



# Wales Pharmacy Market Update 2020

Diweddariad y Farchnad Fferylliaeth Cymru

From the UK's leading independent pharmacy transfer agents

Trusted by the NPA and its members since 2005

If you are thinking of selling your Pharmacy...  
Contact Paul today and quote “Wales Report 2020”  
to discuss your **FREE and confidential valuation.**



**Contact: Paul Steet**  
**Senior Pharmacy Consultant**  
Specialist in Welsh pharmacy sales

**Author of Wales Pharmacy Market  
Update 2020**

Tel: (01494) 722224 (ext. 50)  
DD: (01494) 422850

[paul@hutchingsconsultants.com](mailto:paul@hutchingsconsultants.com)  
[www.hutchingsconsultants.com](http://www.hutchingsconsultants.com)



## What our clients say about us...

Now that the sale is complete we just want to thank you for all your invaluable assistance throughout the whole process and for achieving a better price for the Pharmacy than perhaps we would otherwise have obtained.

**Mr H Evans,**  
**Margaret Street Pharmacy, Ammanford**

Hutchings Consultants' business is that of pharmacy brokers and valuers. The pharmacies, which they sell, value and act as sales agent for, typically range from £300,000 turnover for single shops, through to groups with turnover reaching £100M. The Firm deal exclusively with pharmacies and as such are true experts in this field. Hutchings Consultants are also recommended by the NPA to its members for all matters relating to the selling and buying of pharmacy businesses across England, Wales, and Scotland. They are currently the only NPA partner supplier to reach Platinum Status.

# The Current Market

Undisputedly, in a very short space of time, the COVID-19 pandemic has created tumultuous challenges across the whole of the United Kingdom, particularly in respect of the provision of healthcare. Pharmacy teams throughout the UK have been at the forefront of continuing to care for patients under both difficult and risky operating conditions. The arrival of the virus and the resultant Government instructed lockdown has created a significantly different trading environment compared to that seen prior to this period which has led to many contractors, who may be considering selling, asking how the pharmacy sales market in Wales has been affected?

Even through lockdown, and in line with both the England & Scotland pharmacy sales markets, Hutchings Consultants have continued to experience both a positive and continuing demand from a wide range of buyers including First Time Buyers, individual owners and previous owners who have sold, in addition to current owners seeking to add to their existing portfolios as and when the right opportunities arise. We have also continued to experience interest in pharmacies from buyers across the UK, most notably First Time Buyers and even Investors from outside of the sector who recognise the relative stability that pharmacy businesses offer.



## The Current Market continued...



**Hutchings Consultants have continued to experience both a positive and continuing demand from a wide range of buyers**



Most independent regional group owners have remained in the market, albeit taking a much more considered and strategic approach to the opportunities they choose to look at. As for the large Multi-nationals, following a particularly quiet period in terms of buying activity over the last few years (as most sought to consolidate trading positions and reduce operational costs) one or two are beginning to show some early signs that they are considering acquiring again, although this is yet to result in any submission of offers at this point in time.

Buyers who require Bank borrowing are generally finding the level of support for the pharmacy sector has continued unabated from lenders though we

understand that Bank credit and underwriting teams are reviewing loan applications and business plan proposals more stringently to ensure that there is sufficient capacity to cover all borrowing repayments adequately. Coupled with unprecedented demand for Covid related grants and borrowing from other business sectors there has inevitably been a resultant increase in the time taken to process loan applications which has had a knock on effect to sale

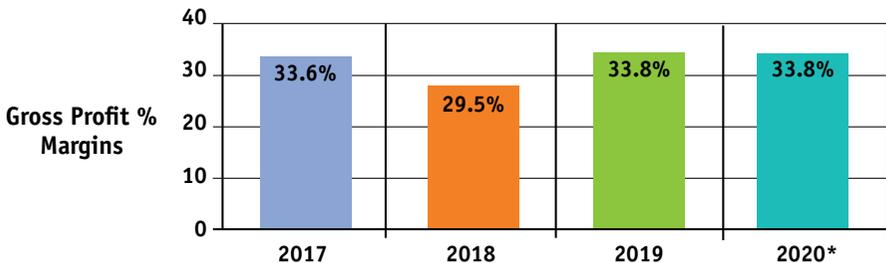
completion timescales. Looking forwards, we hope to see an improvement in Banks performance as more staff return to operational duties.



# Profit Margins

Gross Profit Margins in Wales, a useful bench-marker for Pharmacy contractors, have been fairly consistent since 2017 at around 33%, despite a fall to 29.5% seen in 2018. However, in more recent business valuations we have undertaken, a notable trend was a dip in margin performance to around 28%.The main reason cited for this reduction has been significant drug pricing and supply issues encountered over the last 12 months, together with a number of incidents of loss making dispensing on specific items, overall placing financial pressure on contractors. The COVID 19 pandemic has exacerbated this situation further due to increased demand and subsequent wholesale prices which have created well-publicised cash flow issues for many pharmacies. This has been alleviated to an extent by the recent Advance Payment made which will ultimately be clawed back. As a result of this many have decided to place a greater emphasis going forwards on researching and securing more favourable purchasing arrangements from existing or new suppliers wherever possible.

