

Cellfie Mobile LLC

Republic of Georgia, Telecommunication Services

Rating composition

Business risk profile		
Industry risk profile	A	BB
Competitive position	BB-	
Financial risk profile		
Credit metrics	BB+	BB+
Liquidity	+/-0 notches	
Standalone credit assessment		BB
Supplementary rating drivers		
Financial policy	+/-0 notches	-1 notch
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	-1 notch	
Issuer rating		BB-

Key metrics

Scope credit ratios*	Scope estimates			
	2023	2024	2025E	2026E
Scope-adjusted EBITDA interest cover	26.6x	6.7x	7.3x	7.5x
Scope-adjusted debt/EBITDA	1.6x	1.3x	1.3x	1.2x
Scope-adjusted funds from operations/debt	59%	64%	69%	73%
Scope-adjusted free operating cash flow (FOCF)/debt	10%	11%	-4%	-9%
Liquidity	>200%	>200%	>200%	32%

Rating sensitivities

The upside scenarios for the ratings and Outlook (collectively):

- Improved business risk profile through enhanced scale of operations, strengthened market position and more diversified segmental and geographical presence (remote)
- Debt/EBITDA sustained at around 1.0x and FOCF/debt of more than 5% on a sustained basis

The downside scenarios for the ratings and Outlook (individually):

- Inability to roll over bonds maturing in 2026 in a timely manner
- Debt/EBITDA exceeding 2.0x on a sustained basis

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB-

Outlook

Stable

Senior secured debt

BB-

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Related methodology

General Corporate Rating
Methodology, Feb 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
<ul style="list-style-type: none">• Strong leverage and healthy interest coverage metrics• Strengthened profitability with EBITDA margin of around 50% (roughly 42% EBITDA margin after leases) in 2024• Recurring business with about 1.4m customers	<ul style="list-style-type: none">• Weak cash flow coverage metrics, as the company is investing heavily in strengthening its mobile network; additional expansion capex under consideration may result in weaker-than-estimated credit metrics• Small scale of operations (approx. EUR 54m turnover) compared to European telcos, and sub-scale position in the concentrated Georgian mobile market (ranking third in a market dominated by top three players)• Highly concentrated operations with presence only in mobile telecom segment in Georgia, which is exposed to risk of increasing competition due to recent regulatory developments• Upcoming debt maturity wall in 2026, which requires timely refinancing/rollover

2. Rating Outlook

The **Stable Outlook** reflects our expectation of sustained healthy profits and the absence of dividend payouts. We believe this will help Cellfie maintain comfortable leverage and coverage metrics despite significant capital expenditure plans. The Outlook also incorporates a scenario in which the company could use its substantial financial flexibility for additional capital expenditure and/or mergers and acquisitions, while maintaining a debt/EBITDA ratio of less than 2.0x.

3. Corporate profile

Cellfie Mobile LLC (formerly Veon Georgia LLC) is a mobile operator in Georgia with 1.4m subscribers and GEL 170m (approx. EUR 54m) of revenue in 2024. The company has about 23% of the market in terms of subscribers and about 17% of the market in terms of revenues (based on 2024 data).

Mobile network operator in Georgia

The company started its operations in 2003 and was a subsidiary of Vimpelcom-Veon for a long time. It has been owned and controlled by a Georgian businessman, Mr Khvicha Makatsaria, since June 2022. The company changed its name and brand to Cellfie in April 2023 and became the first Georgian mobile operator to secure a 5G licence in August 2023.





