



PHARMACY MARKET REVIEW 2024

AN INSIGHT INTO THE UK
PHARMACY MARKET

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Welcome to our 2024 Pharmacy Market Review, in which we analyse the last 12 months and look at the events and factors that will impact the future of the sector.

In the last year, there has been much discussion on the economic health of the sector, with repeated lobbying by all Associations, Community Pharmacy England, and high-profile group operators calling for the immediate introduction of new funding. Without this, patient access and safety may inevitably be at risk as the increasing levels of distress contractors are facing takes its toll.

These warnings were left unheeded, but the effects came home to roost, with several high-profile Administration cases, as well as the complete change of ownership of LloydsPharmacy branches. Many suggest the department clearly understands the plight of its contractors but is allowing pharmacy numbers to dwindle to reach its informal targets to reduce the size of the pharmacy network.

With GP care in crisis too, it seems inconceivable that the pharmacy sector, which repeatedly demonstrates its value as a foundation of primary care, would be neglected.



TONY EVANS
Director - Pharmacy

The calling of a swift general election in July caught many by surprise but, frustratingly for the sector, this sidelined any potential announcement of a new funding deal as this fell foul of the pre-election sensitivity period.

Following Labour's landslide election victory, it will be interesting to see how quickly it implements its manifesto promises for primary care and, more importantly, the pharmacy sector.

In July 2024, Labour appointed Stephen Kinnock as its new Pharmacy Minister, along with a host of other appointments across healthcare. Also of note, pharmacists Sadik Al-Hassan and Taiwo Owatemi now sit as newly-elected parliamentary MPs, which, one would hope, will provide better insight into the sector's challenges and drive the necessary changes from the inside. An early resolution to the funding negotiations cannot come soon enough for operators continually having to endure the pressures that the 5-year deal created.

In our review, we again, look at the composition of the market and how, in 2023, the sale of corporate disposals such as LloydsPharmacy, reshaped pharmacy ownership.

A minor boost was also received by the sector with the introduction of the Pharmacy First service in England, which has been operating successfully in both Scotland and Wales (CAS) for a couple of years.



JONATHAN BOARD
Director - Pharmacy

For our review, we looked at the Service's implementation and how contractors see this and its progressive rollout.

Again, we have analysed key financial metrics of both transactional and valuation data in demonstrating the fierce impact the lack of additional funding is having on the sector.

As always, there are two sides to a discussion and, from a market point of view, the first half of 2024 saw robust activity, with a **72% increase** in the volume of new sales agreed, which is on top of a **45% increase** in the same period the previous year. This underlines the fact that despite this, operators are committed to developing a long-term future for the sector.

We hope you find the review informative and interesting, and we or any of the pharmacy team would be only too pleased to discuss this further. So, please do feel free to get in touch – our contact details can be found on pages 24 and 25.



Following Labour's landslide election victory, it will be interesting to see how quickly it implements its manifesto promises for primary care and, more importantly, the pharmacy sector.

MARKET COMPOSITION

As with previous years, we comment on market composition and key movements, excluding pharmacies in NHS Trusts, Hospitals, HM Prisons and other public services.

For the year ending 31 March 2024, data drawn from the General Pharmaceutical Council for England, Scotland and Wales, and NHSI for Northern Ireland demonstrated a further network decline of **3.5%**, with 505 pharmacies having been removed from the registers. All four country regions saw a decline in numbers ranging from **-1.1%** in Scotland to **-3.9%** in England.

As it stands, there are **13,822** pharmacies providing pharmacy services across all four country regions. Of the 11,315 pharmacies in England, 407 were distance-selling contracts, an increase of 4% from the previous year. Unsurprisingly, the volume of 100-hour contracts fell to 839, a drop of **18%** compared with that reported in our Pharmacy Market Review 2023.

100-hour pharmacies were the only contract category to see some reprieve from operational pressures exerted by the sector's funding woes.

Under the changes outlined in 'the NHS pharmaceutical and local pharmaceutical services (amendment) regulations 2023', many 100-hour contractors have sought to reduce their core trading hours, with over **70%** having been able to reduce them to between 72 and 80 hours.

Frustratingly, the changes did not provide equivalent support to other pharmacy contract types, for example, 40-hour pharmacies which account for approximately **90%** of the sector's provision.

Most closures came from within corporate estates, as predicted in our 2023 review. Of note, only Well Pharmacy saw an increase in the number of branches it operated, increasing by **3.8%** to 761 pharmacies due to their acquisition of 42 pharmacies in the Norchem Group.

As anticipated, following divestment programmes which ran throughout 2023, Rowlands saw a decrease in its estate of **15.8%** whilst Boots saw a slightly lower decrease of **13.2%**. Whilst less significant, all three supermarket chains saw minor reductions in the number of pharmacies they operated.

However, the most significant impact on corporate market share was the complete loss of the LloydsPharmacy brand from the high street as its owner, AURELIUS, completed its national divestment programme and exited the sector.

Effectively, in its two-year tenure of LloydsPharmacy, AURELIUS oversaw the loss of 1,349 corporate pharmacy branches from the high street.

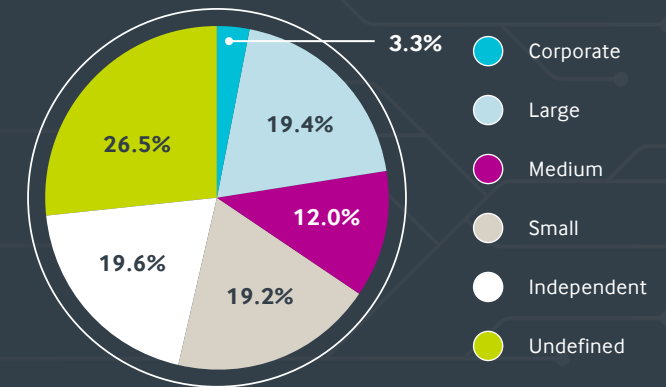
Without a doubt, the main beneficiary of this demise has been the independent sector, with existing operators and first-time buyers snapping up opportunities to acquire pharmacies at greatly discounted prices.

Information derived from NHSBSA/GPhC would suggest that the vast majority of the pharmacies were acquired by independent or small local multiple operators, with the remainder going to medium, large, or national multiple/corporate operators.

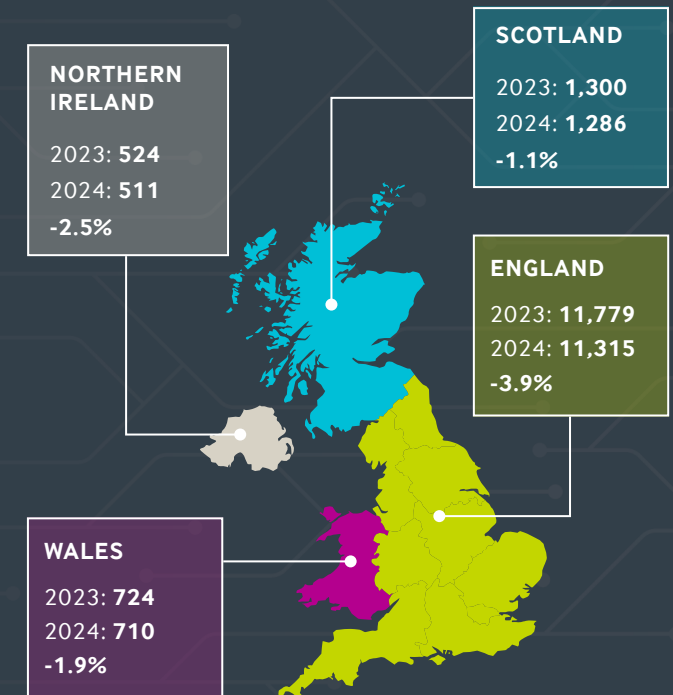
Of the top 10 purchasers who have benefited from the consecutive disposal campaigns that LloydsPharmacy has undertaken over recent years, Sharief Healthcare Limited is identified as the largest beneficiary, having acquired 88 pharmacies, whilst Jhoots Healthcare Limited acquired 70 in total.

