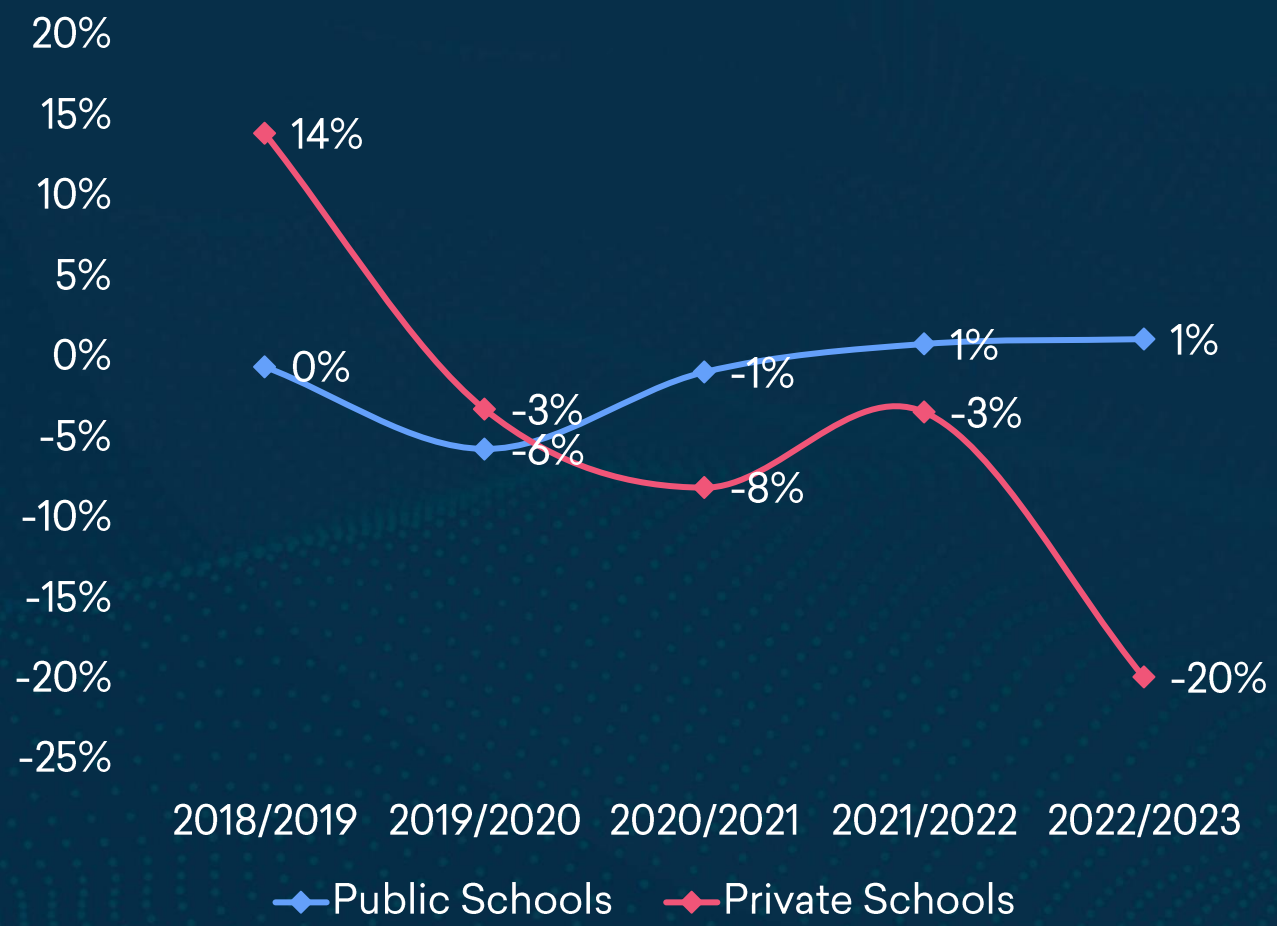


Private schools struggle to attract qualified teachers. Apart from the scarcity of skilled teachers, private schools find it difficult to compete with the higher salaries offered by public schools, which provide substantial pay raises based on teachers' experience and rank.