4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
05 Dec 2025	Affirmation	BB-/Stable
11 Dec 2024	Affirmation	BB-/Stable
04 Dec 2023	New	BB-/Stable

5. Financial overview (financial data in GEL '000s)

Scope credit ratios	2023	2024	Scope estimates		
			2025E	2026E	2027E
EBITDA interest cover	26.6x	6.7x	7.3x	7.5x	8.2x
Debt/EBITDA	1.6x	1.3x	1.3x	1.2x	1.1x
Funds from operations/debt	59%	64%	69%	73%	83%
Free operating cash flow/debt	10%	11%	-4%	-9%	25%
Liquidity	>200%	>200%	>200%	32%	>200%
EBITDA					
Reported EBITDA	68,778	89,922	93,818	102,262	111,465
add: recurring dividends from associates	-	-	-	-	-
less: capitalised expenses	-	-	-	-	-
Other items (incl. one-offs)	(149)	(4,182)	-	-	-
EBITDA	68,629	85,740	93,818	102,262	111,465
Funds from operations (FFO)					
EBITDA	68,629	85,740	93,818	102,262	111,465
less: interest	(2,582)	(12,721)	(12,812)	(13,578)	(13,630)
less: cash tax paid	(0)	-	-	-	-
Other non-operating charges before FFO	-	(3,470)	-	-	-
Funds from operations	66,047	69,549	81,006	88,684	97,835
Free operating cash flow (FOCF)					
Funds from operations	66,047	69,549	81,006	88,684	97,835
Change in working capital	(4,018)	3,067	(1,018)	2,231	2,432
Non-operating cash flow	1,220	5,498	(716)	(716)	(716)
less: capital expenditures (net)	(41,658)	(54,339)	(72,715)	(90,461)	(57,575)
less: lease amortisation	(9,879)	(11,272)	(10,863)	(11,173)	(12,013)
Other items	-	-	-	-	-
Free operating cash flow	11,712	12,503	(4,306)	(11,436)	29,964
Interest					
Net cash interest per cash flow statement	2,311	12,425	12,516	13,282	13,334
add: 50% of interest paid on hybrid debt	-	-	-	-	-
add: other items	271	296	296	296	296
Interest	2,582	12,721	12,812	13,578	13,630
Debt					
Reported financial debt	110,383	106,805	115,395	118,335	116,183
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-
less: cash and cash equivalents	(20,210)	(34,968)	(27,876)	(13,667)	(39,919)
add: non-accessible cash	20,210	34,968	27,876	13,667	39,919
add: pension adjustment	-	-	-	-	-
add: asset retirement obligations	2,043	2,348	2,348	2,348	2,348
add: other debt-like items	-	-	-	-	-
Debt	112,426	109,153	117,743	120,683	118,531

6. Environmental, social and governance (ESG) profile¹

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk) 
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate) 
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity) 
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests) 

ESG factors:  credit-positive  credit-negative  credit-neutral

Cellfie’s corporate structure is fairly straightforward. There is just one 51% subsidiary (balance stake owned by the ultimate controlling beneficiary owner, Mr Khvicha Makatsaria), which is a dormant entity at present.

No significant ESG factors

Ownership in Cellfie is routed through some intermediate holding companies based out of Georgia and the British Virgin Islands. Neither the company’s immediate parent nor the ultimate controlling party produce consolidated financial statements that are available for public use. Accordingly, we do not have access to any financial data for any of the holding companies.

The company’s supervisory board has five members (expanded from three members earlier), of which three are independent members (Mr Giorgi Verdzhadze (Chairperson), Mr Temuri Kobakhidze and Ms Tamar Janiashvili).

Supervisory board comprises five members, including three independent members

¹ These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity’s cash flow and, by extension, its credit quality.

7. Business risk profile: BB

The industry risk profile for telecommunication services is A, based on low cyclicalities, medium entry barriers, and medium to low substitution risk.

Industry risk profile: A

The company received its first mobile licence in 2003 and began operations as the third mobile operator in Georgia and a subsidiary of Vimpelcom-Veon group. Georgian businessman, Khvicha Makatsaria, took control of the company in June 2022 along with Mamuka Togonidze. The company changed its name and brand to Cellfie in April 2023, after this change of ownership.

