

PHARMACY MARKET REVIEW 2022 INSIGHT INTO THE UK PHARMACY MARKET

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Included in this edition of our Pharmacy Market Review...

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INTRODUCTION

Welcome to the latest edition of our Pharmacy Market Review, in which we analyse the activity and events that shaped the pharmacy sector throughout 2021 and the first half of 2022.

Following two challenging years dominated by the COVID-19 pandemic, we look at how the sector is adapting and, in some cases, developing in the aftermath. We also analyse publicly available data and proprietary data from key business intermediaries, sharing insights and foresights.

Although many of the challenges the pandemic presented have now dissipated, the sector still faces some legacy issues, in part because of the pandemic but also because of structural changes in the deployment of pharmacists across the wider primary care sector.

Over the last year, we have witnessed many pharmacy contractors keen to expand their businesses both through acquisition and the development of additional services. As a result, the market has continued to see positive activity, something we reported in our Business Outlook 2022 publication, which also noted that pharmacy prices bounced back from an almost static level in 2020 to record a 4.3% increase in 2021. We are pleased to report that this trajectory has continued, mirroring that of the previous year, with appetite across all aspects of the market.



The resilience the sector has shown over the last two years has resulted in little impairment or distress. However, the sector, like many, faces several headwinds that may create a more challenging trading environment in the short-term.



TONY EVANS Head of Pharmacy



CHRISTOPHER VOWLES FRICS Head of Medical Valuation

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CORE SERVICES

Established in 1935, Christie & Co is the only specialist firm of agents and RICS (Royal Institution of Chartered Surveyors) Registered Surveyors dealing with both the valuation and sale of pharmacies in the UK.

WE OFFER A FULL RANGE OF PROFESSIONAL SERVICES TO CLIENTS SELLING, BUYING, OR RAISING FINANCE IN THE PHARMACY SECTOR, INCLUDING:

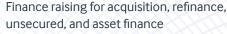
Pharmacy sales and acquisitions

RICS accredited valuations for loan security

Commercial due diligence, market studies and performance benchmarking

Lease advisory services and dispute resolution

Investment brokerage and advice



Research

- Expert witness
- Lease and rent reviews

Regulated by the RICS (Royal Institution of Chartered Surveyors), we work to the highest professional standards.

DEALING ACROSS THE WHOLE MARKET AND ALL PRICE RANGES AND PHARMACY TYPES, OUR SPECIALISTS HAVE IN-DEPTH MARKET KNOWLEDGE OF THE AREA IN WHICH THEY LIVE AND WORK.

IN THE LAST FIVE YEARS, WE HAVE ADVISED ON, VALUED, OR SOLD

OVER 4,100 PHARMACIES WITH A COMBINED VALUE OF OVER

£2.93 BILLION ACROSS OUR SPECIALIST TEAMS Our 'whole of market' approach means that the pharmacies we sell are offered to a range of quality buyers, ensuring value is maximised for our clients. No buyer registration fees, or 'preferred' buyers means no conflicts of interest and that our clients receive our best advice.

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The largest specialist team of pharmacy professionals working in the UK pharmacy market, with 31 qualified surveyors, agents, and consultants.

Living and working across all regions of the UK, our team understands and reacts to local market dynamics to ensure our clients receive the most accurate and timely advice.

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I would like to thank Christie & Co for all their help and support in finding a buyer to purchase our pharmacy. Having used other agents in the past who could not find an appropriate buyer, I was really impressed how quick **Christie & Co arranged for my business to gain high interest from potential buyers**. Christie & Co was always reachable and was there throughout the entire process.

Mr Yilmaz Former Owner of Bedford Park Pharmacy

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We instructed Christie & Co to sell one of our pharmacies a few years ago and we were really impressed with the level of service received. We decided to sell our second pharmacy and it was obvious who we were going to instruct. We did have another agent provide us with a valuation which was so much lower, **it was very satisfying to know that Christie & Co managed to achieve nearly double the price**.

Mr and Mrs Laundon Former Owners of The Olde Pharmacy

TRUSTED ADVISERS - CONSULTANCY SERVICES

Over the last five years, our Brokerage and Valuation teams advised on over **4,100 pharmacies** across the UK - this included inspections, instructions, valuations, and consultancy projects. This has given us a unique insight into the operational characteristics of a pharmacy business, and a huge repository of quality data currently with over **100 million** data points. Coupled with our deep knowledge of the pharmacy market, this creates the foundations upon which our consultancy services are built.

SOME EXAMPLES OF PROJECTS UNDERTAKEN IN THE PHARMACY SECTOR:

PROJECT 1

ASSET REVIEW ON BEHALF OF A LARGE MULTIPLE OPERATOR

We were approached by a client to support a strategic review of its pharmacy estate, in turn driving several disposals alongside an investment programme for improving its retained estate.