Corporate operators, Rowlands and Well Pharmacy, acquired 24 and 14, respectively. In Northern Ireland, the majority of the LloydsPharmacy estate was acquired by one of the country region's largest multiples, Liam Bradley Limited.

NUMBER OF LLOYDSPHARMACY SALES BY OPERATOR CATEGORY



TOTAL NUMBER OF PHARMACIES



MARKET COMPOSITION

INDEPENDENT OWNERSHIP BREAKDOWN*

NUMBER OF PHARMACIES: 2023 VS 2024 AND MOVEMENT (%)

3,558	2,351	686	337	179	2,337	4,880
3,793	2,785	862	361	177	2,535	3,309
7%	18%	26%	7%	-1%	8%	-32%
Independent	2 to 5	6 to 10	11 to 15	16 to 20	21 to 300	301+
Total: 14,328 13,822						

NUMBER OF OPERATORS: 2023 VS 2024 AND MOVEMENT (%)

3,357	932	93	27	10	35	7
3,793	1,089	118	29	10	38	4
13%	17%	27%	7%	0%	9%	-43%
Independent	2 to 5	6 to 10	11 to 15	16 to 20	21 to 300	301+
Total: 4,461 5,081						

On a contract-type basis, recognising the fact that only England has 100-hour and distance selling contracts of the **11,309 registered pharmacies**:



839 were 100-hour contracts



407 operated as distance-selling contracts

CORPORATE AND SUPERMARKET OWNERSHIP BREAKDOWN*

Boots UK Limited	2023	2,118
	2024	1,839
Bestway National Chemists Limited (Well Pharmacy)	2023	733
	2024	761
L Rowland & Co (Retail) Ltd (Rowlands Pharmacy)	2023	402
	2024	340
Tesco Stores Ltd	2023	372
	2024	369
Asda Stores Ltd	2023	252
	2024	247
Superdrug Stores Plc	2023	192
	2024	187
WM Morrison Supermarkets Limited	2023	117
	2024	116
LloydsPharmacy Ltd	2023	1,219
	2024	0

*Ownership data reflects corporate structures as identified in GPHC contractor data to 31 March 2024

OPERATIONAL REVIEW

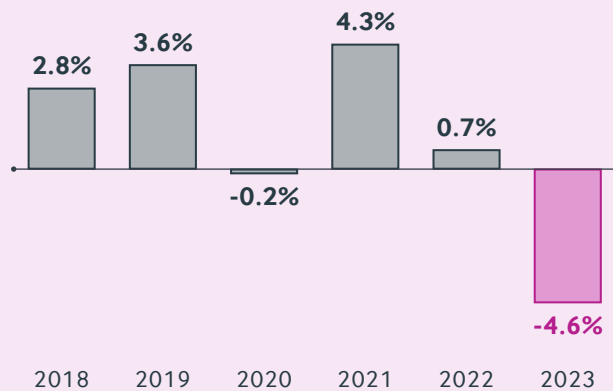
In our Business Outlook publication issued in January 2024, we reported that, as anticipated, against a backdrop of continued inflationary pressures, and wider economic uncertainty, our Price Index showed a 4.6% decrease in the average sale price, compared with 2023.

Across the last 12 months, the continued impact of the 5-year deal has been well-documented in both the trade and national media, as operators and pharmacy associations have sought to evidence the challenges they have faced.

In the past year, established operators such as H.I. Welfricks Limited, Kamsons Limited, Paydens Limited and, most recently, Britannia Pharmacy Limited, have all highlighted the challenges they have faced.

Despite seeing increased turnover through additional activities, remuneration under the 5-year deal was unable to offset the increased cost pressures they and the wider sector have experienced.

BUSINESS OUTLOOK 2024: PRICE INDEX



Over the last 12 months, we have seen several high-profile administration cases, such as Medipharmacy Limited, an established operator of 25 pharmacies in the South East of England which fell into administration in January 2024.

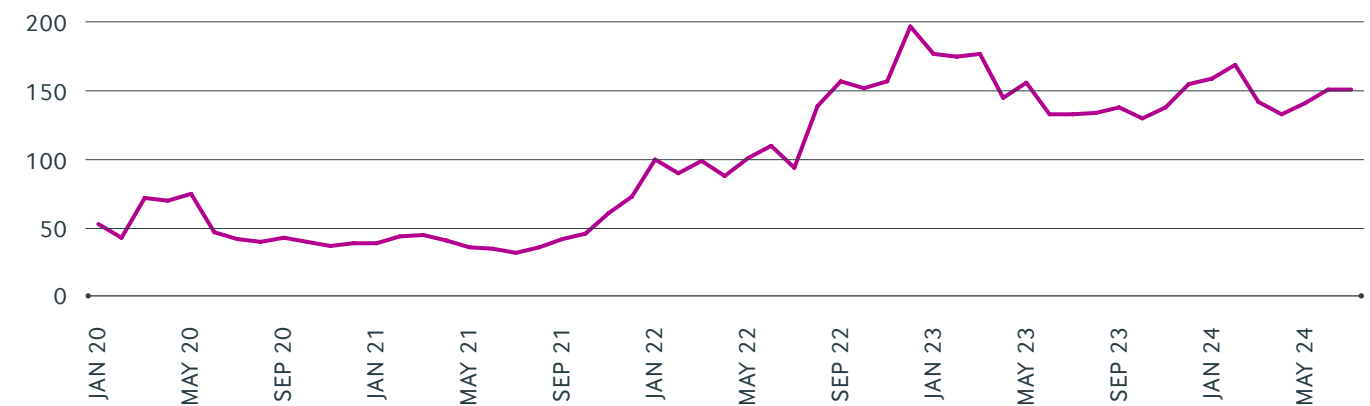
Analysis of transactional and valuation data for the last 12 months underpins this, with the average combined gross margins falling by **-1.7% to 31.9%**. Whilst this shows an overall decline, it also masks a more significant issue in dispensing gross margins where, anecdotally, many operators have spoken of margin declines of **between 5% and 7%**. Had it not been for the increased service offerings they had generated, the overall margins would have declined further.

With any operational efficiencies that can be delivered having been delivered, the continued cost pressures are unsustainable, a situation which without an urgent funding boost, will lead to further distress in the sector.

Price concessions we reported on in 2023 continue to challenge the sector. In April 2024, the Department for Health and Social Care (DHSC) imposed changes to its approach to concession pricing, both untested and without consultation. Community Pharmacy England strongly opposed the changes and continues to warn that putting further pressure on pharmacies to dispense at a loss will have profound consequences for the sector, for patients, and for the primary care system.

The sector and the wider business community have had to weather a **9.8%** increase in the National Living Wage (NLW) to £11.44 per hour, which has been exacerbated by its extension to a wider cohort of employees, now applying to workers over the age of 21.

