

R&D Outsourcing

Empire Erkafarm: how a distributor became one of the retail leaders



The average annual revenue growth of Erkafarm for the last three years amounted to 40%, the revenue last year reached 42 billion rubles. At the same time, the network remains the most mysterious player in the pharmaceutical market, carefully hiding the names of shareholders

Photo: Vladislav Shatilo for RBC

The panoramic windows of the new modern Erkafarm office in the White Square business center offer an impressive view of the city and the Moscow City skyscrapers - this is how the company's office looks like in Hollywood films at the peak of its success. "We moved recently, I haven't had time to settle down yet," Anastasia Karpova, general director of Erkafarm, points to the empty shelves illuminated with neon in her office.

Before the move, the company was based in Maroseyka, on the second floor of the building where in 2002 the first branded pharmacy of the Doctor Stoletov chain was opened. Then Erkafarm was only one of the numerous distributors and slowly entered the retail market, opening a dozen pharmacies a year.

Today Erkafarm is in the rating of fast-growing companies by RBC magazine. The average annual growth of its revenue over the past three years amounted to 40%, revenue last year reached 42 billion rubles, the network includes more than 1.3 thousand pharmacies. As the company told RBC magazine, in 2018 the revenue will amount to at least 60 billion rubles, and the market share will be more than 8%. This year, Erkafarm is launching the production of drugs under its own brands - as the company told RBC magazine, by 2020 the share of this business should be at least 5% of the turnover.

At the same time, Erkafarm remains the most mysterious player in the pharmaceutical market, carefully hiding the names of shareholders from the general public.

Asset out of focus

As follows from the archive extract of the Unified State Register of Legal Entities, CJSC Erkafarm was registered in 1994 by a graduate student of the Moscow Medical Institute, Ivan Saganelidze, who already had experience in managing his own pharmacy outlet for a year. Erkafarm immediately entered the holding of Boris (Bidzina) Ivanishvili, a Russian businessman of Georgian origin, whose largest asset was the Rossiyskiy Kredit Bank. Ivanishvili already in the 1990s tried to spend more time

abroad, transferring the operational management of assets to trusted persons. Saganelidze became Ivanishvili's confidant in his pharmaceutical assets: until 2006, he served as the general director of Erkafarm (according to SPARK).

Under him, in 2005, the company acquired the Doctor W pharmacy chain in the Stavropol Territory, increasing the number of retail outlets to 280. But in 2007, Dmitry Eropkin, President of the Unicor Group (managed Ivanishvili's assets), told reporters that "a year and a half ago the development plan for Erkafarm managers, but it was not implemented." Saganelidze resigned, but continued to work in the pharmaceutical industry: he became a shareholder of the A5 pharmacy chain, then, together with business partners, began to develop his own pharmacy chain Ave, which in 2014 became the owner of 51% of the 36.6 pharmacy chain (through Palesora Ltd). but in March 2018, as Kommersant reported, it sold its share to the structures of the owner of the Moscow Credit Bank (MCB) and the Rossium concern, Roman Avdeev.

After Saganelidze left, Erkafarm was in a fever, the top management of the company changed at least once a year. "The focus of the management company (Unicor. - RBC magazine) was on other assets of the group, no stake was placed on pharmaceutical retail. During my tenure as a deputy general director from 2009 to 2012, three managers were replaced, and each time plans and strategies were revised," recalls Anastasia Karpova, who took over as general director of the company in 2012.

Mysterious owner

Until 2012, Erkafarm remained a small company with an annual turnover of about 5 billion rubles and stable losses of 200-250 million rubles. a year, Karpova recalls, this follows from the company's reporting data in SPARK.

In 2011, Ivanishvili said that he decided to get involved in politics and run in the presidential elections in Georgia in 2012, and before the elections he would sell all Russian assets so that "society would not have any unnecessary questions." The buyer of Erkafarm was the investment company Haden S.A. In the official release of "Unicor" about the deal, it was reported that Haden acted in the interests of the St. Petersburg CJSC "Imperia-Pharma". As Kommersant, Delovoy Petersburg and RBC daily wrote in 2012-2017, the market called this company one of the structures of the Imperia holding company registered in 2003, registered in St. Petersburg. According to the Unified State Register of Legal Entities, the founder of "Empire" was Sergei Matvienko, the son of Valentina Matvienko, then the governor of St. Petersburg, now - the chairman of the Federation Council of the Russian Federation. Two interlocutors of RBC magazine on the pharmaceutical market and an interlocutor familiar with the structure of St. Petersburg business Sergey Matvienko confirmed this information.

Photo: Vladislav Shatilo for RBC

Sergei Matvienko closely communicated with the general director of "Empire-Pharma" Omar Gurtskaya, often appeared with him at social events. Petersburg edition "Zaks.ru" and "Gazeta.ru" pointed to the possible relationship of Gurtskaya with

the former wife of Sergei Matvienko, singer Zara, without specifying what is at stake.

However, the managing director of Imperia-Pharma, Mikhail Stepanov, in an interview with the industry publication Vademecum in 2013, claimed that the company only acted as a consultant to Haden S.A. in two major transactions, and the legal link between the companies never existed.

But, according to data from the Panama Papers database of confidential documents, which was published in 2016 by the ICIJ (International Association of Investigative Journalists) consortium, there was such a connection. For 2015, as stated in the archive, Haden S.A. was the head office for offshore companies in the British Virgin Islands Freya Developments and Etzel Management. According to the

ICIJ database, the beneficiaries of both offshore companies were Omar Gurtskaya and his business partner in several St. Petersburg legal entities, Shoren Guguchia. The data did not specify their offshore shares. According to Rosstat in SPARK, the last time the owner of CJSC Erkafarm changed was in 2013.