Total Number of Teachers



Annual Growth Rate of the Number of Teachers by Public and Private Schools



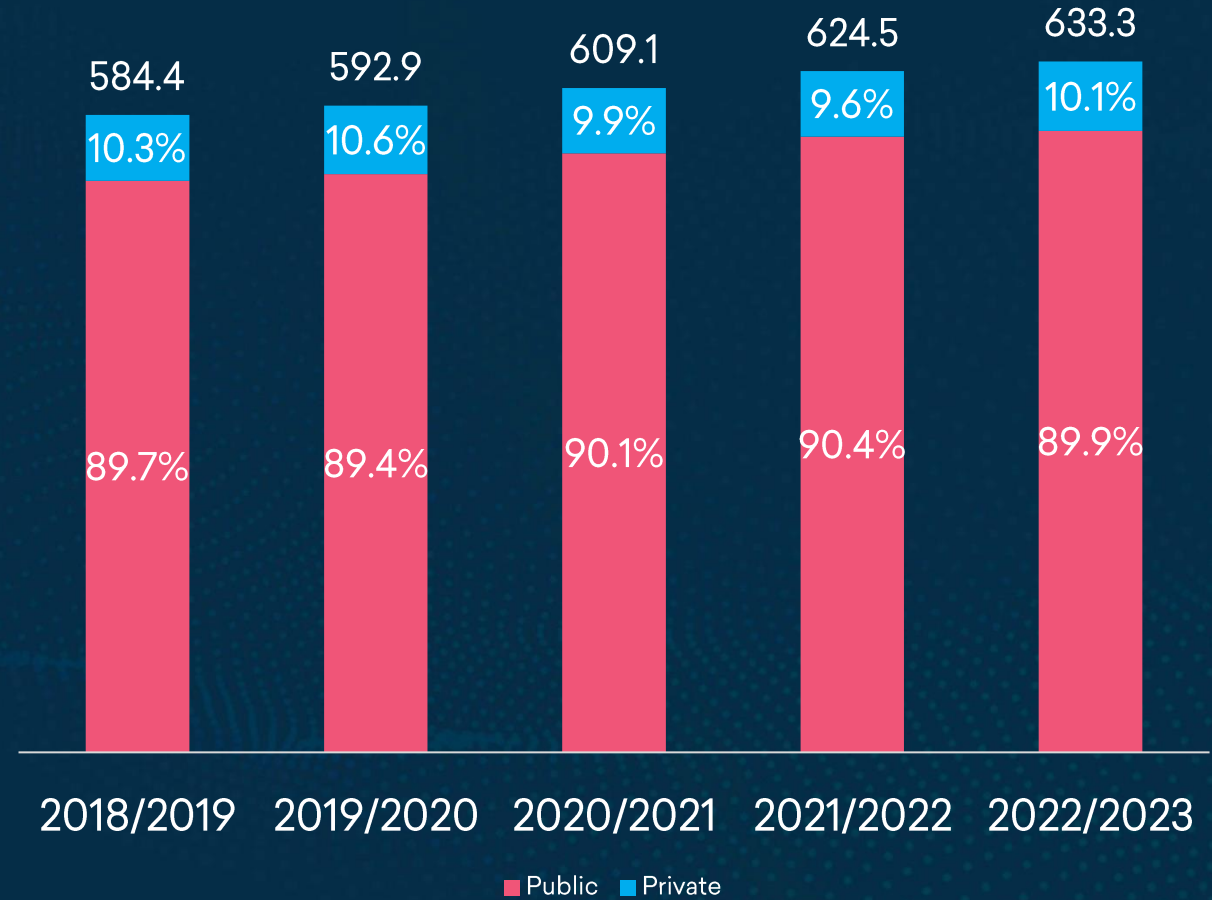
Source: Geostat, 2023

Private Schools: Demand

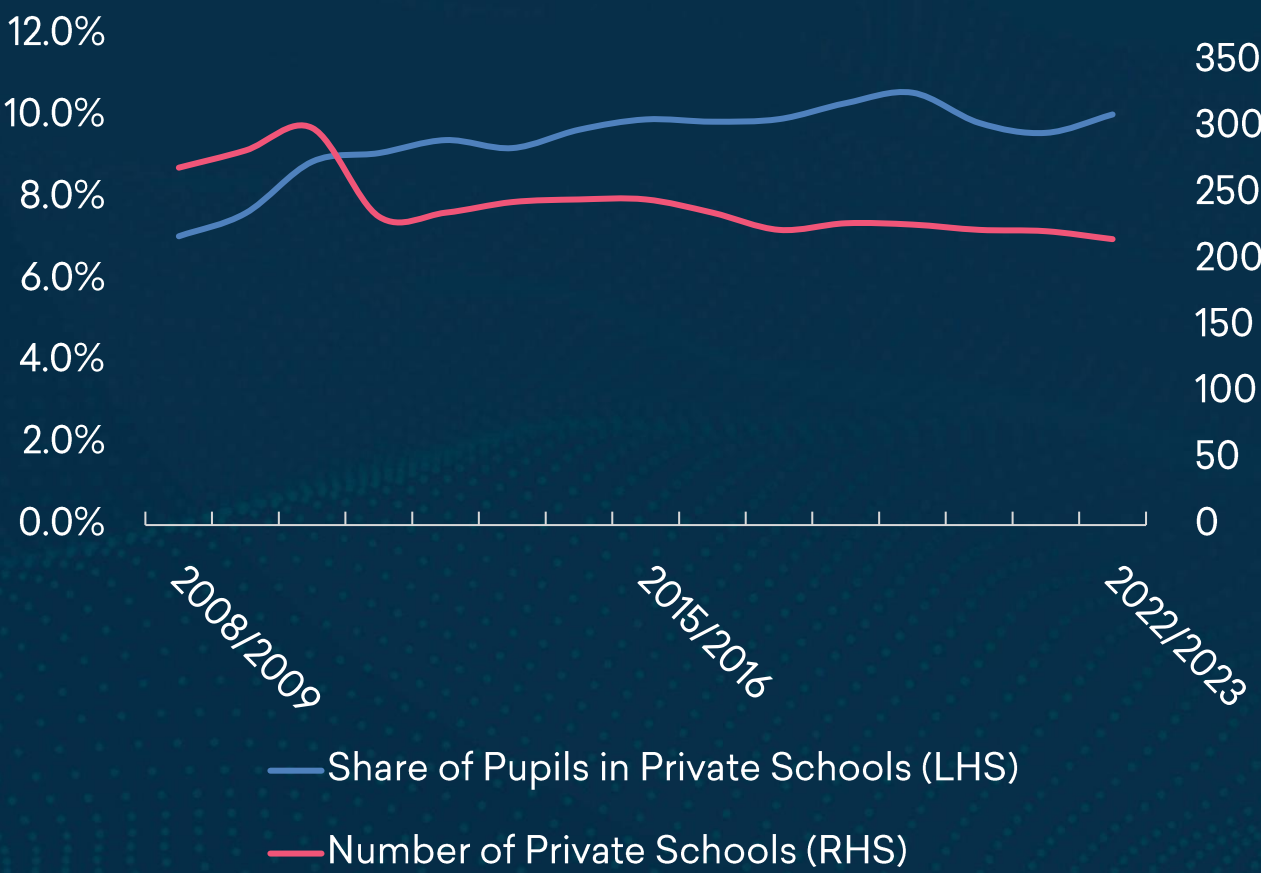
The image features a stack of several books on a wooden desk in the foreground. The books have various colored spines, including red and green. In the background, there are wooden bookshelves filled with many books, creating a library-like atmosphere. The entire scene is dimly lit with a blue color cast. The text 'Private Schools: Demand' is overlaid on the left side of the image in a white, bold, sans-serif font. Below the text is a solid light blue horizontal bar.