Our team produced a full review of the property estate, along with a proposed timetable and an analysis of market appetite on an area-by-area basis, in turn generating a hierarchy and a proposed timetable for targeted disposals.

PROJECT 2

BENCHMARKING REVIEW OF A PHARMACY ESTATE

We were commissioned to undertake a benchmarking review of a client's pharmacy estate against national dispensing activity, to understand the impact of its pharmacy environments on prescribing capture rates and the rollout of EPS (Electronic Prescription Service).

By accessing locational data as well as EPS and general dispensing data, we were able to produce a comprehensive report on a location-by-location basis, providing our client with a clearer understanding of its estate and dispensing performance.

PROJECT 3

PRE-DISPOSAL ADVICE FOR A LARGE MULTIPLE OPERATOR

Supporting a client in considering a group disposal, we provided comprehensive advice and information in relation to the national funding landscape, dispensing trends, national health considerations, and the future opportunities they presented.

We also undertook a review of trading performance and forecasting to support delivery of the wider information memorandum.

Our consultancy projects are varied and are always tailored to the individual requirements of the client and their objectives.

TRUSTED ADVISERS - VALUATION SERVICES

IN 2021, OUR VALUATION TEAM UNDERTOOK ...

350+		combined
valuations and	with a	value of circa
rent review/		£325m+
lease renewals		

SOME OF THE COMPANIES WE WORKED WITH IN 2021 AND IN THE FIRST HALF OF 2022...

HSBC Bank plc

NatWest

Bank of Scotland plc

Royal Bank of Scotland plc

Shawbrook Bank Limited

Clydesdale Bank plc

TSB Bank

Metro Bank plc

Handelsbanken plc









MARKET COMPOSITION

As of 31 March 2022, there were 14,370 registered pharmacy premises across the four country regions of the UK*. Following Freedom of Information Requests, the GPhC (General Pharmaceutical Council) confirmed that 360 pharmacies were removed from the register over the course of the 12 months to March 2022. NHSBSA (NHS Business Services Authority) also confirmed that it recorded 557 pharmacy ownership changes in the same period, although this will have included administrative changes and not solely be due to pharmacy sales.

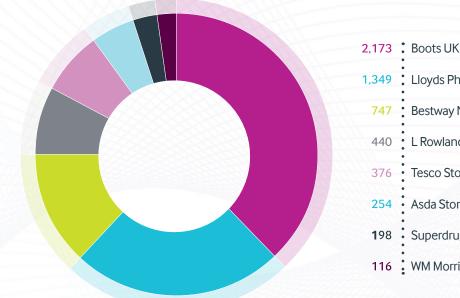
The composition of the sector remained broadly the same as previous years, albeit recording a circa 2% reduction in contracts owned and operated by corporate or supermarket operators, now sitting at circa 40% of the overall market. However, supermarket operators maintained their share, with the larger corporate operators seeing the most notable declines as they continued divestment and/or closure programmes to protect their retained estates.

As with previous years, where corporate operators continued their divestment strategies, both first-time buyers and independent operators were quick to seize such opportunities, seeking to reinvigorate the pharmacies by offering more localised and adaptable services to meet patient needs.

Since our last Pharmacy Market Review in 2021, we have continued to witness increased appetite for larger group opportunities, as well as investments from new entrants to the market. The acquisition of Pickfords Pharmacy Group by Connection Capital LLP and its purchase of 11-strong JM McGill Limited and D & R Sharp (Chemists) Limited's group of three pharmacies, evidences this appetite. More recently, we completed the sale of Shires Pharmacies Limited to Peak Pharmacy Group, and the sale of the 16-strong The Hub Pharmacy Limited to Allcures plc, the operator of 32 pharmacies across the South and South West of England. Along with the sale of Norsworthy Limited's three pharmacies in the South West to Day Lewis plc, these transactions demonstrate the renewed appetite of multiple operators in the sector.