NUMBER OF PRICE CONCESSIONS GRANTED



PHARMACY TRENDS 2020 – 2024

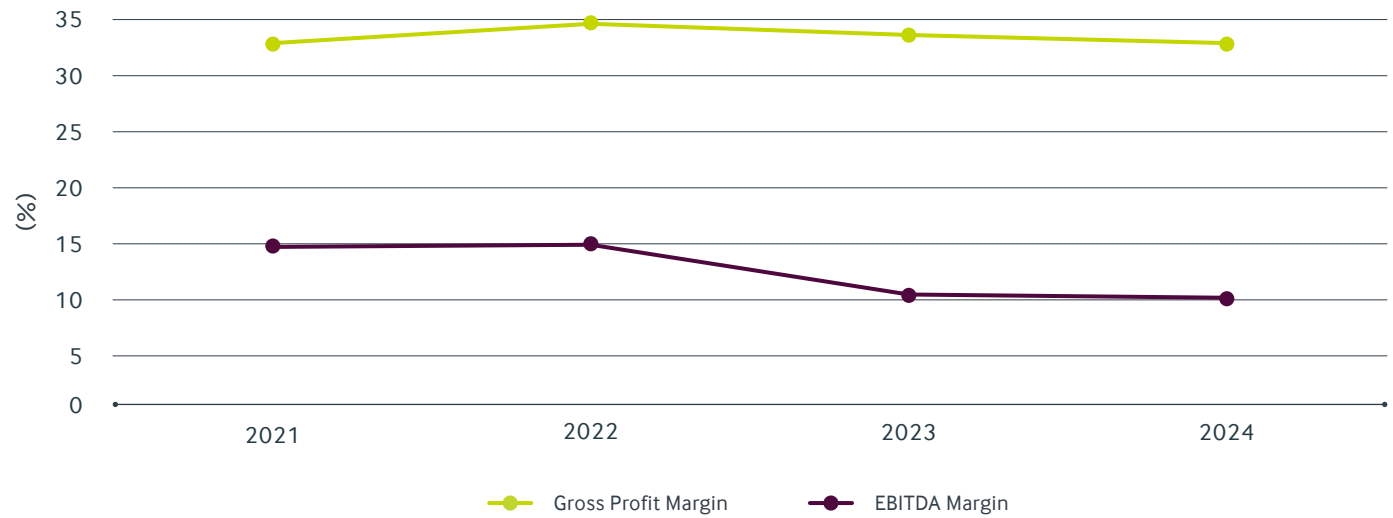
The adjacent charts show data analysis of over 1,500 pharmacies, highlighting changes in gross profit margins, wages, locum costs, and EBITDA margins between 2020 and 2024.

Most notably, there has been a consistent downward trend in locum cost margins. Attributed to National Living Wage increases and locum costs rising over the years, organisations are gradually reducing their dependence on locum staff due to its lack of sustainability.

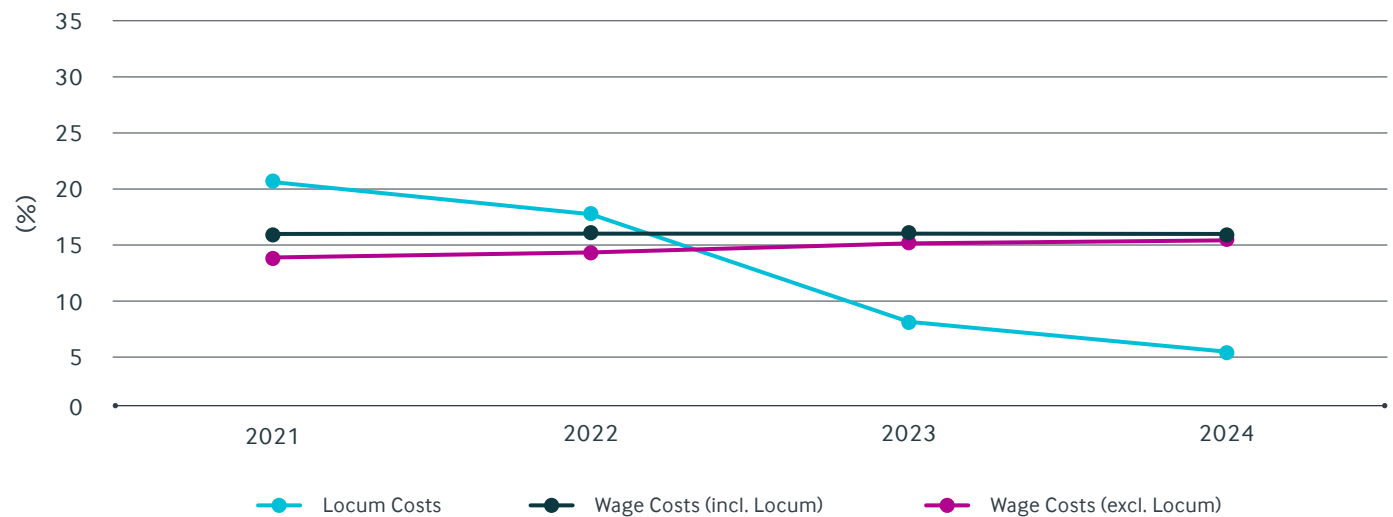
This, coupled with other operational expenses, has led to a decline in the EBITDA margin. This can reflect a strategic response to rising costs, emphasising the need for a sustainable workforce and cost management.



PHARMACY MARGINS (%)



PHARMACY WAGES (%)



EMPLOYMENT CHALLENGES

LOCATE A LOCUM

Data supplied by
Locate a Locum

The Office for National Statistics reported that the annual growth rate in wages for regular earners (excluding bonuses) between February and April 2024 was 6%, the same as the previous three-month period. In real terms, adjusted for inflation using the Consumer Price Index and owner-occupier housing costs (CPIH), regular pay for the same period was 2.3%, last higher in June to August 2021. As a result, employment cost pressures remain one of the key issues impacting pharmacy businesses. With the increase in the NLW in April 2024 of 9.8%, this is only set to continue over the remainder of the financial year.

Latest statistics released through the National Workforce Reporting Service's (NWRS) Primary Care Network Report show that, from 31 March 2020 to 31 May 2024, a total of 6,694 pharmacists or advanced pharmacists, as well as 2,180 pharmacy technicians or trainee pharmacy technicians, have been lured away to roles within GP practices or PCNs under the controversial Additional Roles Reimbursement Scheme.

Whilst this continued to impact the availability of pharmacists across the sector, data released by Locate a Locum suggested that average locum rates decreased across all four country regions ranging from a -6.7% reduction in England to a -13.2% reduction in Scotland. With a combined UK average of a -9.9% reduction, it is hoped that this will provide some respite to the employment challenges the sector has seen.

By city, the lowest recorded hourly rates were seen in Wolverhampton at an average of £24.84 per hour whilst the highest were reported in Inverness at an average rate of £46.62 reflecting its locational remoteness.



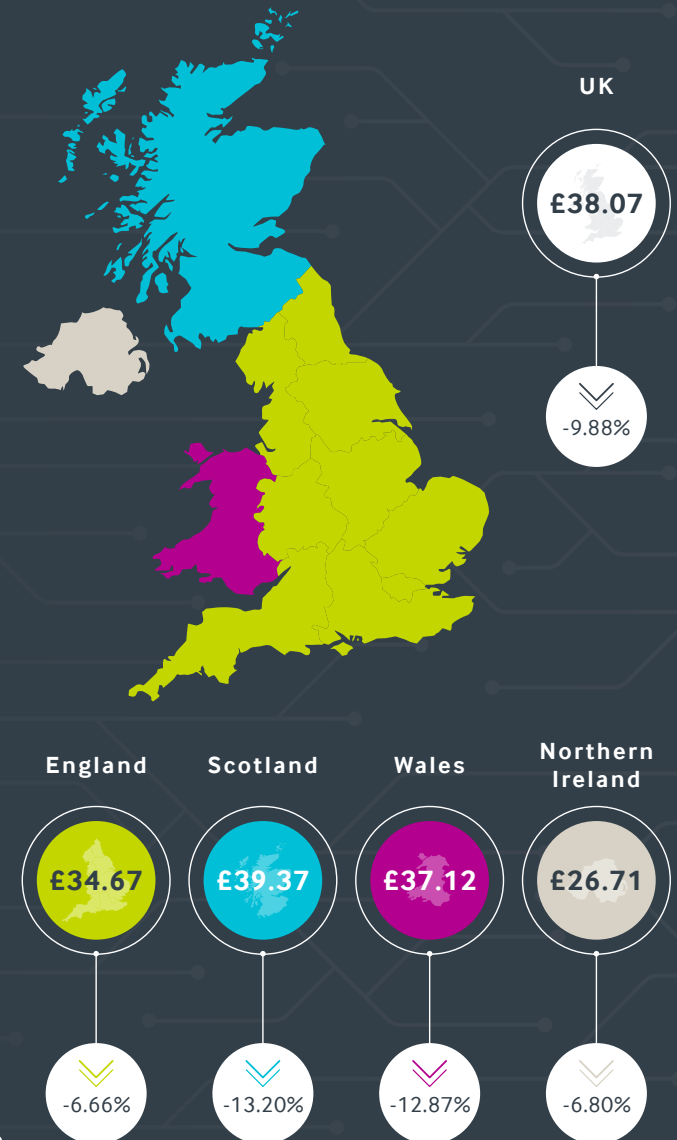
"Once again, it has been a challenging year for community pharmacy, navigating increased prescribing pressures while supporting NHS services amid reduced funding, mass store closures, and restructures. The launch of the Pharmacy First service in February 2024 has significantly influenced the sector, raising patient expectations for convenience and immediate service. Community pharmacies are under pressure to meet these demands while maintaining high-quality care, often with limited resources. Our recent rates study indicates that the launch of Pharmacy First has impacted market locum rates as the need for service provision increases.

