



Wales Pharmacy Market Update 2024

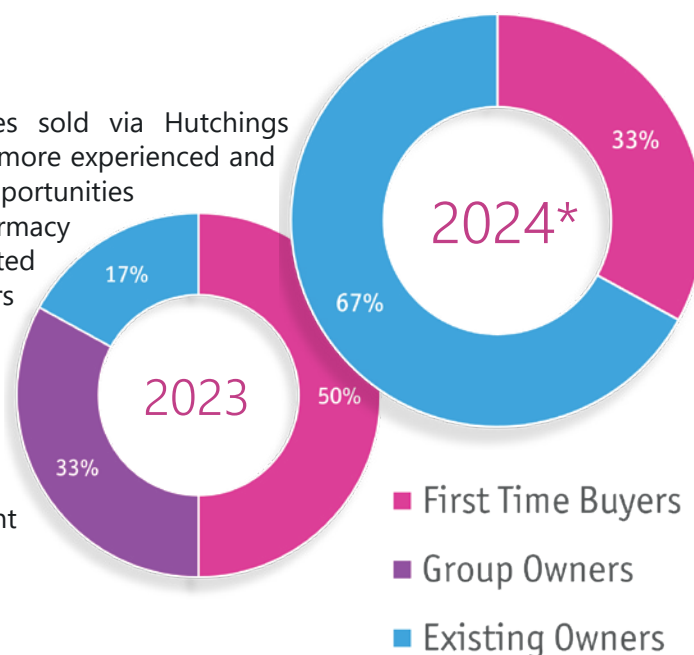
From the UK's leading independent pharmacy transfer agents



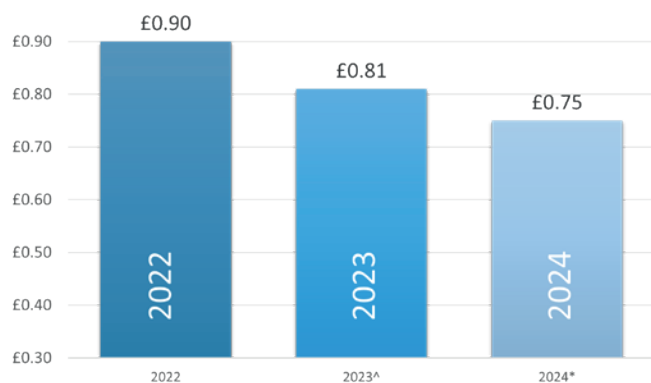
Buyer Activity

First Time Buyers acquired the majority of pharmacies sold via Hutchings Consultants in Wales last year, some in collaboration with more experienced and financially secure group owners, whilst the remaining opportunities were acquired separately by group owners and existing pharmacy owners purchasing single branches as part of calculated expansion plans. To date, in 2024, existing pharmacy owners are currently leading acquisitions, with First Time Buyers in contrast securing a smaller 33% share of the pharmacies sold or sale agreed so far.

The average turnover of pharmacies sold was £814,224, a reduction on the previous year's figure of £961,696, owing to lower turnover pharmacies dominating both independent and corporate disposals.



Average Pence in Pound

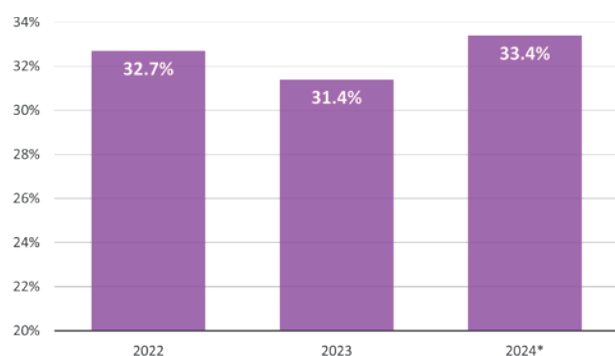


in comparison to other well-run independent pharmacies. This resulted in a lower average pence in pound price achieved of £0.41 compared to the higher average of £0.81 attained by independent sellers. Currently, the average pence in pound value for completed sales and sales agreed is hovering around £0.75. However, this figure is slightly distorted owing to a higher proportion of pharmacies sold in areas with traditionally low buyer demand effecting goodwill prices achieved.

In the first six months of 2023, the high volume of corporate opportunities on the market negatively impacted the level of buyer interest for independent pharmacies during the same period. The large oversupply of pharmacies increased buyers' choice exponentially and coincided with a steady rise in Bank of England interest rates, leading many to adopt a more cautious approach with offers amid rising loan repayment costs and other financial concerns. Whilst expanding the number of pharmacies on the market, some corporate disposals were problematic and generally considered higher risk

*Completed sales and sales agreed Jan 2024 to date
^excl. corporate sales

Gross Profit % Margins



Pressures caused by factors such as medicine supply shortages leading to rising drug costs, inadequate drug tariff reimbursement and other NHS pharmacy contract changes continue to affect a high proportion of contractors around the country. Many business owners are reporting sizeable reductions in their gross profit margin, when compared to recent years, impacting the profitability of their business and increasing concerns. However, so far this year the average profit margin has shown an improvement, in some part due to sales involving more geographically remote pharmacies, which frequently benefit from reduced competition and higher profit margins in comparison.

Average Number of offers



The seismic increase in opportunities in 2023, led overwhelmingly by Lloyds pharmacy disposals, galvanised interest from new and existing buyers across the market. The resultant uplift in both selling and buying activity duly led to an increase in the average number of offers received per sale, as buyers competed to secure the deal. The high volume of corporate sales gradually wound down over the latter half of the year leading to some independent sellers considering it an opportune time to search for a buyer in a less crowded marketplace. In 2024 to date, on-going buyer activity has helped support and improve the average figure further with most interest currently focussed upon pharmacies within the smaller to medium sized turnover range.

Market Outlook

As demonstrated by the completion of c.240,000 appointments under the Common Ailments Service in 2022/23 alone, Community Pharmacies in Wales continue to offer essential support to NHS colleagues, delivering vital healthcare to their local populations in the face of ongoing financial uncertainty. It is possible with the outcome of the recent UK General Election, that we'll see a Government more supportive of pharmacy, its capabilities and its potential and that future contract negotiations will see more funding funnelled toward pharmacy, services and toward preventative care.

The number of pharmacies coming to the market in 2024 has reduced significantly following the end of major corporate disposals and the market has now returned to transaction levels seen in prior years. We now anticipate a steady increase in levels of buyer confidence through the remainder of 2024, with those pharmacies that offer the greatest potential to provide patient services garnering most significant interest from potential buyers. The very real possibility of a reduction in Bank of England Base Rate in the coming weeks will, if realised, ease borrowing costs for buyers and help support goodwill values. This, combined with the evident shorter supply and a more favourable political landscape, could be good news for pharmacy operators who are thinking of bringing their pharmacy business to market in Q4 of 2024 and into 2025. Typically we would expect these factors to have a positive influence on prices.

Any contractors considering selling are advised to contact Hutchings Consultants at the earliest opportunity for a free valuation and guidance in planning their sale.



If you would like to know the value of your pharmacy in the current market, or discuss your circumstances with a view to selling in the future, call or email Paul Steet today.

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