 * Excludes NHS Trusts, Hospitals, HMPs, and other public services

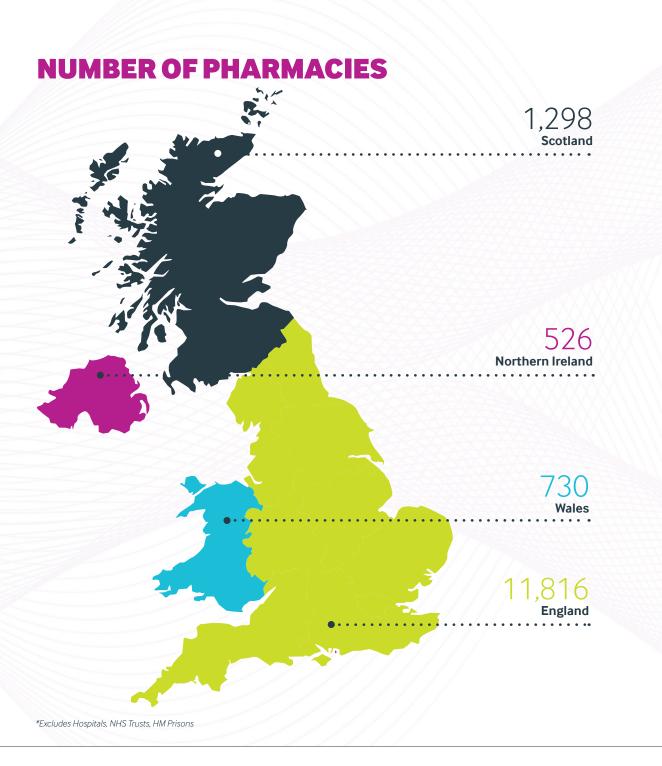
CORPORATE AND SUPERMARKET BY OWNERSHIP



2,173	Boots UK Limited
1,349	Lloyds Pharmacy Ltd
747	Bestway National Chemists Limited
440	L Rowland & Co (Retail) Ltd
376	Tesco Stores Ltd
254	Asda Stores Ltd
1 98	Superdrug Stores Plc
116	WM Morrison Supermarkets Limited

OWNERSHIP BREAKDOWN*

PHARMACIES							
3,560	2,295	689	357	160	1,656	5,653	
Independent	2 to 5	6 to 10	11 to 15	16 to 20	21 to 300	301+	
OPERATORS							
3,560	911	94	29	9	29	8	
Independent	2 to 5	6 to 10	11 to 15	16 to 20	21 to 300	301+	





360 pharmacies were removed from the register over the course of the 12 months to March 2022

Since our last Pharmacy Market Review in 2021, we have continued to witness increased appetite for larger group opportunities, as well as investments from new entrants to the market.

OPERATIONAL REVIEW

A SNAPSHOT OF AVERAGE TRADING METRICS ACROSS THE UK

In reviewing key operating metrics, we have analysed over 185 records extracted from both valuation and transactional data for 2021/2022. Whilst in most cases contractors looked to hold the COVID-19 advance payments outside their P&Ls, inevitably some grants/reliefs may continue to distort trading metrics.

Accounts will also include the one-off COVID cost claims that contractors were able to submit in August 2021, which were subsequently paid in October 2021. Remuneration was also impacted by the clawback of the advance funding between October 2021 and March 2022.

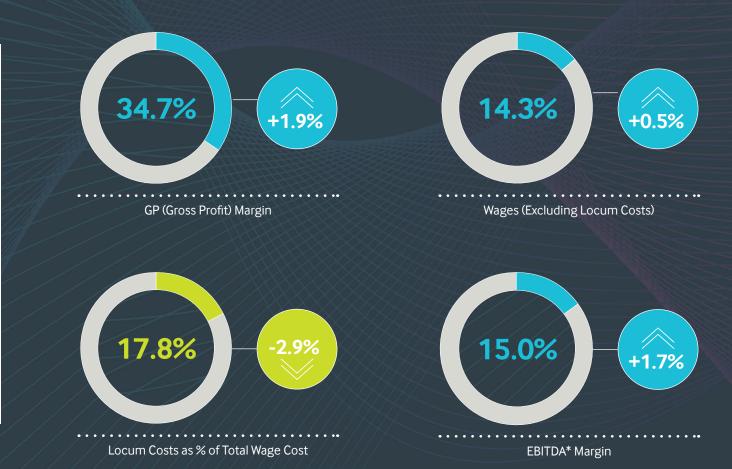
EXISTING AND FUTURE HEADWINDS FOR MARGINS AND COSTS

Pharmacy contractors continue to raise significant concerns as to the unsustainable level of prices imposed by DHSC in the past few months for certain medicines. Whilst the PSNC is seeking urgent improvements to the current concession pricing system, the issue is likely to impact future gross profit margins.

Whilst the Government has looked to introduce temporary price restrictions to support commercial users, the rapid escalation of energy costs will no doubt impact P&Ls.

Over the last 12 months, the sector has experienced significant resourcing challenges which will inevitably impact on wage cost margins in the year to come.







EMPLOYMENT CHALLENGES

LOCATE A LOCUM Lo

Data supplied by Locate a Locum

Without doubt, over the course of the pandemic, the pharmacy sector rose to the challenge of delivering its primary care role during one of the most difficult operational periods the sector has ever had to endure.

Pressures on the pharmacy workforce have been well-documented in the trade media. However, structural changes introduced under the DHSC's (Department of Health and Social Care) Five Year Deal, alongside the cap on funding, have had an inevitable consequence for the sector. The introduction of Primary Care Networks and GP Pharmacist positions have resulted in a significant drain of resources away from community pharmacy.

In May 2022, GP-based media outlet, Pulse, reported that, according to NHS Digital figures, which are based on data submitted by 84% of PCNs (Primary Care Networks),16,780 staff have been hired with support from the Additional Roles Reimbursement Scheme (ARRS) and are working in general practice.