New corporate structure since 2022

The size of the Georgian electronic communication services market is estimated at GEL 1,787m (about EUR 563m) in 2024, with mobile operators’ retail revenues making up around 50% of revenues. The top three companies, Magticom, Silknet and Cellfie, together generated close to 85% of the electronic communications market’s total revenues in 2024. Although the market has long been dominated by three major players, regulatory actions could intensify competition. In 2024, for example, the Communications Commission (ComCom, the Georgian telecom regulator) designated Magticom as a company with significant market power and imposed access obligations.

Georgian telecoms market dominated by three players; regulatory intervention likely to enhance competition

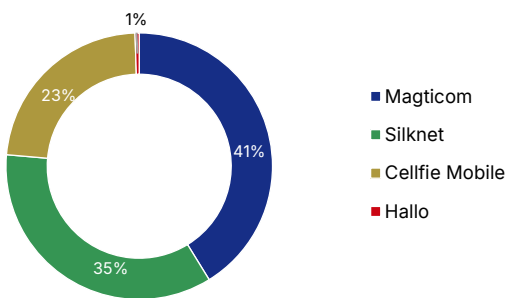
In August 2023, Cellfie became the first operator in Georgia to secure a 5G licence. The larger integrated telecom operators in Georgia – Magticom and Silknet – also obtained 5G licences in 2024 and 2025, respectively. Cellfie secured 5G spectrum at a discounted price vis-à-vis peers in exchange for a mobile virtual network operator (MVNO) access obligation, which larger peers initially rejected and hence did not participate in the first auctions. Magticom and Silknet obtained licences without an MVNO obligation. However, an MVNO access obligation was imposed by the regulator on Magticom as one of the access obligations in 2024.

Cellfie was the first to secure 5G licence in Georgia in 2023

Magticom and Silknet are converged operators, offering both mobile and fixed services to customers. Together, these entities had around 76% of mobile market subscribers (see Figure 1) and around 80% of fixed broadband subscribers (see Figure 2) in 2024. In comparison, Cellfie is a mobile-only operator and accounted for around 23% of the market in terms of subscribers in 2024 (see Figure 1). Hallo launched as Georgia's first MVNO in late 2022. Its market share remained insignificant in 2024.

Cellfie trails converged peers, with 23% share in mobile subscribers

Figure 1: Mobile market share: subscribers, 2024

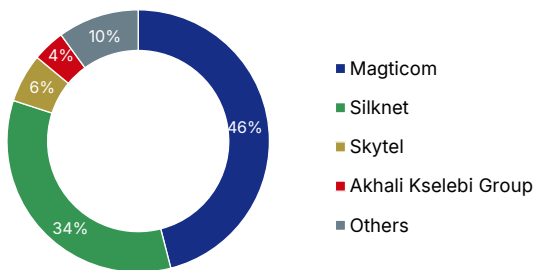


Sources: ComCom, Scope

Cellfie’s market share in terms of revenues remained lower at 17% in 2024 (see Figure 4). This was because of its absence from other segments and lower average revenue per user (ARPU) compared to peers (see Figure 3).

The competitive landscape in the Georgian telecom market has been stable in the recent years. There have been no major changes in market shares over the past five years (see Figure 4).

Figure 2: Fixed broadband market share: subscribers, 2024

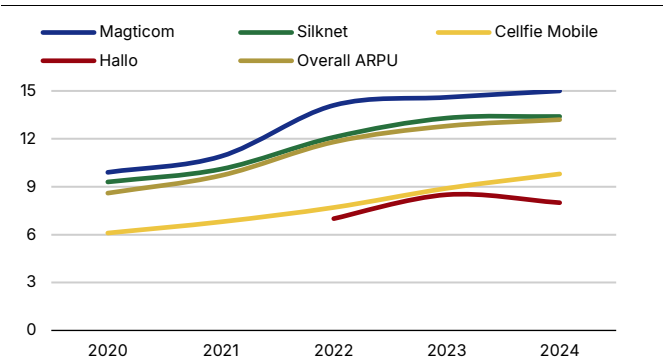


Sources: ComCom, Scope

Cellfie’s revenue share is lower due to lower ARPU and limited segment presence

Market shares have been stable in the past five years, with Cellfie growing in line with the market