The number of students has been steadily increasing in recent years and reached 633.3 thousand in the 2022/23 academic year, and the cumulative annual growth rate in the five-year period was 2%.

Overall Number of students and Distribution by form of Ownership



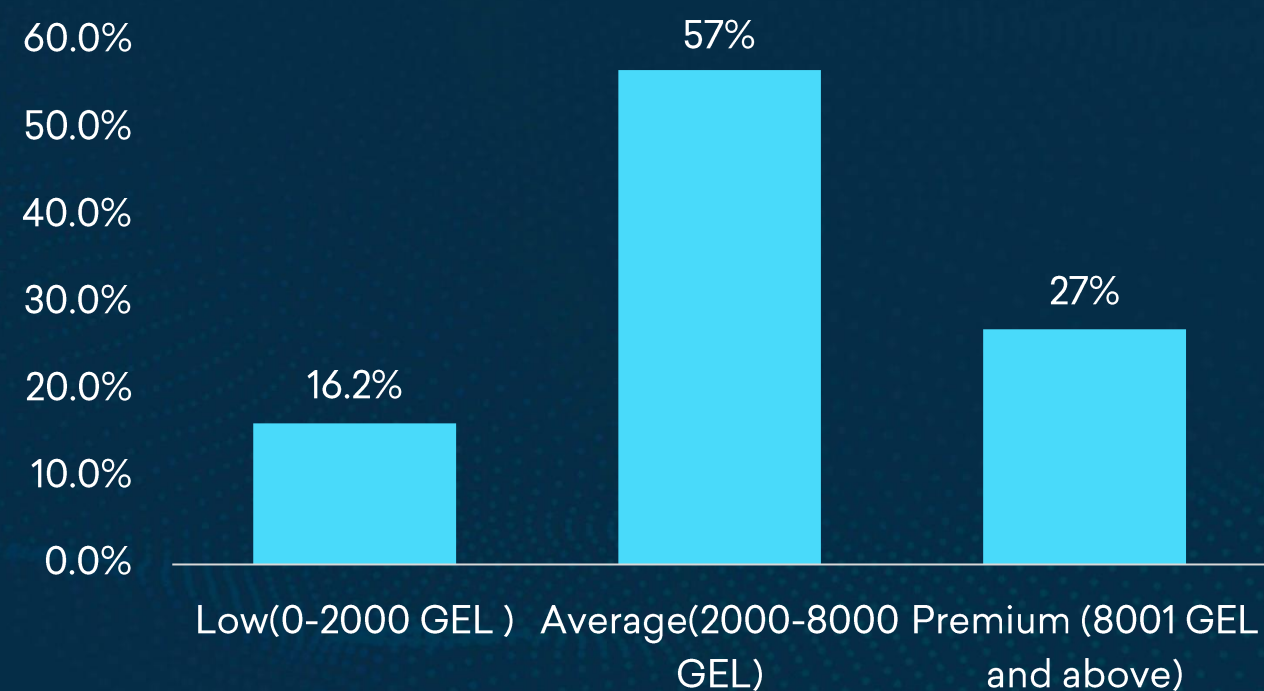
Share of students in Private Schools and Number of Private Schools