The data revealed that PCNs have hired 4,722 pharmacists. The most recruited-to role is Social Prescribers, followed by Care Coordinators and then Pharmacy Technicians at 1,364. This has undoubtedly placed a huge strain on community pharmacy, with the inevitable decrease in staff lured away from its frontline role.

h May 2022, Pulse reported that **16,780 staff** have been hired with support from the ARRS.

AVERAGE RATE APRIL - JULY 2022 £45.13 Exeter £43.83 Cornwall £42.46 Plymouth £41.18 Southampton £40.84 Wolverhampton £40.39 Hull £40.22 Norwich £39.94 Gloucester £38.79 Liverpool £38.68 Peterborough £38.64 Bristol £38.23 Lancaster £38.05 Cambridge £37.27 Nottingham £36.60 York £36.40 Stoke-on-Trent £35.37 Leeds Wakefield £35.35 Newcastle £35.06

ENGLAND



Sheffield	£35.03
Derby	£34.81
Manchester	£34.75
Bath	£34.75
Sunderland	£34.52
St Albans	£34.51
Brighton	£33.97
Bradford	£33.82
Birmingham	£31.65
London	£31.23
Leicester	£28.24

SCOTLAND

AVERAGE RATE APRIL - JULY 2022

Inverness	£54.11
Dumfries	£51.34
Aberdeen	£49.74
Perth	£49.30
Dundee	£49.17
Stirling	£47.87
Edinburgh	£47.64
Glasgow	£41.67

NORTHERN IRELAND

AVERAGE RATE APRIL - JULY 2022

Belfast	£28.32
Derry/ Londonderry	£26.61

WALES

AVERAGE RATE APRIL - JULY 2022

Cardiff	£38.67	
Newport	£37.71	
Swansea	£37.42	



The stark impact of this is easily demonstrated by the significant and accelerated increase in locum costs that the sector has seen. Data provided by Locate a Locum, the end-to-end workforce supply company covering the UK, shows that the average hourly rate as of July 2022 for locum cover across the UK was \pounds 37.49, an increase of \pounds 4.81 on the 12-month average recorded in 2021.

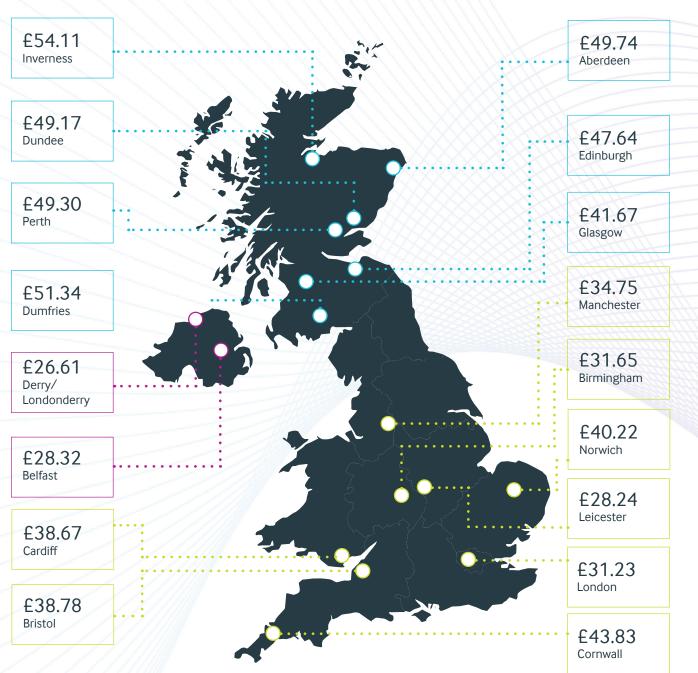
This proprietary data is extracted from over 30,000 locum pharmacist bookings that Locate a Locum has facilitated across both independent and corporate settings in 2021 and, by comparison, between April and July 2022.

Analysing this data shows not only the significant increases the sector is facing but also the considerable regional variations that exist. For example, in England, hourly locum rates increased to circa £36.95, whereas in Wales and Scotland the rates increased to £37.93 and £48.86, respectively.



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RATE BY CITY



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Not only have rates been impacted by the loss of pharmacists to PCN (Primary Care Network) and GP roles, but the situation has also been exacerbated by the fact that many pharmacists have taken long-overdue holidays or sickness absences, etc. In addition to the ongoing COVID-19 vaccination rollout, these factors will continue to exert pressure on the sector for the foreseeable future.

