

Dis-Chem Pharmacies Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/009766/06)
Share code: DCP
ISIN: ZAE000227831
("Dis-Chem" or "the Company" or "the Group")

VOLUNTARY ANNOUNCEMENT RELATING TO ACQUISITIONS

BABY CITY

Shareholders are referred to the announcement released by Dis-Chem on 15 May 2020 wherein it was communicated that it entered into inter-conditional agreements (the "Agreements") in terms of which it will acquire 100% of the issued share capital in and shareholder claims of:

- Fairy Tales Boutiques (Proprietary) Limited ("Fairy Tales"); and
- Somerset Baby Hyper (Proprietary) Limited ("Somerset"),

which, in aggregate, comprise the well-known baby care products retailer Baby City ("Baby City"), from the Baby City's founder shareholders, the Aronoff family ("the Transaction").

Dis-Chem is pleased to announce that all conditions precedent have been met and that this Transaction has been completed. Unconditional approval by the Competition Tribunal for the Transaction was received on 20 November 2020. The effective date for the Transaction will be 1 January 2021.

MEDICARE

1. Introduction and Salient Terms

Following reference to the acquisition of a community-based pharmacy group, in the announcement released by Dis-Chem on 5 November 2020 ("Interim Condensed Consolidated Financial Results for the six months ended 31 August 2020"), the Group is pleased to announce that on 14 December 2020 it entered into a binding agreement (the "Agreement") with Pure Pharmacy Holdings and its existing shareholders, in terms of which it will acquire 100% of the issued share capital and shareholder claims of Pure Pharmacy Holdings (Proprietary) Limited, trading as Medicare Health ("Medicare"). Dis-Chem will pay a purchase consideration of R282 million upon closure. The Transaction includes a net working capital guarantee to ensure that the working capital metrics align with that of Dis-Chem. The Transaction remains subject to suspensive conditions, including approval from the competition authorities.

2. Information on Medicare

Medicare is a healthcare and pharmacy group, offering a one-stop solution for everyday pharmacy and primary healthcare needs, all under one roof, in 50 pharmacies across four provinces. The group provides affordable healthcare and convenience, adding value by saving both time and money on everyday healthcare products, medication and clinic services.

For the 12-months ended 29 February 2020, Medicare generated revenue of R1bn, with dispensary contributing two thirds.

3. Rationale

Dis-Chem recognises that the characteristics of Medicare align with those of Dis-Chem. Both groups are committed to delivering an unrivalled one-stop healthcare experience, with convenience, excellent customer service and value at the core of the brand promise. Many of the stores in the Medicare portfolio are located in convenience centres, in geographies where Dis-Chem is currently under-represented, giving the Group access to new markets.

Dis-Chem has identified synergies, which it believes can be extracted quickly and efficiently. These synergies include:

- The integration of Medicare pharmacies into Dis-Chem's current supply chain, with pharmacies being more extensively serviced by CJ Distribution. Dis-Chem's Return on Invested Capital ("ROIC") strategy will allow it to unlock additional supplier terms and in turn, enhance the commercial returns of these incremental wholesale volumes. The additional volumes will be margin accretive to the Wholesale segment of Dis-Chem;
- Extending Dis-Chem's Loyalty and Partner offering to Medicare customers, which will drive increased shopper frequency and bigger customer baskets. Dis-Chem's Benefit Programme consists of more than 5.7m members, with access to multiple value-enhancing partners;
- The opportunity to expand and enhance the front shop offering in the Medicare pharmacies; and
- With 43 in-store clinics, the high penetration of pharmacy clinics aligns with Dis-Chem's primary care ambitions and extends the clinic network coverage to 411 pharmacy clinics.

4. Conditions Precedent

The Medicare acquisition is subject to the fulfilment of the following conditions precedent by 31 August 2021, or later date as may be agreed to in writing ("Longstop Date"):

- obtaining the required approval in terms of the Competition Act for the implementation of the Transaction either unconditionally or subject to such conditions as the parties may agree in writing;
- delivery to all parties of the required resolutions by the respective boards of Medicare, the Seller and the Purchaser, approving the Sale;
- individuals identified by Dis-Chem in the due diligence investigation as key employees of Medicare's operations, having concluded a new written employment contract with Medicare, including restraints reasonably necessary to protect the economic interests of the Medicare and Dis-Chem; and
- Dis-Chem being satisfied with the integrity of the ongoing internal restructure of the Medicare Group.

5. Effective Date

The effective date for the Transaction is expected to be the first day of the calendar month succeeding the calendar month in which the last of the conditions precedent is fulfilled (or waived, as the case may be).

HEALTHFORCE

1. Introduction and Salient Terms

Further to the Medicare announcement, the Group is pleased to announce that on 18 December 2020 it entered into a written share purchase agreement (the "Agreement") with Pure Pharmacy Holdings and its existing shareholders, in terms of which it will acquire 87.5% of the issued share capital and 100% of the shareholder claims of Healthforce (Proprietary) Limited. The Transaction remains subject to suspensive conditions.