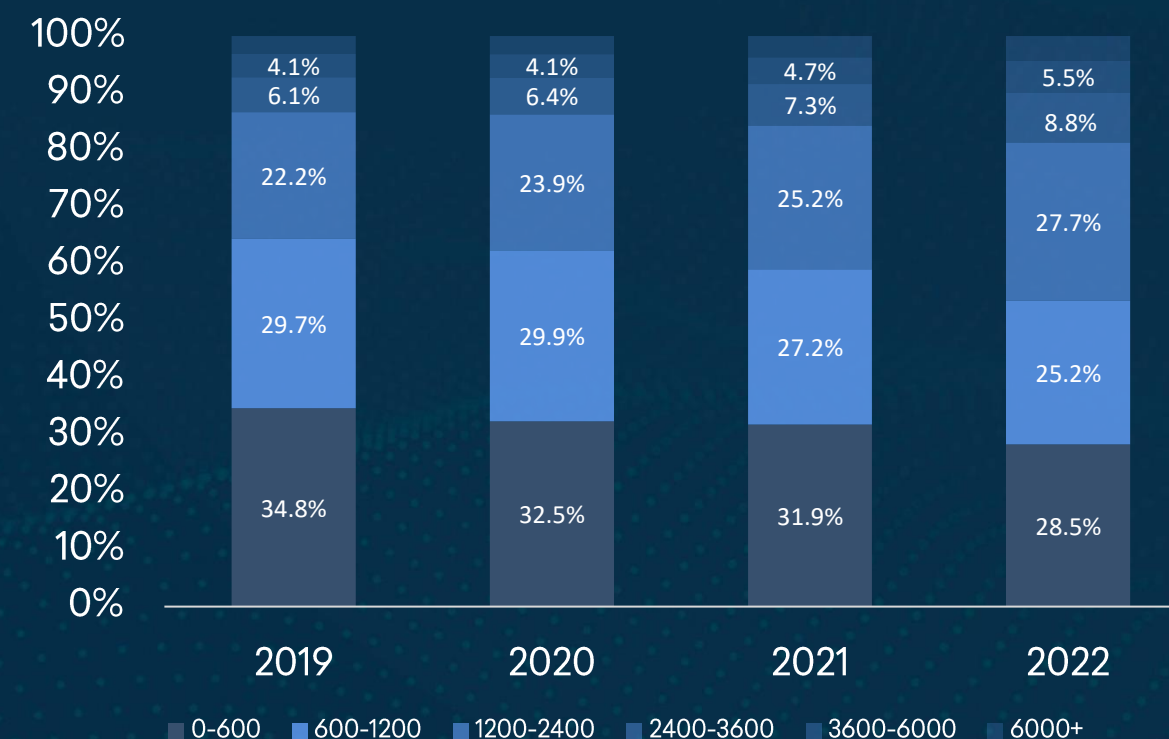
Source: Geostat, 2023

The cost of private school tuition is on the rise, with an average price of 6,500 GEL during the 2022/2023 academic year. It is projected that there will be a further increase in prices in the upcoming year. Monthly income of different income groups are increasing, which might further increase demand on private schools.

Distribution of private schools according to price categories



Share of different income groups (GEL)