"Locum rates are influenced by the pharmacist's skill set and accreditations, as well as supply and demand economics. Rates can fluctuate due to market conditions, funding constraints, and the financial pressures faced by pharmacies. Despite these challenges, locums remain a vital component of the pharmacy workforce, providing flexibility and helping to address staffing gaps. Locate a Locum remains dedicated to providing as much value as possible to our locum community, and we have recently launched LAL Unlimited to give Pharmacies access to a larger pool of skilled pharmacists."



JONATHON CLARKE
CEO, Locate a Locum

AVERAGE LOCUM HOURLY RATE BY COUNTRY (JUNE 2023 - JULY 2024)



EMPLOYMENT CHALLENGES

AVERAGE LOCUM HOURLY RATE BY CITY/COUNTY (JUNE 2023 - JULY 2024)

ENGLAND

	Avg rate (£)	Movement vs 2022 (%)
Cornwall	£41.17	-15.65%
Plymouth	£38.36	-13.44%
Exeter	£37.02	-18.09%
Norwich	£36.83	-10.03%
Southampton	£35.23	-16.26%
Hull	£33.41	-10.42%
Bath	£33.19	-21.45%
Peterborough	£33.18	-11.78%
Cambridge	£32.72	-13.87%
Bristol	£32.41	-23.01%
Newcastle	£32.33	-16.42%
York	£32.21	-12.73%
Stoke-on-Trent	£31.47	-11.93%
Brighton	£31.23	-19.22%
Sheffield	£30.75	-15.72%
Liverpool	£30.06	-18.78%
Nottingham	£29.46	-18.22%
Sunderland	£29.38	-20.34%
Derby	£28.87	-18.69%

SCOTLAND

	Avg rate (£)	Movement vs 2022 (%)
Wakefield	£28.80	-12.73%
Leeds	£28.68	-15.46%
Lancaster	£28.41	-21.67%
Manchester	£28.23	-13.96%
Bradford	£27.92	-13.64%
St Albans	£27.57	-17.90%
Gloucester	£26.46	-32.85%
Leicester	£26.03	-5.96%
London	£25.76	-25.80%
Birmingham	£25.72	-19.96%
Wolverhampton	£24.84	-23.50%
Inverness	£46.62	-8.43%
Dumfries	£41.22	-20.43%
Dundee	£40.41	-17.02%
Perth	£39.75	-15.38%
Aberdeen	£38.52	-13.53%
Stirling	£38.05	-22.08%
Edinburgh	£37.63	-16.96%
Glasgow	£34.75	-15.68%

NORTHERN IRELAND

	Avg rate (£)	Movement vs 2022 (%)
Derry/Londonderry	£27.98	-5.56%
Belfast	£26.48	-3.27%

WALES

	Avg rate (£)	Movement vs 2022 (%)
Swansea	£39.10	-13.46%
Cardiff	£36.84	-13.50%
Newport	£35.08	-20.96%

KEY DISPENSING & SERVICES ACTIVITY

In the 12 months ending March 2024, dispensing activity across England increased by 8% on the previous year. This contributed to the YoY trend increase in the combined average dispensed by community pharmacies to 8,565 items per month.

All pharmacy settings saw an increase in volume, with community settings seeing the highest increase at 7%, whilst health centre adjacent settings recorded the lowest increase of 4%.

In terms of item volume, integrated settings, on average, dispensed the highest volume at 10,526 per month, followed by health centre adjacent settings at 9,932 items per month, whilst community settings dispensed the lowest average at 8,073 items per month.

Analysis by contract type showed that the average dispensing volume for a standard hours contract increased by 6% to 7,834 in 2024, whilst 100-hour contracts increased by 10% to 9,870 items. Distance-selling contracts saw the most significant increase which, even when excluding the top seven online pharmacy platforms, saw a 20% increase to 8,661 items per month.

From an operator perspective, independent contractors continued to outperform other operator types posting an 11% increase on the prior year at 10,106 items per month.

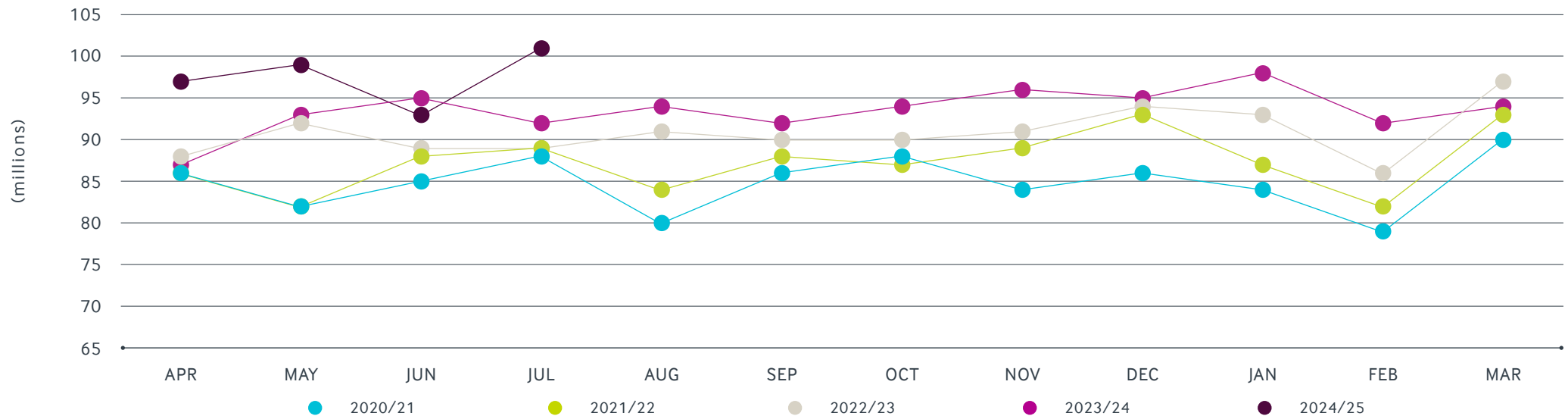
Corporate operators fared better than in the prior year, seeing a 4% increase in average monthly items at 7,300. Small multiples were the only operator type to witness a slight decline of 1% compared with the previous year.

Whilst item volume is seen as a key activity barometer across the sector, drug shortages, supply issues and price increases have all severely impacted gross profit dispensing margins over the year, something we highlight in our Operational Review.

Service activity has become increasingly more relevant to a pharmacy's overall activity, none more topical than this year's rollout of the Pharmacy First Scheme in England. Whilst a proven service in Scotland that has been developed further, in England the scheme remains in its infancy, despite promises of additional conditions to be captured by the service.

In addition to the Pharmacy First Scheme in England, 9,261 pharmacies undertook an average of 336,525 NMS per month, equating to an annual total of 4,038,300.