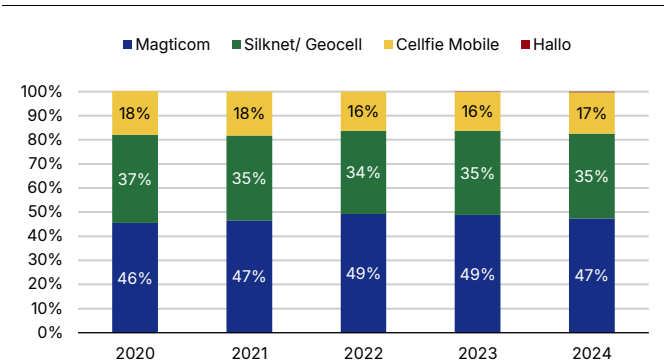
Figure 3: Mobile ARPUs trend (end of period)



Sources: ComCom, Scope

Following the removal of a retail price control mechanism by the regulator in mid-2021, all operators have increased their prices significantly. This has created a rather unusual situation, with mobile revenue increases consistently in the double-digit range over the past four years (13% in 2021, 26% in 2022, 13% in 2023 and 10% in 2024). As a result, ARPUs in the country increased at a compound annual growth rate of 11% between 2020 and 2024. Cellfie also benefitted from the trend, with its retail revenues growing at a compound annual growth rate of 11% in the past five years vis-à-vis 12% growth in the market's retail revenues.

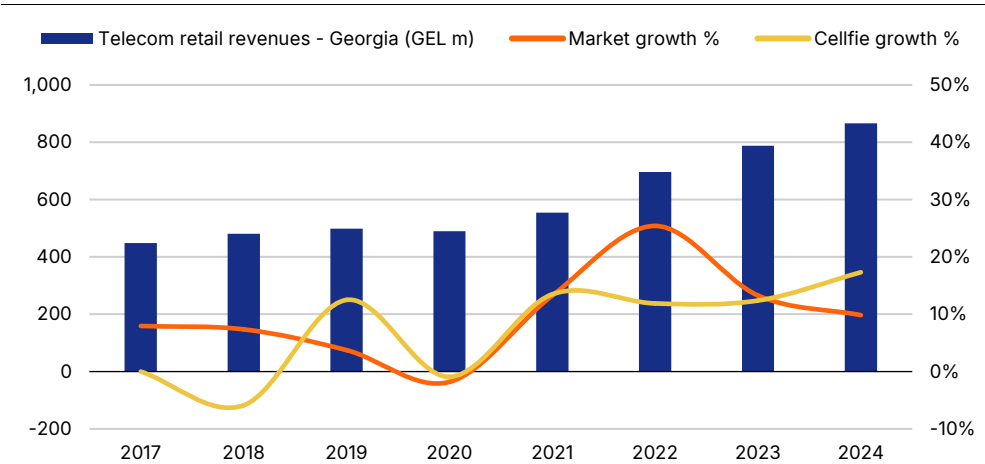
Figure 4: Mobile market share in Georgia: revenues



Sources: ComCom, Scope

Removal of pricing control has driven rising ARPU and revenue in Georgia in recent years

Figure 5: Trend in Cellfie's retail revenue growth vis-à-vis market growth



Source: ComCom, Scope

Cellfie is weakly positioned in terms of geographical and segment diversification, with its entire operations concentrated on the mobile segment in the telecom sector in a single country (Georgia). The company is not present in other segments such as broadband access, fixed telephony or corporate services (typically offered by integrated telecom operators). Cellfie is exploring additional expansion capex. However, these plans are still in a nascent stage at present.