Jonathon Clarke CEO and Founder Locate a Locum



LOCATE A LOCUM

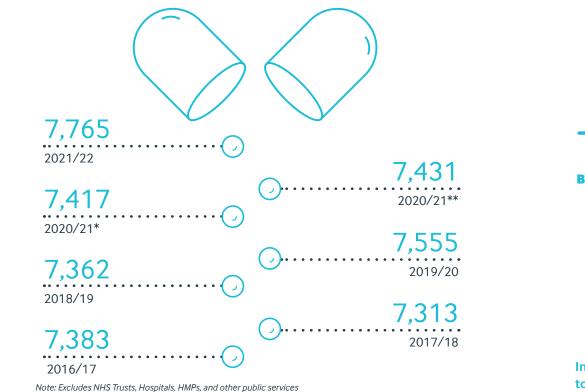
KEY DISPENSING AND SERVICES ACTIVITY

Dispensing activity for England across the year ended March 2022, increased by 4.5% on the prior year to an average of 7,765 items per month, reversing the decline witnessed in 2021.

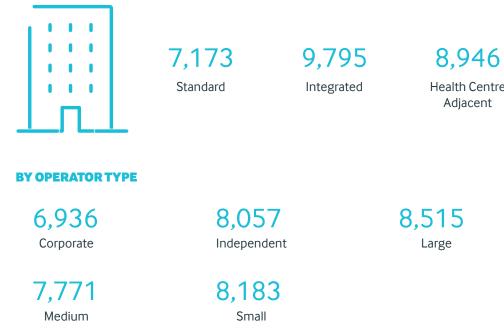
Encouragingly, all pharmacy settings saw improvements in dispensing numbers, however, standard community settings saw the highest increase of 4.2% on the prior year, with the average moving to 7,173 items, albeit still below the combined average. As expected, integrated pharmacies saw some improvement, however they remained the lowest at 1.9%, in part due to the continued restrictions on patient access throughout the year.

The independent sector fared better than corporate pharmacy too, with a combined average increase of 3.5% on the prior year versus a 1.8% increase in corporate dispensing. Over the course of the year, some corporates have implemented strategies to reduce reliance on delivered prescriptions and Monitored Dosage Systems (MDS) activity. The struggles that corporates have had in keeping their doors open have been well-documented across trade media, more so than the independent sector.

Inevitably, this will come at a cost, with patients moving to local independents offering a more consistent service.



BY SETTING 2021/22



In terms of item growth, small multiples gained the most, posting a circa 5.2% increase to an average of 8,164 over the year.

Note: Excludes NHS Trusts, Hospitals, HMPs, and other public services *11 month period as reported in our 2021 Pharmacy Market Review **12 month period

MONTHLY AVERAGE ITEMS

ONLINE PHARMACY PLATFORMS

In our 2021 Pharmacy Market Review, we commented on the rapid escalation that the key online pharmacy platforms had witnessed since the start of the pandemic.

Offering remote dispensing services during the successive lockdowns and tier restrictions was always going to be attractive to patients, however, the view continues to be that community pharmacy is not only able to mirror this remote service, but also provide additional services and support to its patient groups.

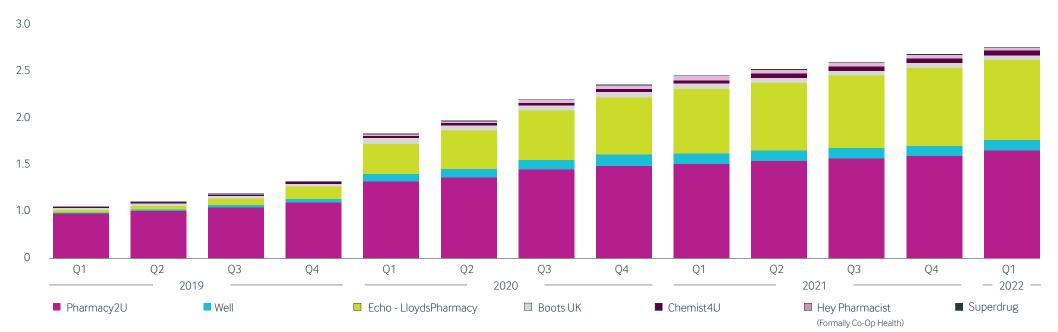
With all restrictions lifted in a phased manner in 2021, and subsequently fully lifted in 2022, many anticipated that online providers would see a settling of dispensing volumes or, at best, static performance. However, this has not been the case, with all but one of the seven operators in the sample group showing continued item growth, returning a combined average increase of 22% in the 12 months to June 2022.

This is slightly distorted by the significant growth in activity for LloydsPharmacy's Echo platform, in part due to the company's strategy to encourage repeat prescription patients to take up the digital service. Nonetheless, if one were to exclude Echo's performance, the remaining platforms still produced an impressive 17% increase in activity.

TOTAL ITEMS DISPENSED BY KEY ONLINE PHARMACY PLATFORMS



TOTAL ITEMS DISPENSED BY KEY ONLINE PHARMACIES (MILLIONS)



SUPPLY AND DEMAND

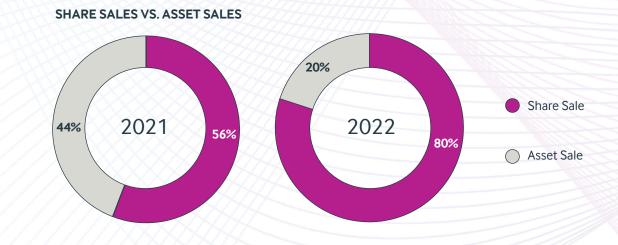
BUYER PROFILES – WHO IS BUYING?