2. Information on Healthforce

Founded in 2018, Healthforce offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system. The technology includes a telemedicine capability, which provides real-time video connections between patients and nurses with an on-demand remote doctor network. The solution focuses on enabling multi-disciplinary team-based care.

Healthforce is implemented in close to 440 clinic rooms, mainly in pharmacies, across South Africa. It has handled over one million nurse consults, and more than 95,000 telemedicine doctor consults. Through the COVID-19 pandemic, Healthforce has continued to experience rapid adoption of its nurse-led virtual doctor care service. Healthforce aims to improve health outcomes at a lower price point with increased patient satisfaction.

3. Rationale

In the face of a changing primary healthcare landscape, Healthforce presents the Group with an investment in a strategic asset through which it can advance its ambitions to be at the forefront of innovation in the delivery of care. In addition to the core clinic management capability, Healthforce provides the platform for the Group to introduce an integrated primary care solution that spans dispensary and clinic, placing the patient at the epicentre of the Dis-Chem healthcare experience.

Operating independently of Dis-Chem, Healthforce will continue to invest in the development of its solutions, making these advances available to a rapidly growing network of independent pharmacies and clinics. These pharmacies and clinics will benefit clinically and financially from the solution. Dis-Chem and Healthforce share the vision of enabling a nationwide network of advanced primary care providers.

4. Conditions Precedent

The Healthforce acquisition is subject to the fulfilment of the following conditions precedent by 28 February 2021, or later date as may be agreed to in writing ("Longstop Date"):

- delivery to all parties of the required resolutions by the respective boards of Healthforce, the Seller and the Purchaser, approving the Sale; and
- agreement on a new shareholders agreement and MOI, on terms acceptable to all parties.

5. Effective Date

The effective date for the Transaction is expected to be the first day of the calendar month succeeding the calendar month in which the last of the conditions precedent is fulfilled (or waived, as the case may be).

KAELO

1. Introduction and Salient Terms

Shareholders are referred to the announcement released by Dis-Chem on 5 November 2020 ("Interim Condensed Consolidated Financial Results for the six months ended 31 August 2020") wherein it was announced that the Group was in the advanced stages of concluding the acquisition of a strategic interest in a healthcare asset.

The Group is pleased to announce that it has entered into agreements with the founding shareholders and management of the Kaelo Group of Companies, in which it will acquire 25% of the issued share capital and shareholder claims of Kaelo Holdings ("Kaelo").

2. Information on Kaelo

Kaelo was formed by like-minded entrepreneurs, sharing the vision of "making healthcare accessible and improving the lives of all South Africans". Over the last 15 years, Kaelo has consistently grown its offering, which today features a complementary portfolio of health assets. In addition to providing benefit-rich gap and primary healthcare insurance products, Kaelo is a leading managed care organisation, operator of occupational health clinics and owner of the AskNelson psychological wellbeing platform.

3. Rationale

Dis-Chem and Kaelo are both committed to playing leading roles in the ubiquitous access to affordable and quality private primary healthcare. With the public healthcare system overwhelmed, and private healthcare out of reach for many, the opportunity for affordable and quality primary healthcare insurance is sizable.

This acquisition builds on both current and previous investments and acquisitions, which taken together, positions Dis-Chem to augment the provision of care in a rapidly evolving primary care landscape.

The investment in Kaelo is premised on several key factors:

- Through a combination of the Group's significant physical primary care infrastructure footprint, and the equity position in Kaelo, Dis-Chem will be in the unique position of being able to positively influence product design and the biggest cost drivers of primary healthcare consumption, to offer a rich set of benefits at an everyday affordable price. In so doing, the Group strives to have a meaningful impact on health outcomes and the lives of South Africans;
- The Kaelo investment, alongside the Healthforce acquisition (included in this announcement), is of synergistic importance, as these two capabilities place Dis-Chem at the heart of primary healthcare consumption, at a price point that a growing number of South Africans can start to afford;
- Vertical integration in the healthcare value chain, presenting Dis-Chem with diversified revenue streams at margins higher than those in the core retail business;
- As the consumption of clinic-led primary healthcare gains prominence, the destination store status of the Dis-Chem brand will be enhanced, increasing store footfall. Considering the significant fixed cost investment in the clinic network, the increase in the utilisation of clinic services will be earnings accretive.

4. Implementation

The targeted, effective date of the Transaction will be 1 May 2021, considering that the Transaction remains subject to approval by the Competition Tribunal and the fulfilment of commercial suspensive conditions.

"The acquisitions announced in this release, significantly extend the Group's footprint, and reaffirms the Group's commitment to the enablement of clinics as the primary healthcare point of entry to the private healthcare system, at an affordable price while enhancing customer convenience," says Ivan Saltzman, Dis-Chem CEO.

None of the transactions mentioned in this announcement are deemed to be categorised transactions in terms of the Listings Requirements of the JSE Limited.

Midrand

21 December 2020

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The Standard Bank of South Africa Limited