The table below shows the consistency seen in average yearly figures since 2017 but does not reflect the more recent valuations we have conducted.



\*sales agreed and completed so far



...significant drug pricing and supply issues encountered over the past 12 months

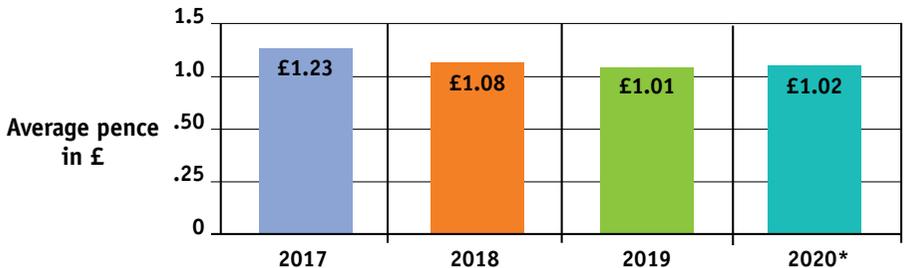


# Wales Goodwill Prices

In comparison to pharmacies over the border in England, Welsh pharmacies have achieved higher Pence in Pound values in recent years, owing to the perceived greater support for the sector by the Welsh Government. Despite this Goodwill values have come under pressure, however

we have seen an encouraging slight increase in the Pence in Pound value achieved for sales completed and agreed in 2020 so far. This increase may be partly attributed to the limited supply of available pharmacies for sale in Wales in comparison to that seen over previous years, but it is also reassuring that in the majority of sales conducted, we have seen multiple buyers bidding which has

helped sustain the current values. Our recommendation to any seller keen to secure a buyer is to set a realistic initial asking price in order to encourage early interest from the market. Once initial interest is generated, it is often possible to command a higher price through competitive bids to secure the opportunity.



\* sales agreed and completed so far



# HERE'S WHY NPA MEMBERS ARE THE BEST SUPPORTED INDEPENDENT PHARMACIES

As a trade association, the NPA truly belongs to its members. With no shareholders to satisfy, our only priority is to help independent community pharmacies to prosper, for the benefit of their patients.

As a not-for-profit organisation, all proceeds generated by the NPA are invested back into services and resources for NPA members.

**That's why the NPA can offer so many benefits.**

To view all the NPA member benefits visit  
[www.npa.co.uk/memberbenefits](http://www.npa.co.uk/memberbenefits)  
To join the NPA call **01727 795 914**



## Market Predictions

Although Community Pharmacy Funding settlements in recent years have fallen below expectations the announcement made by the Welsh Government on the 16th June 2020, injecting an additional £18.3 million to the global sum over the next three years, is a positive signal of intent in these turbulent times. The Government has set out a clear long term strategy for the future to integrate the sector more closely with hospitals and Primary Care as an overall healthcare package offering to the population. The implementation of the Common Ailments Service and push to increase the number of Independent Pharmacist Prescribers for example, demonstrates a continuing commitment to the sector which provides encouragement to many potential buyers who are considering buying a pharmacy in Wales.

Without doubt the COVID-19 Pandemic has created what is hoped to be short term funding, trading and operational issues but overall pharmacy has shown what a resilient business model it is in comparison to many other parts of the economy which have ceased trading altogether during the period of lockdown. Indeed, we have seen

this evidenced in the increased number of investors registering to buy in the last few months who have turned their attention to healthcare as a way of minimising risk in their overall investment strategy. Whilst we are yet to see the full economic and social impact of this pandemic, Banks have confidence in the sector as an investable proposition which again should provide encouragement to buyers.



**COVID-19 Pandemic has created what is hoped to be short term funding, trading and operational issues...**



It is extremely difficult to predict medium to long term pharmacy values but in the short term we expect Pence in Pound values to remain largely steady, with an outlying possibility of a slight upward pressure felt, due to the combined 'Covid effect' and less supply of pharmacies for sale. Recent events have shown the importance of pharmacy as a key component in the effective provision of healthcare to the nation which it is hoped will continue to be reflected in future funding decisions for years to come.

## Maximising Your Goodwill Value

The key aspects that will help and contribute towards a seller achieving a higher goodwill value when they 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 £700,000 - £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 pharmacy business income should be predominantly NHS, rely on a spread of surgeries and have limited income from nursing or care homes and drug addicts.
- Having room to grow – if you have maximised every possible opportunity for growth in the business then you leave nothing for an incoming owner to improve on. This can be viewed as a negative by most potential purchasers who will want to add value and make their own mark on the business.
- Reasonable overheads – if you have committed to high property expenses, staff or maintenance contracts this takes future profitability away from a new owners pocket and leaves them with the task of trying to address these matters where possible which can be costly and unattractive.
- Being in the right location – size of the local patient & customer base, potential for growth, good transport facilities, minimal pharmacy competition and distance from G.P surgeries are some of the many factors considered by potential buyers when evaluating a business opportunity.
- Profit margins – you need to be able to present 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. In the last few years there's been much speculation about the future of ER with many organisations calling on the Government to either abolish or scale down this tax relief.