NUMBER OF ITEMS DECLARED BY PHARMACY CONTRACTORS IN ENGLAND



PHARMACY FIRST

INITIAL SOUNDINGS

The Pharmacy First scheme was launched in England on 31 January 2024, having been announced by the Government back in May 2023. Pharmacy First enables community pharmacists to supply prescription-only medicines to treat seven common health conditions without the need to visit a GP.

As a result of the service's implementation, patients can now receive advice and treatment for seven common conditions:

- Acute otitis media (ear infection)
- Impetigo
- Infected insect bites
- Shingles
- Sinusitis
- Sore throat
- Uncomplicated urinary tract infections

This initiative aims to free up GP appointments for patients who need them most and provide quicker, more convenient access to safe and high-quality healthcare.

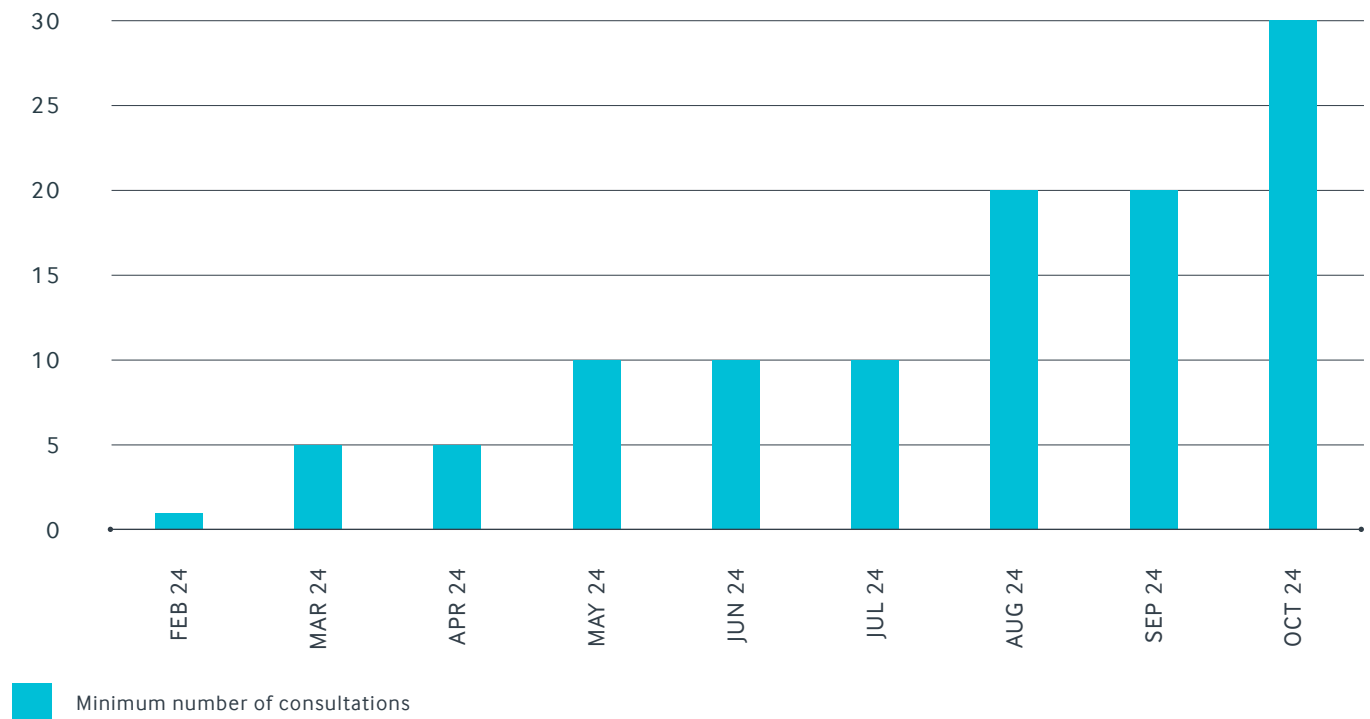
All pharmacies that signed up for the service received a one-off payment of £2,000, in addition to the monthly and individual consultation payments. Since February 2024, contractors offering the service receive a fixed monthly payment of £1,000 and can claim a £15 item of service (IoS) fee for each qualifying Pharmacy First consultation. The scheme requires that each pharmacy meets increasing monthly service targets to qualify for the service fee.

However, those pharmacies that registered for the service but were unable to demonstrate that they had delivered five clinical pathway consultations by 31 March 2024, would have the £2,000 introduction fee recovered. Data disclosed by NHSBSA under a Freedom of Information request highlighted that 555 pharmacies failed to meet the qualifying criteria and would have the payment clawed back.

The scheme is also subject to certain cost control caps which will be determined by a new implementation group.

The cost control mechanism is designed to deliver three million consultations per quarter with any unused activity rolling forward to the next quarter, thereby enabling successful contractors to continue to grow their service without losing out on fees.

PHARMACY FIRST ACTIVITY THRESHOLDS



*Source: CPE, NHSE and DH joint letter to contractors

PHARMACY FIRST

The Company Chemists Association (CCA) gathered data from their members' pharmacies for the first two months of the scheme and found:



Over **90,000** consultations undertaken, which subsequently increased to over 200,000 by early June



90% of these resulted in patients getting the medication they needed



Only **1 in 5** resulted in a referral to GP surgery

In an article published in the Company Chemists' Association in May 2024, the CCA Chief Executive Malcolm Harrison was quoted as saying,



"The Pharmacy First service continues to show immense promise.

"Over 90% of eligible patients treated via the Pharmacy First service have received the care they need within their local pharmacy. This shows that Pharmacy First is providing access to NHS care when and where patients need it".

Harrison also said community pharmacy needed "a commitment from policymakers to fund Pharmacy First beyond March 2025."

The CCA is calling for action to "boost GP referrals," claiming its research has shown that electronic referrals are crucial to overall consultation numbers and that there is "wide variance" between high and low-performing integrated care system (ICS) regions.

SCOTLAND

The Pharmacy First Service in Scotland covers additional minor ailments to the English equivalent, including acne, indigestion and eczema.

Since its inception in July 2020, the Service has been a huge success for pharmacies and their patients. The number of consultations carried out under the Service has **increased by 60%** in its first three full years. According to data from Public Health Scotland published in April 2024, pharmacy contractors claimed **4.2 million** consultations in 2023.

The data also shows that the number of people accessing Pharmacy First in Scotland at least once every three months, increased by **31%** from 464,363 between July and September 2021 to **606,287** between July and September 2023.

In addition to the Pharmacy First Service, some pharmacies can offer a Pharmacy First 'Plus' Service, subject to an Independent Prescriber working for a minimum of 25 hours per week and for 45 weeks of the year.

Its purpose is to provide an easily accessible service for common clinical conditions which are beyond the scope of the standard NHS Pharmacy First Service. Common conditions treated include respiratory infections, allergies and eye infections.

ONLINE PHARMACY

Online pharmacy has continued to attract attention over the last 12 months, most notably regarding the merger of LloydsDirect and Pharmacy2U that was first announced in the autumn of 2023.

The deal was duly referred to the Competition and Markets Authority (CMA) which subsequently cleared the takeover/merger citing that, in its opinion, there was “no realistic prospect” of a substantial lessening of competition, and that DSPs and “bricks and mortar” pharmacies were “substitutable”, and that high street pharmacies provided ‘a suitable alternative’ to DSPs. As a result, Pharmacy2U has significantly increased its dominance in this subsector.

However, the wider online pharmacy subsector also attracted some less positive headlines, with ongoing suggestions of regulation and governance issues, as well as the potential for fraudulent or illegal activity. In its White Paper, published in April 2024, the MHRA issued a warning about the “growing phenomenon” of online pharmacies. Whilst acknowledging their convenience, anonymity and price point, the regulator expressed concerns regarding access to cheap diet pills and cosmetic products.

A survey conducted by Healthwatch suggested that, in just one week (20 November to 26 November 2023), around 18% of its respondents had used an online pharmacy.