Following a rise in registration numbers in 2020, applicant numbers across our UK database increased by a further 6% in 2021 and in the first six months of 2022. However, the mix of applicant types remained consistent with previous years, with 80% being first-time buyers, 10% being independent contractors looking to expand, and the remaining 10% being a mix of small, medium, and national multiple operators.

Whilst the continuing appetite of first-time buyers did not fully corelate with sales activity, the number of sales that were completed to first-time buyers increased to 40% in 2021. However, for the first six months of 2022 this fell to circa 30% of sales completed as vendors sought security in selling to more experienced and well-funded existing operators. Interestingly, we saw an increase in the number of sales completed to multiple operators in the first half of 2022, accounting for some 38% of all sales undertaken, a rise of 9% on the prior year.

SALE STRUCTURES

In 2021, 44% of completed sales were asset sales. This may look high, however, whilst most contractors we meet operate under corporate/ limited company structures, many of the larger corporate operators have sought to divest non-performing or marginal stores within their estates. In the main, these have been undertaken by way of asset sales which has contributed to a growth in volume. However, in the first half of 2022, this fell to 34% of all sales as the corporate sales negotiated in the first half have taken longer to complete.



SUPPLY AND DEMAND

TIMELINE

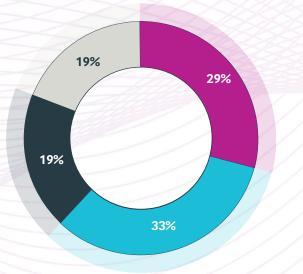
Timelines from agreement of terms to exchange/completion vary dramatically depending on the sale structure of the pharmacy/pharmacies being sold. Share sales typically transact the quickest, whilst asset sales involving a combination of Fitness to Practice approval (FTP) and full Change of Ownership consent (COO) take the longest. Other factors can contribute to the timeline of a sale too and none more so than property matters, especially where there are lease negotiations and assignments.

Across all sale types, the average timeline from a sale being first agreed to completion is 32 weeks, a slight improvement from 2021. For share sales, the average is 27 weeks, with an asset sale, on average, taking 13 weeks longer at 40 weeks.

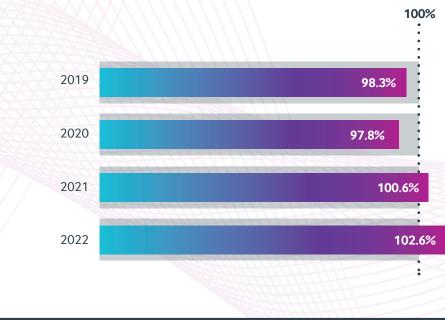
AVERAGE TIMELINE FROM A SALE BEING FIRST AGREED TO COMPLETION



DEALS BY BUYER TYPE (2022)



First-Time Buyers Independent Small Groups Medium/Large Groups



SALE PRICE VS. ASKING PRICE (BY YEAR)

CHRISTIE & CO'S MARKET ACTIVITY 2021 & THE FIRST HALF OF 2022

A SELECTION OF PHARMACIES SOLD IN 2021

JM MCGILL LIMITED AND D & R SHARP (CHEMISTS) LIMITED



In June 2021, we completed on the sale of JM McGill Limited and D & R Sharp (Chemists) Limited - a portfolio of 14 pharmacies operating across the greater Doncaster area. We successfully agreed a sale to Pickfords Pharmacy Group, a Leicester-based multiple operator via a management buyout (MBO), supported by Connection Capital LLP.

SHEEL PHARMACY LONDON



- Dispensing circa 4,014 items pcm
- Sold to a first-time buyer

STEWART PHARMACIES AYRSHIRE



- Dispensing total of circa 9,725 items pcm
- Sold to a group operator and a first-time buyer

WYE VALLEY PHARMACY HEREFORDSHIRE



- Dispensing circa 5,700 items pcm
- Sold to a first-time buyer

PONDA'S CHEMISTS LIMITED CHESHIRE



- Dispensing total of circa 18,000 items pcm
- Sold to a regional multiple operator

PEARN'S PHARMACIES LTD



In September 2021, we sold Pearn's Pharmacies Ltd – an established operator of 20 community pharmacies located throughout South Wales. The group was successfully purchased by Knights Pharmacy which, including this acquisition, now owns and operates over <u>90 pharmacies across England and Wales</u>.

NORTHOLT PHARMACY & H J DIXON CHEMIST MIDDLESEX



- Dispensing total of circa 18,619 items pcm
- Sold to a group operator

RIDGWAYS CHEMIST STAFFORDSHIRE



Dispensing circa 11,039 items pcmSold to a multiple operator

IN 2021, WE SOLD 145 PHARMACIES WITH A COMBINED VALUE OF OVER £115 MILLION.