In the last budget, the Government changed the name of ER to Business Asset Disposal Relief (BADR), and reduced the lifetime limit from £10M to £1M, meaning the relief is now only available on the first million pounds of gains on the sale of your pharmacy.

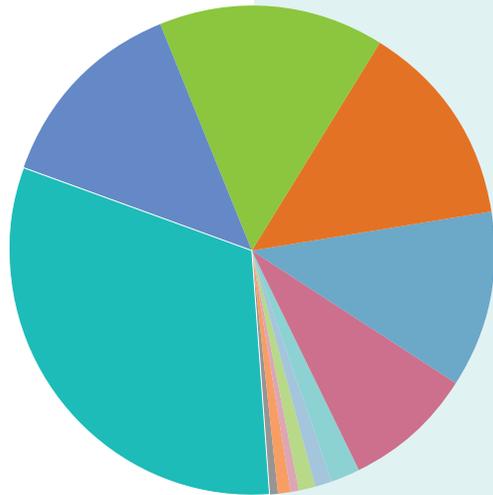
It is possible that the government will introduce further changes to the relief or that they may abolish it completely. To put this in perspective, under current legislation if you made a gain of £1m on the sale of your pharmacy and you qualified for BADR you would only expect to pay tax of £100K (10%). However, if ER is scrapped your tax bill could soar.

# Breakdown of Welsh Pharmacy

As demonstrated by the table below, there has been a 1% reduction in the overall number of pharmacies since 2017. The pharmacy closures have been fairly evenly divided between the large National Multiples and smaller Independent contractors.

Size Category	Wales 2017	Wales 2018	Wales 2019	Wales 2020
National Multiple (100+)	404	402	400	400
Regional Multiple (10-99)	92	98	98	98
Independent (1-9)	242	235	233	232
<b>Grand Total</b>	<b>738</b>	<b>735</b>	<b>731</b>	<b>730</b>

- 100 Boots
- 85 Lloyds
- 108 Well
- 63 Rowlands
- 0 Sainsburys
- 15 Tesco
- 7 Asda
- 4 Day Lewis
- 8 Superdrug
- 5 Cohens
- 5 Morrisons
- 0 Alliance Pharmacy
- 98 Regional Multiple (10-99)
- 232 Independents (1-9)



**Grand Total Wales 730**

Source: Precision Marketing Group

## What our clients say about us...



...just to say thank you for all your hard work over the last 12 months. Really appreciate it. Hutchings Consultants are always a pleasure to deal with.

**Mr J Thorne, Gravells Pharmacy, Carmarthenshire**





**Anne Hutchings**  
Managing Director

**Tel:** (01494) 722 224 (ext. 48)

**DD:** (01494) 422 848

**Email:** Anne@HutchingsConsultants.com



**Scott Hayton**  
Director

**Tel:** (01494) 722 224 (ext. 49)

**DD:** (01494) 422 849

**Email:** Scott@HutchingsConsultants.com



**Luke Williams**  
Senior Pharmacy Consultant

**Tel:** (01494) 722 224 (ext. 39)

**DD:** (01494) 422 539

**Email:** Luke@HutchingsConsultants.com



**Paul Steet**  
Senior Pharmacy Consultant

**Tel:** (01494) 722 224 (ext. 50)

**DD:** (01494) 422 850

**Email:** Paul@HutchingsConsultants.com



**Alan Akerman**  
Senior Pharmacy Consultant

**Tel:** (01494) 722 224 (ext. 51)

**DD:** (01494) 422 851

**Email:** Alan@HutchingsConsultants.com



**Ryan Smith**  
Senior Pharmacy Consultant

**Tel:** (01494) 722 224 (ext. 52)

**DD:** (01494) 422 852

**Email:** Ryan@HutchingsConsultants.com



**Matteo Mazza**  
Pharmacy Consultant

**Tel:** (01494) 722 224 (ext. 54)

**DD:** (01494) 422 854

**Email:** Matteo@HutchingsConsultants.com



**Andrew Woodward**  
Pharmacy Consultant

**Tel:** (01494) 722 224 (ext. 53)

**DD:** (01494) 422 853

**Email:** Andy@HutchingsConsultants.com



**Linda Drabwell**  
Business Development

**Tel:** (01494) 722 224 (ext. 59)

**DD:** (01494) 422 859

**Email:** Linda@HutchingsConsultants.com



**Janine Gregory**  
Administrator

**Tel:** (01494) 722 224

**Email:** Janine@HutchingsConsultants.com

**Hutchings Consultants Ltd**

Maple House, 53–55 Woodside Road, Amersham, Bucks HP6 6AA

**T:** 01494 722 224

**F:** 01494 434 764

**E:** [info@hutchingsconsultants.com](mailto:info@hutchingsconsultants.com)

[www.hutchingsconsultants.com](http://www.hutchingsconsultants.com)