As in prior years, we have tracked the movement in dispensing volumes for the top seven online pharmacies. We note a continued increase in dispensing volumes which were up 11% in the 12 months to the end of March 2024, with a total of 36,108,103 dispensed items.

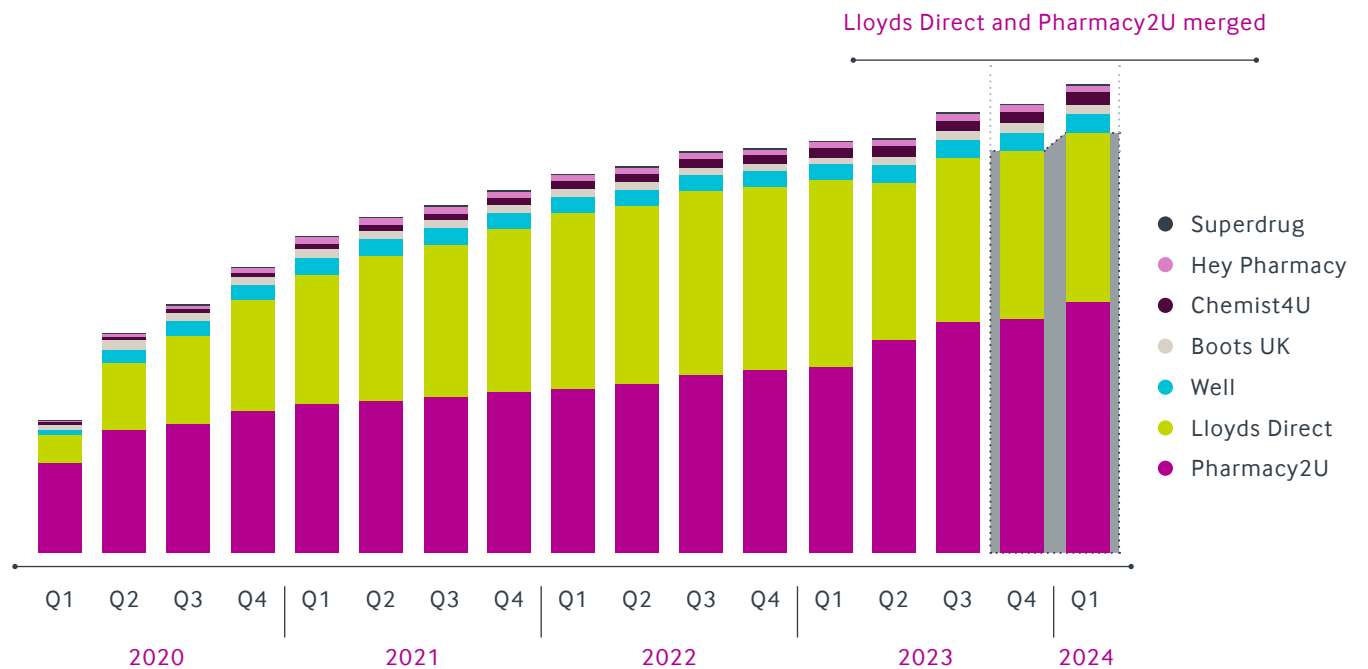
Although the principal activity continues to be dispensing, some online pharmacies have looked to clinical services to offset cost pressures. Added to this is the ability for online pharmacies to provide advice under the Pharmacy First scheme, with the likes of Pharmacy2U embracing online video technology to undertake patient consultations.

It is anticipated many others will follow in a bid to obtain a share of the increased funding allocated to wider services provision.

GROWTH IN ONLINE PHARMACY ACTIVITY

Date	Total items dispensed	Increase
April 2023 – March 2024 (LTM)	36,108,103	11%
April 2022 – March 2023 (LTM)	32,533,524	12%
April 2021 – March 2022	28,987,997	30%
April 2020 – March 2021	22,352,345	n/a

NUMBER OF ITEMS DECLARED BY PHARMACY CONTRACTORS IN ENGLAND



THE FINANCE LANDSCAPE



GARY BOYCE
Director
Christie Finance

According to Christie Finance's sentiment survey, **85%** of lenders remain positive/have a positive outlook towards the sector



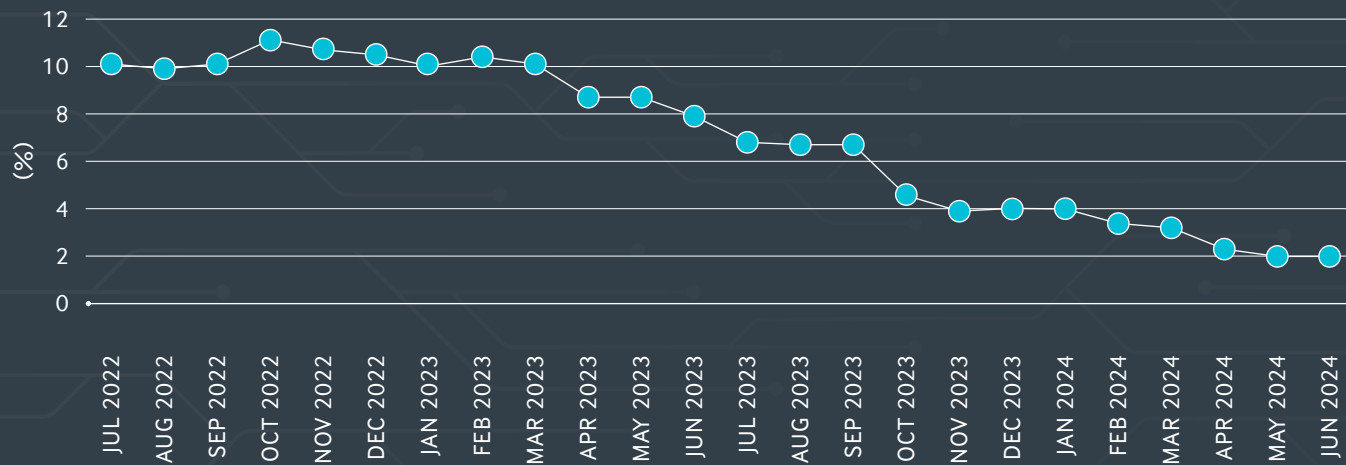
Following on from a turbulent 2023, 2024 has been less noteworthy from a financial perspective save the announcement in August of a cut in Base Rate from 5.25% to **5.00%**. In its Monetary Policy Committee (MPC) meeting in August, the Bank of England highlighted that its members voted by five to four to reduce the Bank rate.

12-month CPI inflation fell to **2%** in May from 3.2% in March and was maintained in June, the target set by former Prime Minister, Rishi Sunak, and former Chancellor, Jeremy Hunt, post the 'Trussonomics' epoch that in part contributed to rampant inflation. However, the committee noted that, while short-term inflation expectations continue to be moderate, CPI inflation is expected to rise slightly in the second half of this year to **2.75%**, as declines in energy prices last year fall out of the annual comparison.

From a pharmacy finance perspective, 2024 has witnessed more settled activity as the market has returned to a state of normality following LloydsPharmacy's divestment alongside other corporate disposals in 2023. Strict sale conditions require purchasers to utilise cash or short-term finance solutions when making acquisitions. Since then, operators have subsequently looked to restructure their funding position onto a long-term footing, in part to alleviate cash flow pressures.

As outlined, there have been increases in distress in the sector, which has resulted in some high-profile administration appointments. Consequently, while still active across the sector, some lenders have adopted a more cautious and conservative approach to funding in the first half of 2024. Some, including TSB, have withdrawn lending products from the sector. Meanwhile, new lenders have moved to fill the gap, to the benefit of first-time buyers.

CPI ANNUAL RATE (%)



*Source: Office for National Statistics, 'CPI ANNUAL RATE 00: ALL ITEMS 2015=100' (17 July 2024)



In the period July 2023 to July 2024, we saw...