Weak geographical and segmental diversification

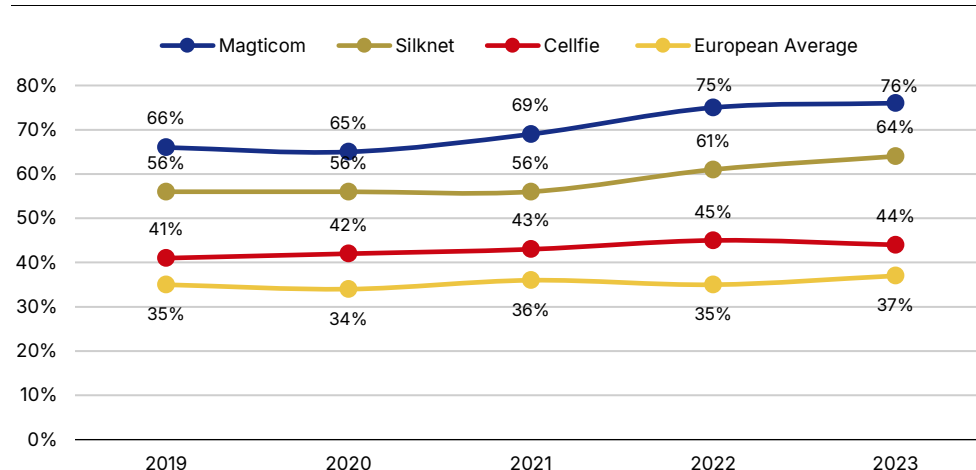
Cellfie's operating profitability (EBITDA margins) is lower than that of the two larger Georgian telecom operators. Nevertheless, it compares favourably with the margins of other incumbent European telecom operators and the overall European average. Over the last six years (2019-2024), Cellfie's EBITDA margin after leases was between 30% (2019) and 42% (2024), improving regularly with an average of 35%.

There was a solid improvement in profitability in 2024, with the EBITDA margin improving by nearly 600 bps to 50.5% from 44.7% in 2024. In terms of EBITDA after leases, the margin was 42% in 2024, higher than that of most major European telecom operators. At the start of 2024, Cellfie began streamlining its product portfolio and reducing costs associated with unprofitable services, primarily relating to A2P transit SMS. Additionally, the pricing of several services was increased.

Solid improvement in margins in 2024

Alongside a focus on value-added services, these changes helped the company achieve improvements in ARPUs and bridge the gap with larger market players to some extent. In 2024, Cellfie's ARPUs (end of period) improved by 10% to GEL 9.8 in 2024, whereas the overall average for the industry improved by 3% to GEL 13.2.

Figure 6: Trend in Cellfie's EBITDA margins vis-a-vis Georgian peers and European average



Source: ComCom, Scope

8. Financial risk profile: BB+

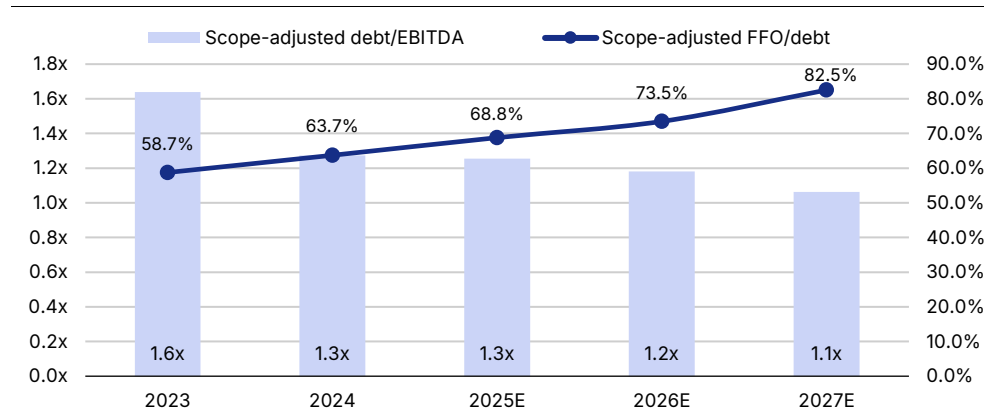
When Cellfie was purchased by its current shareholders as Veon Georgia, net financial debt (GEL 675m, of which GEL 24m referred to leases) was mostly related to shareholder loans. This financing was restructured in 2023 following the change in ownership, with a conversion of the shareholder loans into equity. Subsequently, Cellfie achieved positive equity for the first time as of year-end 2023.