Erkafarm does not comment on the company's ownership structure. Karpova notes that the shareholder is well known to creditors and key partners.

Triple magnification

Anastasia Karpova took over as CEO of Erkafarm immediately after the change of ownership in 2012, after which the company for the first time completed the half-year without losses. According to SPARK, in addition to CJSC Erkafarm, she heads LLC Erkafarm North-West (subsidiary of CJSC Erkafarm and through a chain of legal entities - the Cyprus offshore company Folimer Management Ltd, registered in the Cypriot Chrysanthos Hattsiganis) and LLC Erkafarm Neva ("Daughter" of Haden SA).

"I didn't associate my future with the pharmaceutical industry," says Karpova. - I graduated from the Faculty of Applied Political Science of the Higher School of Economics. She led a publishing project on medical topics. " Within the framework of it, Karpova collaborated with pharmaceutical companies, in particular with the Protek group, which invited her to work. On the eve of joining Erkafarm, she held the post of Marketing Director at the Rigla pharmacy chain, which was part of Protek.

Already in 2013, Erkafarm closed the first major deal - it acquired the St. Petersburg discounter pharmacy chain Ozerki from the pharmacists Dmitry and Olga Anikievs who founded it. Now they have no business in Russia, it follows from the data of SPARK. The accounts of the Anikievs' children on social networks indicate that the family lives in London. It was not possible to contact Dmitry Anikiev, Olga Anikieva did not respond to the message of the RBC magazine.

Ozerki doubled Erkafarm in terms of turnover and became the first discounter in the holding. "Plus, Peter is conservative and inhospitable to the feds. The market expected that as a result of the integration we would significantly reduce the turnover of Ozerkov, but over the past three years we have increased it almost threefold, "says Karpova.

Night rebranding

In 2017, Erkafarm closed another major deal to acquire the Raduga - Pervaya Pomoshch - Ladushka united pharmacy chain from the Rosta group. In terms of the number of outlets, the Rosty chain was almost three times larger than Erkafarm: 1,048 pharmacies participated in the transaction, while Erkafarm owned at least 400 pharmacies. Thus, the company entered 27 new regions at once.

According to Karpova, Rosta pharmacies were then in a deplorable state: "There were interruptions in the supply of goods and, as a result, empty shelves, massive layoffs of staff. The flow of buyers decreased, although the locations were very good. " For example, a network of 100 points of the Ladushki brand, popular in Nizhny Novgorod, needed reanimation. Erkafarm's management was going to focus on low prices. "When I arrived in the city, I discovered that next to each Ladushki pharmacy there were several competing discounters with signs in the style of "It's never cheaper to find me anywhere, "says Karpova. At the same time, she found out that in the Nizhny Novgorod polyclinics there are huge queues for therapists, since there are not enough doctors of this specialization in the city.

RUB 1.15 trillion

will amount to the volume of the Russian pharmaceutical market by the end of 2018

13.9%

of the turnover of pharmaceutical retail in Russia accounted for three leaders (Rigla, Erkafarm and Implosion) in the first half of 2018

5.06 billion

packs of drugs were sold in Russian pharmacies in 2017

Sources: IQVIA, AlphaRM, DSM Group

In one night, Erkafarm re-branded 30 key points, changed the assortment, prices, updated the interior, and installed new signs. To prevent the information from going to competitors, Moscow contractors were attracted for the work. At the same time, they branded a truck with four medical offices, licensed as a medical clinic. Within a month, the truck moved between pharmacies. Any buyer of Ladushek received free diagnostics from a therapist. Queues were constantly lining up for the car, and as a result, the network returned the pre-crisis revenue figures, Karpova recalls.

On the whole, during the year Erkafarm doubled its turnover and now, according to its own estimates, occupies 6% of the Russian commercial market, and in the future it is aimed at 30%.

Risk appetite

The company's sharp growth in recent years can be explained

There are several factors. Among them, from Karpova's point of view, management's appetite for risk and the introduction of new technologies. "I am a proponent of a centralized approach, so I put a lot of emphasis on automation, this is a necessary basis for scaling a business," she says. Now Erkafarm is negotiating with mobile operators to integrate data on traffic passing by pharmacies to select a format suitable for the location. The network also has its own CRM (customer relationship management software) with data on 1.5 million loyal customers.

Two interlocutors of RBC magazine in the pharmaceutical market noted that Erkafarm's growth is not organic and is more likely due to the purchase of pharmacies. "The asset value in pharmaceutical retail is not that high today. Often, debts are acquired first, so a company that has the ability to invest allows itself to expand," says one of them.

In the spring of this year, the specialized media reported on yet another Erkafarm deal - the acquisition of the Samson-Pharma network, founded in 1993 by Samson Sogoyan. According to SPARK, in March the post of general director of "Samson-Pharma" was taken by the commercial director of "Erkafarm" Armenuhi Danielyan. But Erkafarm does not confirm the fact of the transaction.

Today Erkafarm is developing its own trade mark, but until recently the company produced only non-pharmaceutical categories. This year it will launch the production of drugs. "I think we will be one of the first or even the first to launch such a large-scale production," says Karpova. According to her, a portfolio of brands is being finalized in all major categories - "cold remedies", "gastrointestinal remedies" and others. For each category, a strategy is developed: contract manufacturing, redemption of a marketing authorization or registration of a drug from scratch. "I really believe in this story, world experience shows that this is inevitable," says Karpova.

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