BALFRON PHARMACY STIRLINGSHIRE



- Dispensing circa 4,100 items pcm
- Sold to a first-time buyer

WYMESWOLD PHARMACY LEICESTERSHIRE



- Dispensing circa 2,800 items pcm
- Sold to a first-time buyer

ABERSYCHAN PHARMACY PONTYPOOL



- Dispensing circa 15,000 items pcm
- Sold to an expanding operator

THE OLDE PHARMACY



- Dispensing circa 8,300 items pcm
- Sold to a multiple operator

ASHBURTON PHARMACY LIMITED LONDON



- Dispensing circa 9,233 items pcm
- Sold to a group operator

WM MURRAY CHEMIST DUMFRIES



- Dispensing circa 12,000 items pcm
- Sold to a local operator

LEIGH PARK PHARMACIES LTD HAMPSHIRE



- Dispensing circa 10,000 items pcm
- Sold to an established operator

MIDWAY PHARMACY YORKSHIRE



- Dispensing circa 7,300 items pcm
- Sold a local operator

COHENS CHEMIST ESSEX



- Dispensing circa 5,650 items pcm
- Sold to a first-time buyer

A SELECTION OF PHARMACIES SOLD IN 2022

of England.

In June 2022, we sold The Hub

group in the North of England.

Following a short open marketing

sales process, the pharmacies were

sold to Essex-based, Allures plc, a large

regional group operating in the South

GILBODY PHARMACY

NOTTINGHAMSHIRE

• Dispensing 23,750 items pcm

LARKHALL PHARMACY

• Dispensing 7,000 items pcm

Sold to a first-time buyer

BATH

• Sold to a regional group operator

Pharmacy Ltd - a 16-strong pharmacy

THE HUB PHARMACY



AQUA PHARMACY **IPSWICH**



- Dispensing 3,173 items pcm
- Sold to local multiple operators

MEDICHEM PONTEFRACT WEST YORKSHIRE



- Dispensing 12,000 items pcm
- Sold to a small regional operator

SHIRES PHARMACIES LIMITED



In May 2022, we sold a group of three Midlands pharmacies - Market Pharmacy and Shire Pharmacy in Mansfield, and The Springs Pharmacy in Chesterfield - which occupy health centre or high street locations. The pharmacies were sold to established multiple operator, Peak Pharmacy Group.

A C CURD PHARMACY MIDDLESEX



- Dispensing 5,700 item pcm
- Sold to an independent operator

STEPPS PHARMACY GLASGOW



- Dispensing 9,500 items pcm
- Sold to a large group operator







PHARMACY MARKET REVIEW 2022

DURING THE FIRST HALF OF 2022, WE SOLD 60 PHARMACIES WITH A COMBINED VALUE OF £53.69 MILLION.

TOPSHAM PHARMACY, COUNTESS WEAR PHARMACY, AND WEST HOE PHARMACY



In August 2022, we sold a group of three pharmacies in Devon. The pharmacies dispense circa 30,000 items pcm. The pharmacies were sold to well-known, large multiple operator, Day Lewis Pharmacy Group.

SONICHEM LEICESTERSHIRE



- Dispensing circa 18,000 items pcm
- Sold to a local group operator

MILTON OF LEYS PHARMACY INVERNESS



- Dispensing circa 3,050 items pcm
- Sold to a local husband-and-wife team



NORTHSTEAD PHARMACY AND BARROWCLIFF PHARMACY

In March 2022, we completed on the sale of two pharmacies in the seaside town of Scarborough, each dispensing circa 10,000 items pcm.

The pharmacies were sold to a local existing operator moving from one unit to three units with this successful double acquisition.

MACKENZIES PHARMACY **NORTH HUMBERSIDE**



- Dispensing circa 9,000 items pcm
- Sold to local independent operators

NORTH YATE PHARMACY BRISTOL



• Dispensing circa 6,200 items pcm • Sold to a local first-time buyer

LONDON NES

- Dispensing circa 4,501 items pcm
- Sold to an independent operator

BROADWAY PHARMACY KENT



- Dispensing circa 10,000 items pcm
- Sold to an expanding operator

CHRISTIE FINANCE

PURCHASE AND REFINANCE

BUYING A PHARMACY IN AN EVER-CHANGING WORLD

During the dark days of COVID-19, the light of the pharmacy sector shone through.

With GPs keeping their doors firmly closed, the UK population was forced to turn to their local Pharmacist for both advice and treatment. This, in turn, had a significant and upward impact on turnover and heightened the demand for pharmacy business purchases, resulting in a double boost for sellers.