Major changes in capital structure made in 2023, with changes in ownership

In 2023, the company also successfully repaid co-borrower loans while issuing GEL 65m in bonds. By the end of the year, Cellfie's debt comprised these bonds and GEL 20m in fixed loans provided by commercial banks (Bank of Georgia and TBC Bank). As a result, leverage, in terms of debt/EBITDA, stood at 1.6x in 2023 (down from 11.0x in 2022). This was further supported by solid operating performance, which strengthened EBITDA. With improved revenues and margins, leverage declined further to 1.3x in 2024. We forecast that debt/EBITDA will remain below 1.5x and that funds from operations/debt will stay above 60% in the medium term (see Figure 7).

Leverage has improved further

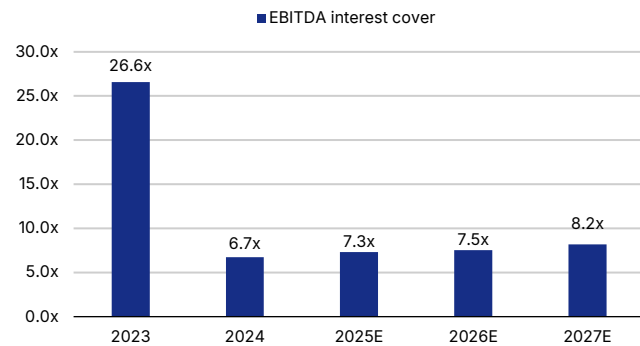
Figure 7: Trend in Cellfie's leverage metrics



Source: Cellfie, Scope estimates

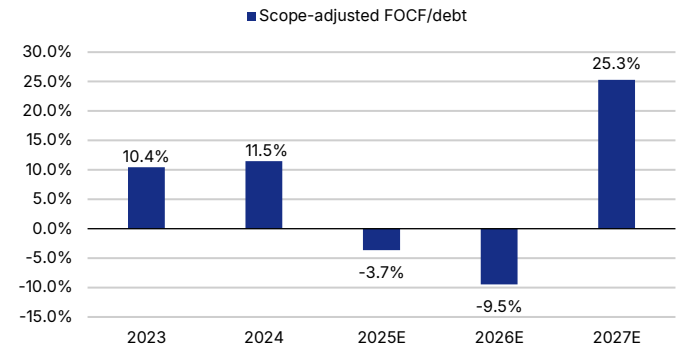
Healthy profitability and a reduced refinancing rate (down 150 bps to 8.0% in 2024) supported an EBITDA/interest coverage ratio of 6.7x in 2024. Sustained revenue growth and continued profitability are likely to maintain interest coverage at around 7.0x in 2025 and 2026 (see Figure 8).

Figure 8: Trend in Cellfie's interest coverage ratio



Sources: Cellfie, Scope estimates

Figure 9: Trend in Cellfie's cash flow coverage ratio



Sources: Cellfie, Scope estimates

Cash flow coverage, however, remains the weakest element of Cellfie's financial risk profile. This is because the company is currently implementing a substantial capital expenditure programme to increase its market coverage and improve the capacity of its mobile network. This ongoing initiative includes the rollout of 5G, resulting in capital expenditures of approximately GEL 60–90m per annum in 2025–27, as well as an increase in operating lease obligations. Consequently, we anticipate that FOCF will remain under pressure in the short to medium term, with a negative FOCF/debt ratio expected in 2026 and 2027 (see Figure 9).

