

Buyout of the minority shareholders in Retail (Pharmacy)

Georgia Capital PLC (the “Group” or “Georgia Capital”) announces that JSC Georgia Healthcare Group (“GHG”), the holding company of the Group’s healthcare services, retail (pharmacy) and medical insurance businesses, has signed a share purchase agreement (“SPA”) to acquire a 33% minority interest in its retail (pharmacy) business (JSC Georgian Pharmacy (“GEPHA”)), which will be spread out over the next six years.

Following the initial pharmacy businesses purchases in 2016 and 2017, GHG has held a 67% equity stake in the combined retail (pharmacy) business and had a call option on the minority stake, during the 12 months starting from January 2023. The remaining 33% minority stakeholders, Mr Enrico Beridze and Mr Mikheil Abramidze, who are also the managing partners of the retail business, had a put option for the minority stake also during the 12 months starting from January 2023. The exercise price of the call and put options were set at 6.0x and 4.5x EV/EBITDA multiples, respectively, in 2017, based on the preceding financial year’s results at the time of the exercise.

The parties have renegotiated the initial terms of the agreement and put/call options. Under the SPA, the minority buyout transaction will be executed in six tranches at 5.25x EV/EBITDA multiple. The value of each tranche will be determined based on the financial results of the preceding twelve months at the time of execution and will be paid in cash consideration (in GEL). The timeline of the transaction is as follows:

- 10.0% of the shares to be acquired in 2022
- 11.0% of the shares to be acquired in 2023
- 0.5% of the shares to be acquired in 2024
- 0.5% of the shares to be acquired in 2025
- 0.5% of the shares to be acquired in 2026
- 10.5% of the shares to be acquired in 2027

Given GHG’s superior access to funding and strong free cash flow generation, the 2022 and 2023 tranches are expected to be financed with a combination of external debt and available / internally generated cash at the GHG holding company level. At the same time, the additional share purchases, will allow GHG to increase the dividend inflows attributable to GHG from GEPHA (a current cap of 50% of earnings will be fully removed), while the newly agreed future payment terms will provide better visibility for GHG to manage its liquidity position accordingly.

The latest financial performance and valuation highlights of the retail (pharmacy) business are available in Georgia Capital’s 2Q21 and 1H21 results release at <https://georgiacapital.ge/ir/financial-results>

Irakli Gilauri, Georgia Capital Chairman and CEO commented: “I would like to express my sincere gratitude to our highly experienced management team for their commitment to consistently deliver outstanding results and capture business growth opportunities. By increasing our stake, in line with our 360-degree capital allocation philosophy, we reconfirm our confidence in the accelerated value creation potential of the retail business. We are glad that the minority stakeholders, who have significantly contributed to the growth and success of the business over the last few years and whose expertise in this field is highly valued, will remain with us for an extended period of time. We look forward to working with the management team to take the retail business to the next level.”

Name of authorised official of issuer responsible for making notification: Giorgi Alpaidze, Chief Financial Officer

About Georgia Capital PLC

Georgia Capital is a platform for buying, building and developing businesses in Georgia with holdings in sectors that are expected to benefit from the continued growth and further diversification of the Georgian economy. The Group's focus is typically on larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over 3-5 years from the initial investment and to monetise them through exits, as investments mature. Georgia Capital currently has the following portfolio businesses: (i) a healthcare services business; (ii) a water utility business; (iii) a retail (pharmacy) business, (iv) an insurance business (P&C and medical insurance); (v) a renewable energy business (hydro and wind assets) and (vi) an education business; Georgia Capital also holds other small private businesses across different industries in Georgia and a 19.9% equity stake in LSE premium-listed Bank of Georgia Group PLC ("Bank of Georgia"), a leading universal bank in Georgia.

JSC Georgia Capital has, as of the date hereof, the following credit ratings:

S&P Global	'B'/FC & 'B'/LC
Moody's	B2/CFR & B2/PDR

About Georgia Healthcare Group

Georgia Healthcare Group is the largest healthcare services provider in the fast-growing, predominantly privately-owned, Georgian healthcare services market. GHG's leadership position is underpinned by offering the most comprehensive range of inpatient and outpatient services targeting the mass market segment through its vertically integrated network of 17 hospitals and 34 clinics. GHG is the single largest market participant, accounting for 20% of the total hospital bed capacity in the country, as of 30 June 2021. GHG is also the largest pharmaceuticals retailer and wholesaler in Georgia, with a 35% market share by revenue and the largest provider of medical insurance in Georgia with a 23.1% market share based on net insurance premiums earned and approximately c.168,000 insurance customers. GHG employed a total of c.15,400 people as at 30 June 2021, including c.3,300 physicians and 2,900 pharmacists.

For further information, please visit www.georgiacapital.ge or contact:

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