However, lenders cautious in their approach were concerned that such increased levels of trading were only temporary because of the pandemic, though they have since been proven otherwise. These concerns have now been replaced by the rising cost of finance and other cost headwinds, including locum costs and the increasing energy prices. With regards to the latter, much has been discussed in terms of government aid/ intervention to support both domestic and commercial users, something we expect to see over the coming months. As it currently stands, there appears to be little panic, mostly just caution.

From a lender's point of view, whether it is a buyer's first or tenth purchase, the key question asked is, "Is there and will there be sufficient profit within the business to easily cover the finance, even if costs were to rise?" There is pressure on the borrower to evidence that there is enough 'proven' profit to cover any finance loans once they have withdrawn what they need for themselves. With a few key funders withdrawing from the pharmacy finance market in 2022, there is now pressure on existing lenders to fill this void. With 'alternative' and sometimes less experienced lenders, it has been harder for buyers to access the finance they require.



S S CO INCREASE IN INSTRUCTIONS

However, there is absolutely no shortage of demand for pharmacies. Year to date, we have witnessed a 35% increase in instructions, with keen buyers seeking support and guidance from us as a specialist commercial finance broker.

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Is there and will there be sufficient profit within the business to easily cover the finance, even if costs were to rise?



DAVID WARD Head of Medical Finance Christie Finance

CASE STUDIES



BALLYSILLAN PHARMACY BELFAST COMMERCIAL MORTGAGE

- Well-performing community pharmacy, dispensing circa 7,225 items pcm
- Purchased by an existing Christie Finance client



KINGSHIELD PHARMACY BRIXTON COMMERCIAL MORTGAGE

- Standard hour pharmacy, dispensing circa 5,600 items pcm
- Purchased by experienced operator who owns another two pharmacies

PHARMACY MARKET REVIEW 2022

RCC Business Mortgages plc, trading as Christie Finance, is authorised and regulated by the Financial Conduct Authority. Our Firm Reference number is 709982. Not all types of business we undertake is authorised and regulated by the Financial Conduct Authority. Christie Finance operate as an intermediary and are not a principal lender.

CHRISTIE FINANCE

UNSECURED LOANS AND ASSET FINANCE

MODERN FINANCE TO SHAPE THE PHARMACIES OF TOMORROW

Enabling pharmacists to connect with the public is key, and so the adoption of automation and the increased use of technology to deliver the convenience patients expect cannot come quickly enough.

Intuitive technology has proved to be a great assistance during the COVID-19 pandemic and the recent period of recovery. The wider availability of robotics and the use of 'big data' looks to encourage change and assists pharmacies in delivering new models of services and improving the efficiency of existing processes.

Whilst automation enables pharmacies to fulfil more orders in a quicker manner by increasing operational efficiency, providing effective stock control and straightforward compliance and monitoring, it cannot replace the human involvement. It can, however, enable contractors to redeploy their staff to increase engaging face-to-face time with patients as well as delivering additional service lines including vaccination and medication reviews, which can be vital to the local community and offer the opportunity to drive revenues.

We are also witnessing an increased demand for 'out of hours' prescription collections, offering doorstep deliveries or the ability to securely collect prescriptions at any time of the day. This is where technology can help drive additional items, support local communities, and increase income.

Christie Finance is working closely with suppliers such as MedPoint, as well as Pharmacists, to make the complex process of installing and funding such technology a reality. At a time when pharmacies are experiencing pressures that they have not been faced with before, innovative technology is key for independents to gain a competitive edge. MedPoint's 24/7 Prescription Collection Systems ensure pharmacies can offer patients the convenience to collect prescriptions when it best fits them. MedPoint offers entry-level automation that supports staff and mitigates workforce challenges without impacting on service levels.

The ability to offer pharmacies a finance option through our partner, Christie Finance, has made the decision to install a MedPoint 24/7 Automated Prescription Collection System much easier. In some cases, it has enabled customers the option to redesign and refit their premises at the same time.

This finance option has been greatly beneficial, enabling our customers to invest in relevant technology.



GILL COLLINS Managing Director MedPoint

medpoint

Christie Finance provided £9 million in funding to UK pharmacies in the first six months of 2022.

CASE STUDY

A NEW VISION FOR PHARMACY

Christie Finance worked closely with ambitious Pharmacist, Zeshan Rehmani, in his first community pharmacy venture. Zeshan had managed an online pharmacy for several years; it had always been his goal to open a different type of pharmacy with care and support of the community at the heart of all they do. When this particular site in Manchester, Manchester Pharmacy, came to the market, Zeshan won a competitive bidding process to realise his ambition.

Zeshan wanted to fully utilise technology, enabling his staff and pharmacists to focus solely on patient care. He chose to partner with Christie Finance, not only due to their extensive experience and understanding of the pharmacy market, but also their established relationships with market-leading suppliers. Christie Finance was tasked to provide a comprehensive asset finance solution to fund and manage complex payment terms with installations provided by various suppliers.





SHAUN WATTS Head of Unsecured Loans and Asset Finance Christie Finance

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