Cash flow coverage remains the weakest element of Cellfie's financial risk profile

Cellfie's liquidity remains adequate. We expect negative FOCF in light of sizeable capital expenditure plans and the maturity of the GEL 65m senior secured bond to weaken liquidity in 2026. At the same time, we do not anticipate any refinancing issues. This is due to the company's established relationships with banks and financial institutions, its strong position in an oligopolistic market and solid financials. Furthermore, existing leverage covenants set below 2.0x are expected to keep the company's balance sheet healthy, supporting refinancing requirements. However, our base case does not include the severe impact of any political issues in Georgia, which could lead to sanctions and significantly restrict international capital inflows. We will adjust our base case if such material risks arise.

Adequate liquidity

Table 1: Liquidity sources and uses (in GEL '000s)

	2024	2025E	2026E
Unrestricted cash (t-1)^	20,210	32,960^	25,867^
Open committed credit lines (t-1)	-	-	-
FOCF (t)	12,503	-4,306	-11,436
Short-term debt (t-1)	2,903	3,304	68,291
Liquidity	>200%	>200%	32%

Source: Cellfie, Scope

^ considering 10% haircut on certificates of deposits

9. Supplementary rating drivers: -1 notch

The issuer rating incorporates a one-notch negative adjustment for peer group considerations, given that Cellfie is smaller and has a weaker market position than large European incumbent telecoms companies. For example, 4iG Nyrt, rated **BB-/Stable** by Scope, has a much larger scale and more diversified revenue stream.

One-notch negative adjustment for peer group considerations

Regarding parent support, we did not have access to the financial accounts of Cellfie's parent companies, as they do not engage in financial reporting. However, we believe that any potential cash outflows from Cellfie are effectively safeguarded by restrictions on transactions involving 'affiliated persons', as per the terms of the debt.

10. Debt rating

Cellfie's GEL 65m senior secured corporate bond (ISIN: GE2700604608) is rated BB-, in line with the issuer rating, reflecting an average expected recovery on the bond in the hypothetical event of a company default. The recovery analysis is based on a hypothetical default scenario in 2026 and assumes that outstanding senior secured bank loans would rank senior to the bond. Although the bond's recovery expectations indicate an excellent recovery, we have refrained from granting a rating uplift to the bond rating. This is due to emerging market risk and the possibility that the company could raise additional senior secured bank loans in the future.

Senior secured debt rating: BB-

Appendix 1. Peer comparison (as at last reporting date)

	Cellfie Mobile LLC	4iG Nyrt.	Magyar Telekom Nyrt.
Issuer rating/Outlook	BB-/Stable	BB-/Stable	BBB+/Stable
Last reporting date	31 December 2024	31 December 2023	31 December 2024
Business risk profile			
Industry	Telecommunication Services	Telecommunication Services	Telecommunication Services
Revenues	GEL 170m	HUF 687bn	HUF 967bn
Subscriber base	~1.4m	N/A	~6.6m mobile ~1.2m fixed voice ~1.6m fixed broadband
Key countries of operation	Georgia	Hungary, Albania and Montenegro	Hungary and North Macedonia
Operations	Mobile only	Integrated telecom operations, IT/system integration operations, Space & Defence Technologies	Integrated telecom operations
Market position	#3 player	#2 player	#1 player
Market share	~23% mobile subscriber share ~17% revenue share	~26% mobile subscribers ~34% non-residential fixed internet segment ~41% residential fixed internet	~46% mobile subscribers ~46% fixed broadband subscribers ~41% TV subscriptions ~50% revenue share
EBITDA margin	~50%	~31%	~40% (LTM June 2025)
Financial risk profile			
EBITDA interest cover	6.7x	3.5x	16.3x
Debt/EBITDA	1.3x	5.0x	1.1x
FFO/debt	64%	13%	79%
FOCF/debt	11%	2%	43%
Standalone credit assessment	BB	BB	A-
Supplementary rating drivers	-1 (Peer Context)	-1 (Financial Policy)	-1 (Peer Context)

Sources: Public information, Scope

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