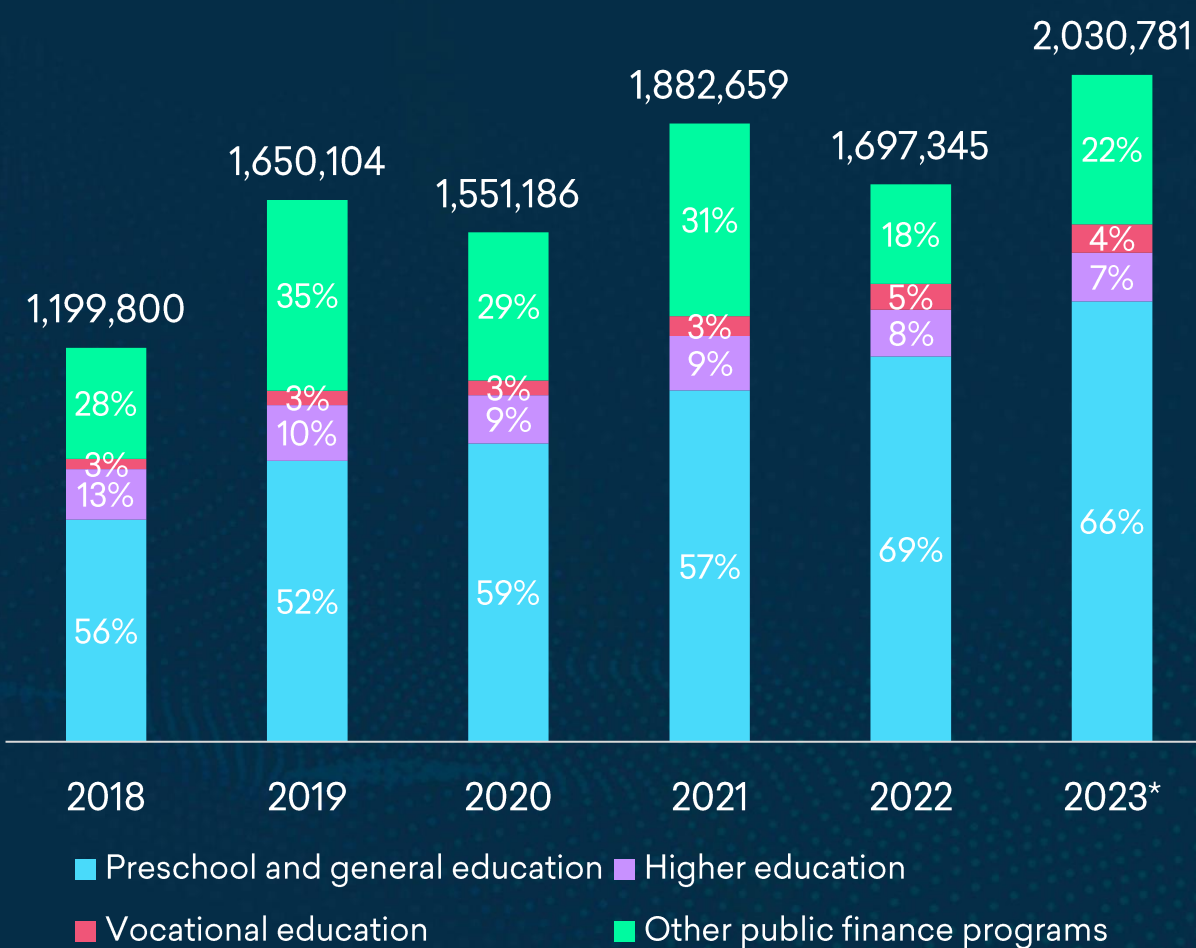


Market Drivers

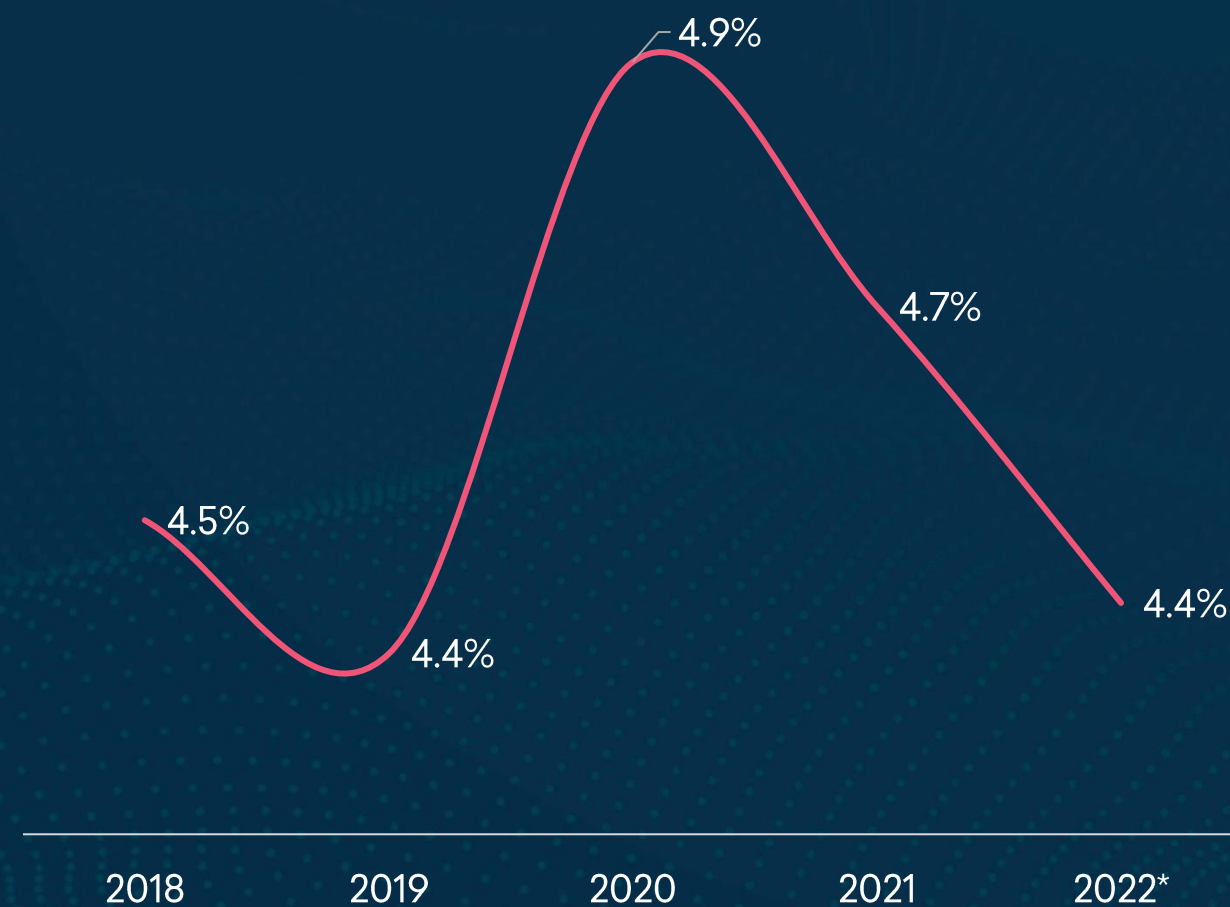


The Ministry of Education and Science allocates over half of its total budget to general education, and this proportion is growing. In 2023, the funding for general education amounted to 1,34 bln GEL, reflecting a 14% increase compared to the previous year.