- Completion volumes/deal count up 20%
- 20% of instructions included a refinance element (80% involve an acquisition)
- Term debt facilities secured from 10 different lenders

THE FINANCE LANDSCAPE - UNSECURED AND ASSET FINANCE

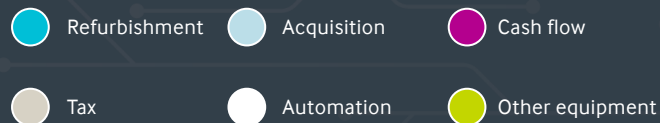
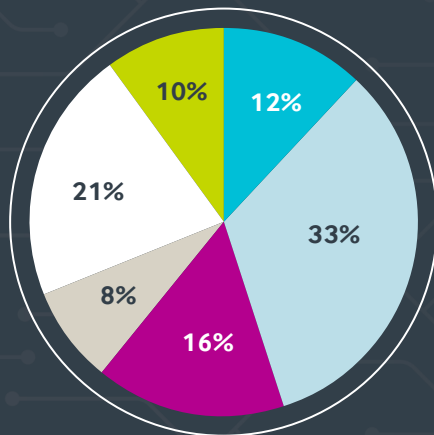


SHAUN WATTS
Director & Head of
Unsecured & Asset Finance
Christie Finance

Since our 2023 report, there has been an increase in the volume of unsecured loans and asset finance placed by Christie Finance in the pharmacy sector. Overall, a third of all funding through Christie Finance was for unsecured business loans.

Over this period, there was an increase in funding of automation as mid-sized operators continued to invest in this and hub-and-spoke projects. Such loans are typically transacted via Hire Purchase Agreements which accounted for 20% of the unsecured lending provided.

USE OF FUNDS IN H1 2024



CASE STUDIES



HUB AND SPOKE INSTALLATION, NORTHWEST

We assisted a northwest-based multi-site operator with a significant hub-and-spoke installation. Requiring **circa £300,000**, the client had been in discussion with his bank for several months but had struggled to agree on terms.

Within 48 hours, we secured an offer in line with the client's wishes (zero deposit, funds spread over 60 months) at a reduced interest rate than had previously been suggested.



HIGH-PRESSURE LEASEHOLD ACQUISITION

We collaborated with an operator who was at the final stages of completion of purchasing a pharmacy but, due to a technicality, the incumbent bank was unable to deliver funds in time for completion.

Within 72 hours, funding of **£500,000** was secured to enable the purchase to complete.

SUPPLY & DEMAND

BUYER PROFILES

In line with previous years, registered buyer profiles remained broadly consistent, with the vast majority of applicants (76.1%) being first-time buyers.

However, data for the first six months of 2024 suggests that, out of 95 completions that took place in the first half of 2024, **22%** of sales were to first-time buyers, **13%** were to independent contractors, **22%** were to small independents, **13%** were to regional multiples and **30%** were to large group operators. This reflects the ongoing preference to accept offers from existing operators, or those with FTP in the same ICB area.

SALES STRUCTURES

In previous years, we have reported on the split between share sales and asset sales, with the former having usually dominated. However, in the first half of 2024, of the sales completed, 92.5% were asset sales.

The reason for this dramatic shift has been the increased volume of corporate or group operator sales. As these corporate disposal programmes subside over the remainder of 2024, it is anticipated that this will settle, with more share sales set to conclude.

AVERAGE TIME IN WEEKS FROM A SALE BEING FIRST AGREED TO COMPLETION, H1 2024



All Sale Types

Share Sales

Asset Sales

SALES PRICE VS ASKING PRICE, BY YEAR



*Six months to June 2024

TIMELINES

For the whole of 2023, the average timeline in which a sale completed was 34 weeks, reflecting a slight movement out on the initial six-month figures reported in our Pharmacy Market Review 2023. Asset sales took a shorter period of time, primarily due to corporate disposal programmes and their associated tight timelines. Share sales remained consistent with a 34-week average.

As we have already highlighted, asset sales dominated sales structures in the first half of 2024. Interestingly, the average time an asset sale has taken to complete has improved further, now down to 31 weeks. Whilst share sales have been relatively few this year, they have, on average, transacted in 33 weeks, a slight improvement on last year.

COUNTING THE COST IN PHARMACY



MARK HUMPHREYS
Client Relationship Director,
Orridge

Orridge PS Limited, provides specialist stocktaking services to the pharmacy sector.

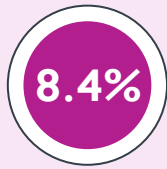
In the 12 months to July 2024, Orridge generated:



A **3%** increase in the number of pharmacy stocktakes undertaken from 4,202 to 4,306



The average stocktake duration: **4h 24m** – an average drop of 28 mins per store



8.4% of stocktakes were sales valuations – up from 2% from the previous year



The average value counted was **£49,000** – a 14% increase from the previous year



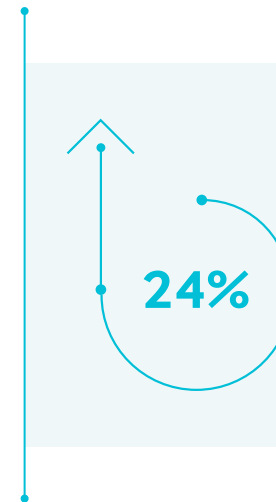
Generic products continue to account for approximately **75%** of items counted



75% of the stock counted was NHS Prescription-Only Medicine (POM), whereas **25%** was OTC – Up from 66% and 33% respectively from the previous year

With clients in both the independent and corporate sectors, we saw a **3% increase in stocktaking events from 4,200 to 4,300 across the 12 months to June 2024.**

This was, in part, due to large-scale disposals over the prior 12 months, predominantly from LloydsPharmacy, along with a reform in the way income is reported in the tax years leading to many operators requesting a year-end stocktake at the end of March 2024.



As reported in the 2023 review, the sector has continued to embrace technology and automation, resulting in a **24%** increase in pharmacies requesting stocktake valuations for automation solutions.

ORRIDGE
the Company that Counts

MARKET ACTIVITY: A SELECTION OF PHARMACIES SOLD IN H2 2023

In 2023, we sold 90 pharmacies with a combined value of over £77 million.



Macbon Chemist
Glasgow

- Dispenses circa 8,800 items per month
- Sold to an expanding local operator
- Funding for the buyer sourced via Christie Finance



England Pharmacy
Wigan

- Same family ownership for over 50 years
- Integrated site dispensing over 17,000 items per month
- Sold to an existing local operator



Leyton Green Pharmacy
London

- Retirement sale
- Dispenses circa 2,690 items per month
- Sold to three pharmacists



Marton Road Pharmacy
Bridlington

- Dispenses circa 18,500 items per month
- Sold to a husband-and-wife team
- Funding for the buyer sourced via Christie Finance



Pelican Pharmacy
Altrincham

- Dispenses circa 4,240 items per month
- Sold to a first-time buyer
- Funding for the buyer sourced via Christie Finance



Bassingbourn Pharmacy
Royston

- Busy pharmacy, receives Pharmacy Access Scheme payments
- Dispenses circa 8,398 items per month
- Sold to first-time buyers

MARKET ACTIVITY: A SELECTION OF PHARMACIES SOLD IN H2 2023



Mill Pharmacy
Ipswich

- Volume pharmacy adjacent to health centre
- Dispenses circa 13,200 items per month
- Acquired by expanding local operator



Jhoots South Wigston
Leicester

- Located near to a large health centre
- Dispenses circa 5,210 items per month
- Sold to a local pharmacy operator



Bassett Pharmacy
Hampshire

- Freehold sale
- Dispenses circa 5,300 items per month
- Sold to a local first-time buyer



Yew Tree Pharmacy
Walsall

- Dispenses circa 9,900 items per month
- Sold to father and son first-time buyers
- Funding for buyers sourced via Christie Finance



D L Ogle Pharmacy
Worcester

- Retirement sale
- Dispenses circa 12,200 items per month
- Sold to an existing small pharmacy group



Swindon Pharmacy
Wiltshire

- Profitable health centre location
- Dispenses circa 13,850 per month
- Sold to first-time buyers

MARKET ACTIVITY: A SELECTION OF PHARMACIES SOLD IN H1 2024

In the first half of 2024, we sold 95 pharmacies with a combined value of over £43 million.



