



Scotland Pharmacy Market Update

From the UK's leading independent pharmacy transfer agents

High Demand

In recent years goodwill prices throughout Scotland have continued to grow and exceed expectations. This is particularly evident for those located within Health Centres and the larger cities such as Glasgow and Edinburgh. Buyers in the current market are predominantly small to medium sized, regional group owners that are looking to expand their empires. However the market is very much bolstered by a significant number of first time buyers keen to get on the pharmacy ladder and secure their first pharmacy.

In 2019 Hutchings typically received an average of 4 offers per pharmacy, achieving an average of £1.33 pence in pound. We also saw gross profit margins from around 30% to nearly 36%.

Market Predictions

On 24th April 2019 community pharmacy Scotland (CPS) announced that for the second year running funding would increase by 2.6m. Now at a figure of £183.6m the Scottish government clearly wishes to continue to support community pharmacy. Comparing this to the governments approach over the border in England it is no wonder that the demand for the Scottish community pharmacy continues to remain on a positive trend.

Key Aspects

The key aspects that will help and contribute towards you achieving a higher goodwill value when you come to sell are:-

- Being in the right turnover range – if your business covers the middle ground of the market, with a turnover between around £750,000 - £1,250,000 which is at a level that is accessible to both first time buyers and yet attractive to larger group operators the more competitive bids you are likely to see
- Having the right balance of income streams – ideally your business would be predominantly NHS, rely on a spread of surgeries, have limited income from nursing or care homes
- Having room to grow – if you have maxed out every possible aspect of growth in the business then you leave nothing for an incoming owner to improve on. This can be a negative as most potential purchasers will want to add value and their own mark on the business
- Reasonable overheads – if you have committed to high property expenses, staff or maintenance contracts then this takes future profitability away from a new owners pocket or leaves them with the task of trying to address the matters where possible which can be costly and unattractive
- Being in the right location – as mentioned above, those pharmacies in Scotland that are in or on the outskirts of cities and larger populations will tend to be more highly sought after
- Profit margins – you need to be able to demonstrate the business in its best possible light showing a strong margin and a good bottom line



Taxation

You may think you qualify for Entrepreneur's Relief (ER) meaning that you will only pay 10% tax on the gain you make when you sell your pharmacy. However, there are circumstances when you may not qualify for ER, for example, when you are trading through a limited company which has other assets or investments besides the pharmacy. If you think this could apply to you, make sure you identify the problem and take action before you sell your pharmacy to ensure you qualify for ER.

If you would like us to look at this for you then please send us a copy of your latest accounts which we can study and then tell you if we identify any issues. All information you send to us is, as always, treated in the strictest confidence.

ER has been costing the Government billions which is significantly more than the few hundred million that was initially budgeted for. Recently there's been much speculation about the future of ER with many people fearing the Government would either abolish or scale down this tax relief. In the last budget, the Government left ER relatively unscathed. However, we feel that ER could be a prime target in the future.

To put this in perspective, under current legislation if you made a gain of £1m on the sale of your pharmacy and you qualified for ER you would only expect to pay tax of £100K (10%). However, if ER is scrapped your tax bill could soar.



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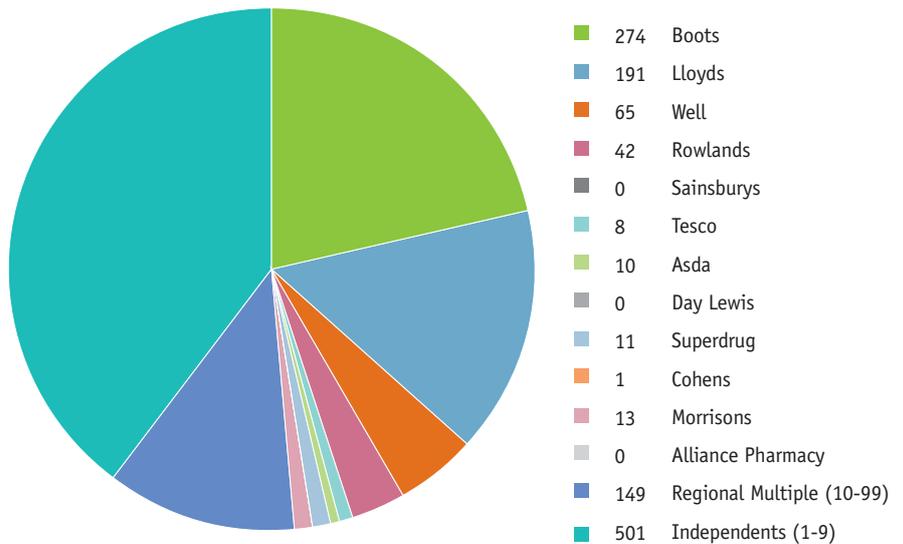


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Breakdown of Scottish Pharmacy Owners

The table below demonstrates that overall the number of pharmacies in Scotland has remained consistent over recent years with just a handful of new contracts being granted.

Size Category	2014	2015	2016	2017	2018	2019
National Multiple (100+)	614	612	612	611	613	615
Regional Multiple (10-99)	100	102	107	111	130	149
Independent (1-9)	543	547	545	542	519	501
Grand Total	1257	1261	1264	1264	1262	1265



Source: Precision Marketing Group

What our clients say about us...

"I built up a good working relationship with Ryan and Linda at Hutchings over many years. Initially, I purchased a business that they had advertised. Both the vendor, and I were very pleased with the service we received. Some six years later, I decided to sell my small group of pharmacies in Edinburgh, and Hutchings were the natural choice. We had a couple of exploratory meetings, followed by discussions on valuations, and a potential time line. I was pleased with the progression and was fully consulted during the sale process. I was very satisfied with the outcome, and the overall service that I received from the team at Hutchings."

Mr P Tinkler, Tinkler Limited, Edinburgh