Budgetary programs of the education sector



Share of education sector in GDP

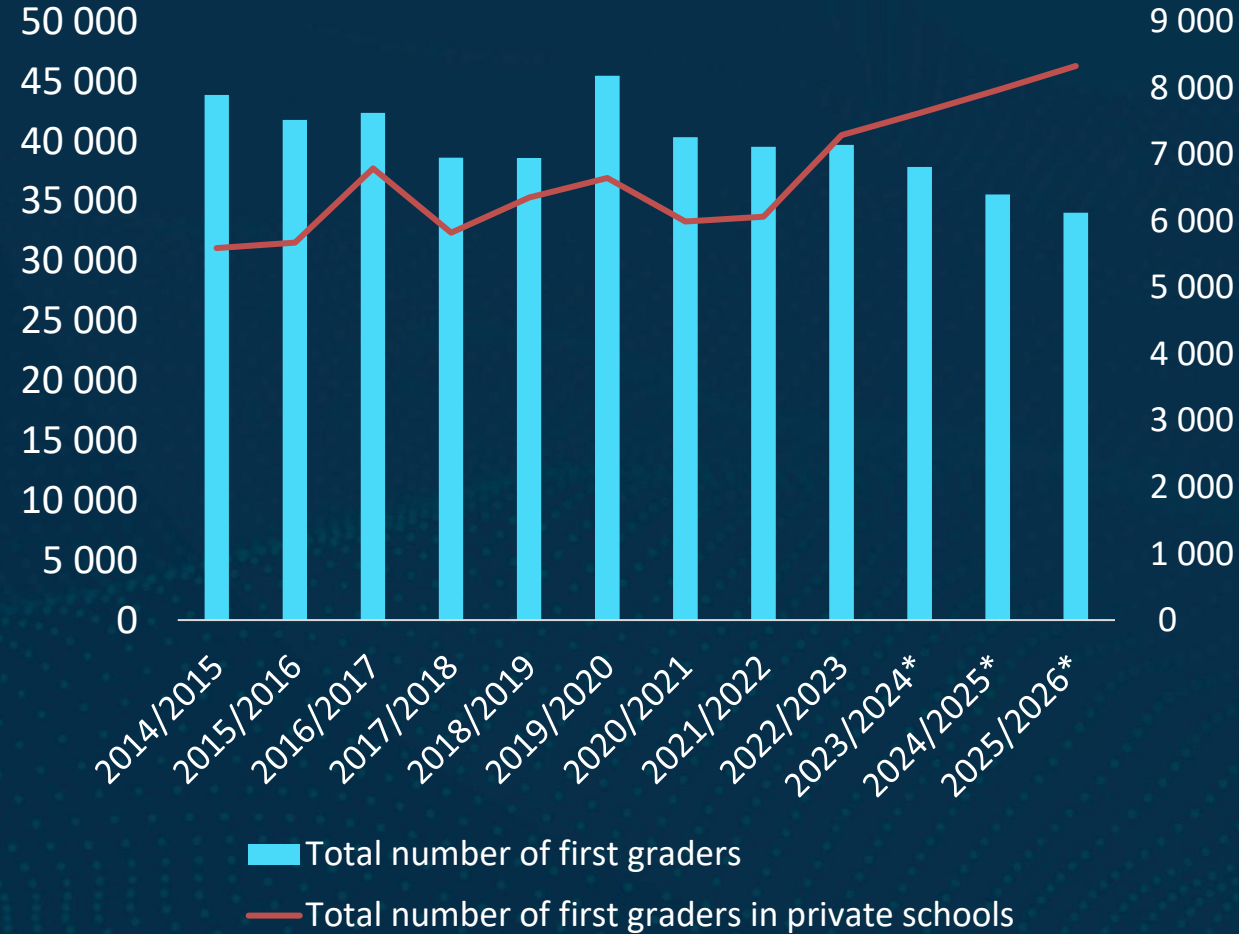


Despite the declining trend of the birth rate, the demand for private schools is on the rise, disregarding the pandemic years. In the 2022/2023 academic year, approximately 18% of first-graders were enrolled in private schools.