Anderson & Spence
Aberdeen

Anderson & Spence is a well-performing community pharmacy that dispenses an average of 8,000 NHS items per month. It occupies a well-fitted out property that is managed by an employed experienced Pharmacist who is also an Independent Prescriber. It is located in the sought-after area of Rubislaw, in the west end of Aberdeen.

The pharmacy has been owned by Fiona Arris since 2008 who brought it to market to allow her to retire. Following a confidential sales process, it was purchased by Kenneth Manson of Kemnay Pharmacy Ltd, a family group operator which also owns pharmacies in Aberdeenshire and Dundee.

“This was a quick sale process, as expected, as this is an attractive pharmacy business in a sought-after area of Aberdeen. The pharmacy has been well looked after by Fiona for a long time, who has invested in the premises and has looked after the staff.

“We received three notes of interest in the first week of marketing and the sale completed within three months. The pharmacy is perfect for the new owners as they already own pharmacies in similar types of areas to Rubislaw.” -

Karl Clezy, Director – Pharmacy, Christie & Co



Carlton Lane Pharmacy
Wakefield

- Retirement sale
- Dispenses circa 10,000 items per month
- Sold to first-time buyers



Glendale Pharmacy
Wooler

- Retirement sale
- Dispenses circa 6,600 items per month
- Sold to a small group operator



Higher Crumpsall
Manchester

- Retirement sale
- Dispenses circa 1,100 items per month
- Sold to a first-time buyer who has since tripled its dispensing volume

MARKET ACTIVITY: A SELECTION OF PHARMACIES SOLD IN H1 2024



Sylvia Williams
Cowbridge

- Dispenses circa 12,600 items per month
- Sold to an existing operator
- Funding for the buyer sourced via Christie Finance



Cavendish Pharmacy
London

- Retirement sale
- Dispenses circa 3,500 items per month
- Sold to a small, expanding London-based group



Islay Pharmacy
Isle of Islay

- Only pharmacy on the island
- Dispenses circa 3,600 items per month
- Sold to husband-and-wife team from England



Bishops Waltham
Hampshire

- Dispenses circa 6,050 items per month
- Sold to a first-time buyer
- Funding sourced via Christie Finance



Saraj Chemist
Loughborough

- Retirement sale
- Dispenses circa 7,500 items per month
- Sold to established East Midlands group operator



Tong Rd Pharmacy
Leeds

- Dispenses circa 8,000 items per month
- Multiple operator disposal
- Sold to first-time buyers

CHRISTIE & CO - OUR 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:

BROKERAGE

- Pharmacy sales and acquisitions
- Investment brokerage and advice

CONSULTANCY & ADVISORY

- Commercial due diligence
- Market studies and performance benchmarking
- Research

VALUATIONS

- RICS-accredited valuations for loan security
- Expert witness
- Lease and rent reviews

FINANCE

- Finance raising for acquisition, refinance, unsecured and asset finance
- Corporate debt advisory services

INSURANCE

- Business & life insurance
- Employee Benefits

Dealing with the whole market across all price ranges and pharmacy types, our specialists have in-depth market knowledge of the area in which they live and work.

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.

We have 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.

In the last five years, we have advised on, valued, or sold...



Over **3,350** pharmacies



With a combined value of **over £2.55 billion** across our specialist teams



"The decision to sell your business is not an easy one after many years in the pharmacy profession, but dealing with Karl at Christie & Co made the whole thing a very smooth process.

"He talked through the process with me and gave me realistic expectations of what was to happen and what the likely sale price would be. Everything went smoothly and, despite having a very short timescale, things went to schedule and was relatively stress free! I would have no hesitation in recommending Karl and Christie & Co to someone thinking of selling their pharmacy."

Fiona Arris, former owner of Anderson & Spence Pharmacy



"When I chose to sell my pharmacy, I met with several agents, and chose to work with Carl at Christie & Co. I felt he was very honest and that I would enjoy working with him on what could be a long process.

As it turned out, it was certainly long and had lots of twists and turns, and can say now as a former pharmacy owner, that Carl's tenacity and most importantly diplomacy and candour throughout kept the deal together. I would have no hesitation in recommending Carl and Christie & Co to anyone looking for clear, honest advice, and to have someone that whole heartedly acts in their client's interest at all times."

Zahid Ilyas, former owner of Healthstop Pharmacy

OUR SERVICES - CONSULTANCY & VALUATION SERVICES

Our consultants provide an integrated suite of services designed to support clients through every stage of their investment

OPPORTUNITY SEARCH AND EVALUATION

- Research commissions
- Market screening
- Feasibility and needs analysis
- Mystery shopping
- Brand/operator identification
- Acquisition target search

ACQUISITION ADVICE

- Commercial due diligence
- Sector/market review
- Operational performance analysis
- Head office review
- Trading performance review
- Benchmarking
- Business plan review
- Forecasting
- Opportunity evaluation
- Strategic planning
- Pricing advice
- RICS valuation

INVESTMENT ADVICE

- Strategic reviews and options analysis
- Performance monitoring
- Revenue and cost optimisation
- Lease consultancy
- Contract negotiations
- Repositioning advice
- Capex review
- Operator search and selection

DISPOSAL ADVICE

- Disposal strategy formulation
- Pricing advice
- Vendor due diligence
- PropCo/OpCo/JV structures
- Sell-side mandates
- Sales collateral preparation
- Management presentation preparation
- Sales and PR strategy
- Data-room management



HANNAH HAINES
Director & Head of
Healthcare Consultancy



CHRISTOPHER VOWLES FRICS
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INSIGHTS WHICH UNDERPIN OUR DETAILED ANALYTICS SYSTEM AND PRODUCTS



Operational Benchmarking



Demographics



Market Composition



Transaction and
investment comparables



Market activity/investment trends

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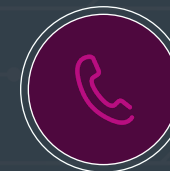


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ORRIDGE

LOCATE A LOCUM



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GLOSSARY OF TERMS & SOURCES

TERMS

- ARRS:** Additional Roles Reimbursement Scheme
- AIMP:** The Association of Independent Multiple Pharmacies
- CAS:** Common Ailments Service
- Community Pharmacy England (previously PSNC):** The representative body for all community pharmacy owners in England
- CCA:** Company Chemists Association
- CPCS:** NHS Community Pharmacist Consultation Service
- DHSC:** Department of Health and Social Care
- DSC:** Distance Selling Contract
- EBITDA:** Earnings Before Interest, Taxes, Depreciation, and Amortisation
- EPOS:** Electronic Point of Sale
- EPS:** Electronic Prescription Service
- Fitness to Practice:** The ability to meet professional standards
- FOI/Freedom of Information requests:** Request of recorded information from public authorities
- GP:** General Practice
- GPhC:** General Pharmaceutical Council
- HM Prisons:** His Majesty's Prison Service
- ICS:** Integrated care system (ICS)
- IoS:** Item of Service
- NHS:** National Health Service
- NHSLAT:** NHS Locum Appointments for Training
- NMS:** New Medicines Service
- ONS:** Office for National Statistics
- OTC:** Over the Counter
- PCN:** Primary Care Network
- PCM:** Per calendar month
- PCS:** Pharmacy Contraception Service
- PCSE:** Primary Care Support England
- POM:** Prescription-Only Medicine
- RICS:** Royal Institute of Chartered Surveyors
- WHO:** World Health Organization
- 5-year deal:** A five-year deal setting out how community pharmacy will support the delivery of the NHS's long-term plan

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