Number of newborns by year



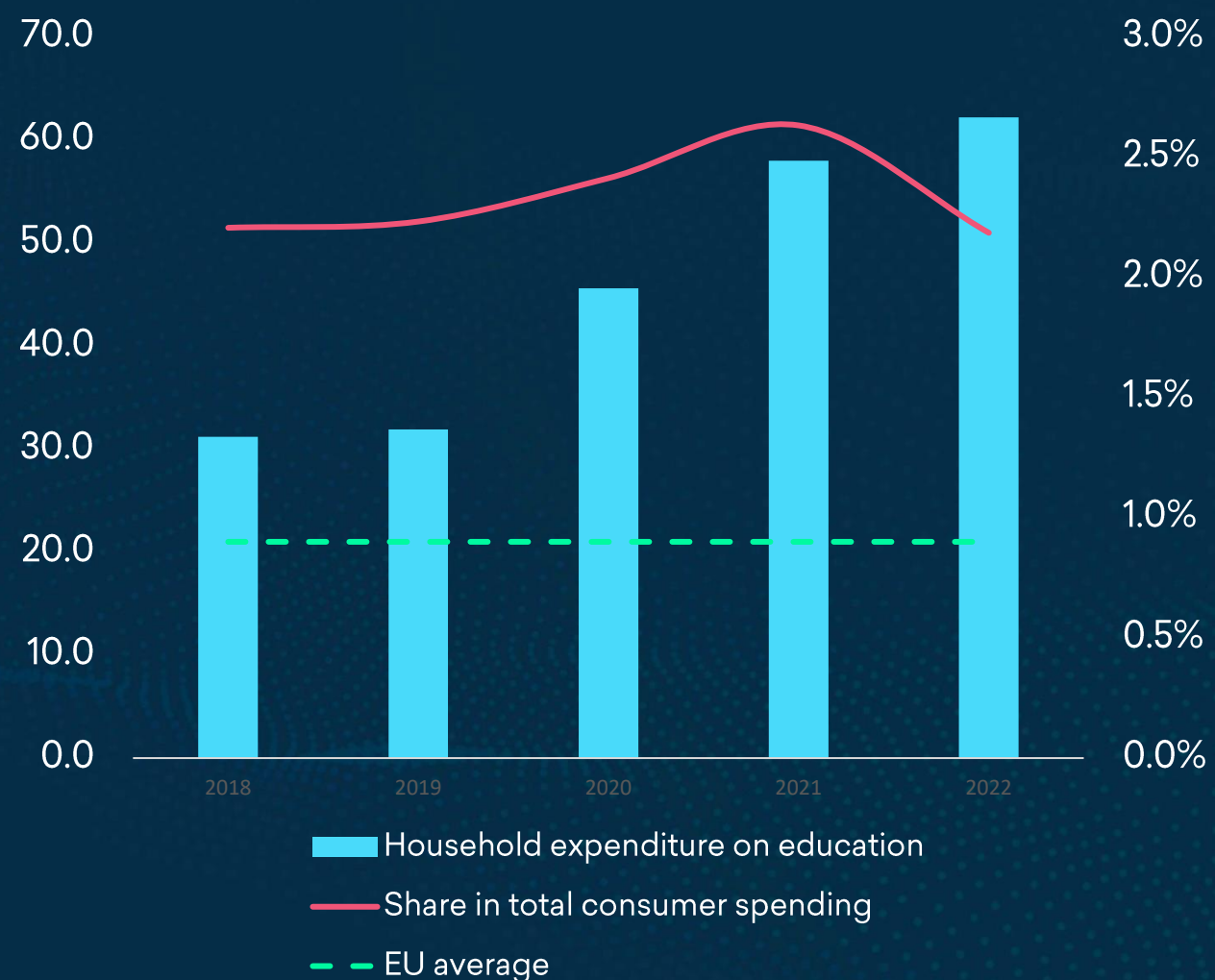
Total number of first graders



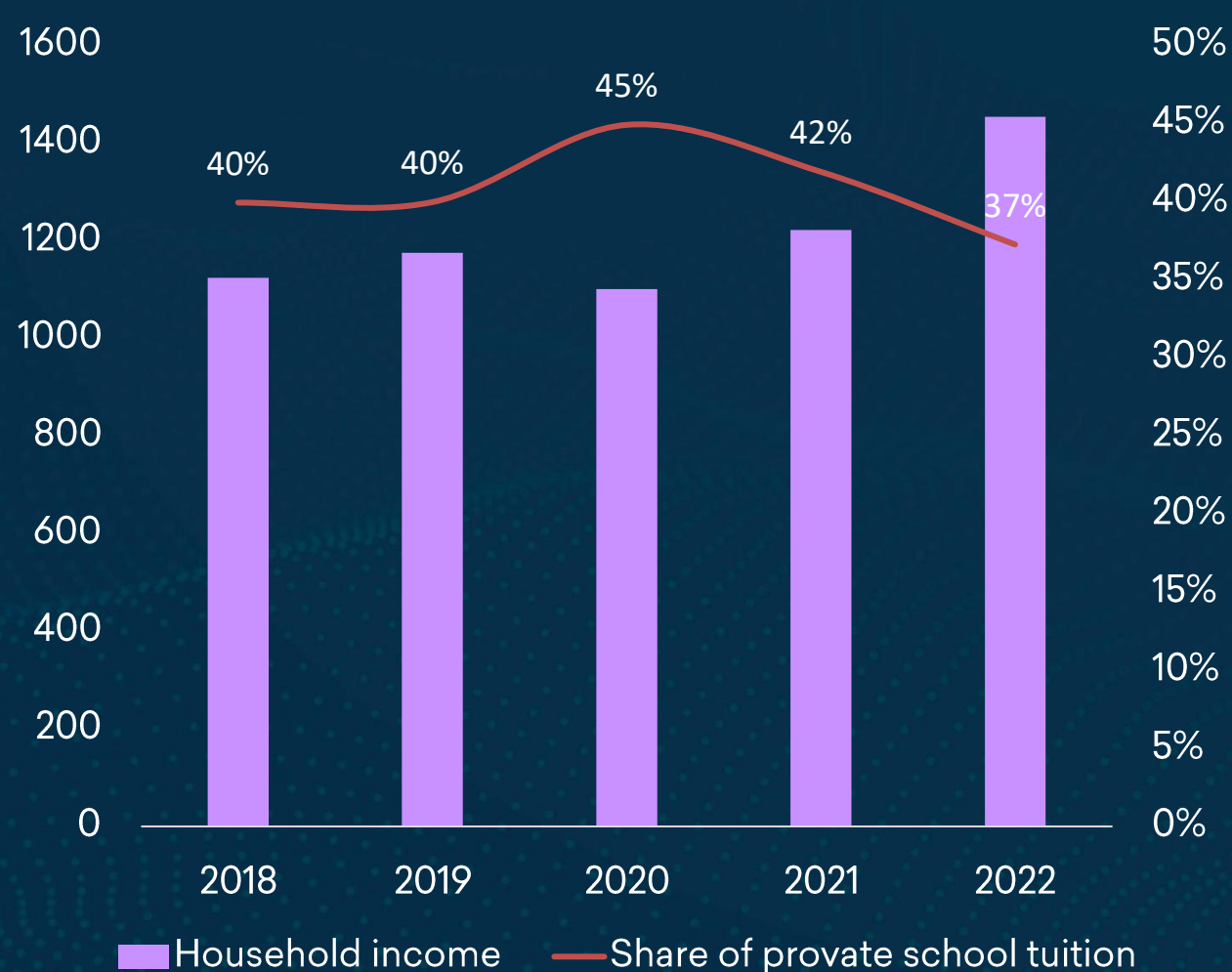
Source: Geostat, 2023

Share of education expenses within total consumer spending is growing, reached 2.6% in 2021. Private schools are becoming more affordable, as the average Georgian household are spending less share of their income on private schools in the last two years

Household expenditures on education, mln. Gel



Household expenditures on education, mln. Gel LHS. Share of private school tuition fee in household income RHS



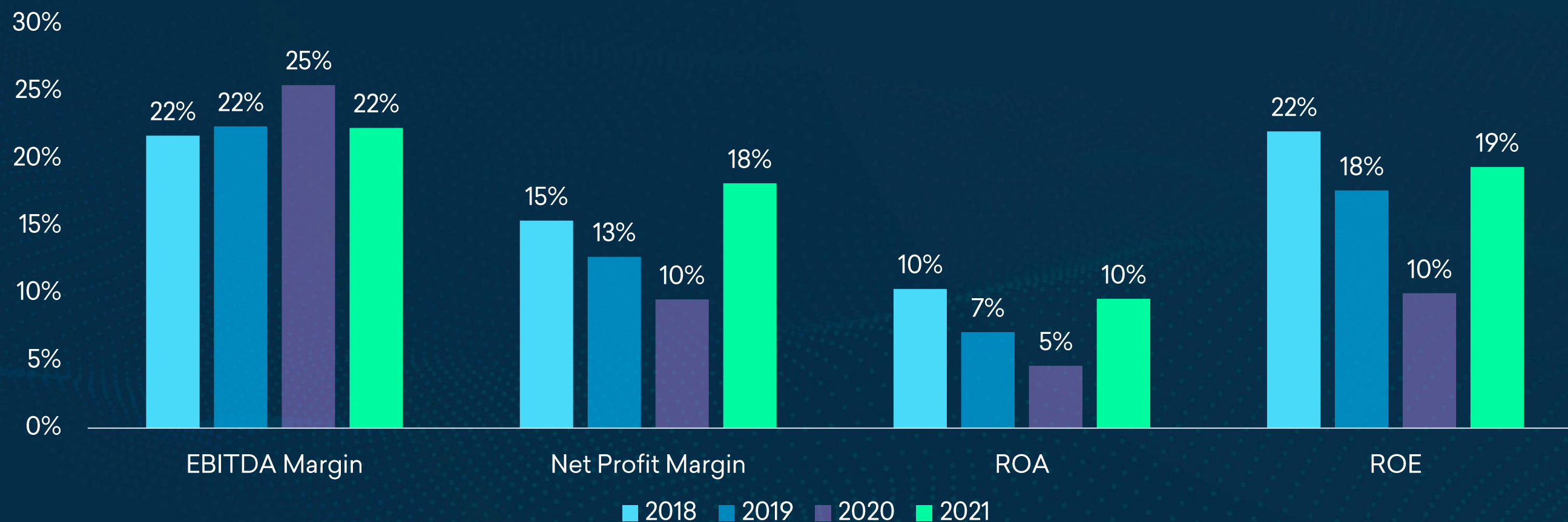
A large crowd of graduates in black caps and gowns, with a blue overlay. The graduates are wearing black mortarboard caps with blue tassels and black gowns with blue stoles. They are seated in rows, and the background is a blurred crowd of more graduates. The entire image has a blue color cast.

Financial Indicators



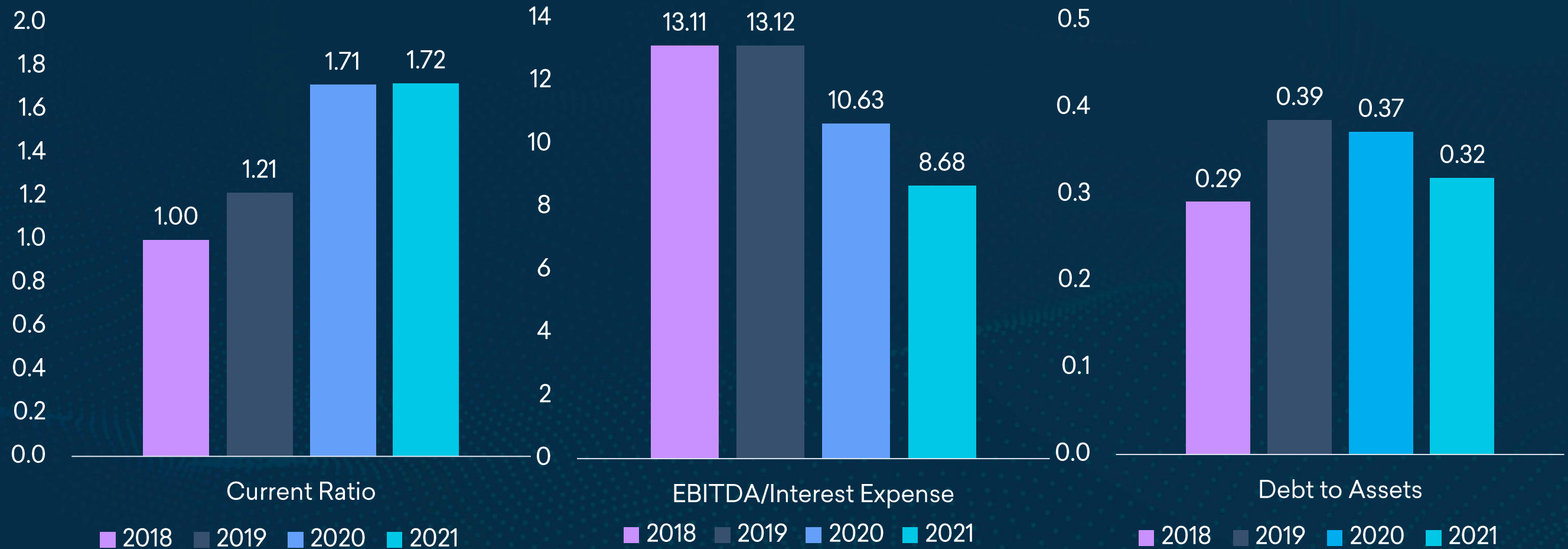
Average EBITDA margin reached 25% in 2020, which can be explained by the reduced operating costs as a result of the transition to the distance mode of education during pandemic. The net profit margin experienced a decline from 13% to 10% in 2020, which is attributed primarily to a relatively low net profit rate resulting from various non-operating expenses, including adverse effects from exchange rate fluctuations in certain cases.

Profitability Ratios of Georgian Private Schools



Value of total loans increased, and 2021 amounted to approximately 106 million GEL. Increasing loan utilization by businesses reflects positive expectations from management and business owners regarding future business activities, especially when concurrently high current ratio and profitability indicators are recorded.

Liquidity and Solvency Ratios of Georgian Private Schools





TBC CAPITAL