

Three steps to retirement

Selling your pharmacy is a big step. **Jamie Gill** outlines the core aspects, including preparing your business for sale, marketing it and the sale process

SELLING YOUR PHARMACY business can be a daunting prospect and in some circumstances quite an emotional event, particularly if you have spent a large part of your life building up your reputation in the local healthcare market. However, there comes a point when you will naturally want to enjoy the fruits of your labour and finally retire.

The decision to sell your pharmacy is not to be taken lightly as it is not usually a quick process. In fact, it is sensible to begin planning the sale of your business a couple of years in advance.

Step one - prepare for sale

Preparation is key! It is important to speak to your accountant and plan your tax strategy early on as you may need to restructure your business.

Depending on your personal tax circumstances, you will need to consider whether you want to sell the shares of your company, which means selling the company itself - lock, stock and barrel, or whether you just sell the assets of your business. This would mean selling certain parts such as the goodwill, key contracts and assets.

It is important to have a good record of accounts and is useful to have regular management accounts to support your current trading year figures or projections. This may be something that you consider producing in preparation for your sale.

Documents and records

While this should be common practice anyway, it is important to have all of your paperwork in order. Ensuring contracts are signed and dated with full terms and conditions, and are readily available, will save you a lot of time down the line. A prudent purchaser will carry out a 'due diligence' exercise whereby they request copies of all of your documents for review. Having these readily available will speed up the process and reduce delays. Remember that you will still have a business to run while this goes on.

It is important to ensure that all of your insurances are in place and up to date. A common mistake, particularly in respect of insurances, is where the business has been incorporated into a limited company in the past but the insurance policies remain in the name of the sole trader and have not been transferred over. This can be an issue for a buyer because, technically, the business is not insured correctly and should it be subject to a claim, it may not be properly covered.

Employees are a key part of any community business. They are the face of your pharmacy, especially when interacting with patients. Having helpful and attentive employees is obviously beneficial, but it is also important to keep their training and qualifications up to date. Increasing the range of services your pharmacy can provide will in turn increase the saleability of your business.

Premises

The recent pharmacy standards set by the General Pharmaceutical Council are important to any potential purchaser. It appears to be proving difficult to achieve that elusive holy grail standard of 'excellence' - as first demonstrated by Wicker Pharmacy in Sheffield.

However, given the exclusivity of such a standard, achieving such a level, or even getting close to it, will enhance the attractiveness of your business.

Anyone concerned about spending money on improving a pharmacy when you are thinking of selling it should know that premises improvements could repay you several times over when you are looking for serious buyers.

Property and location are a key part of any pharmacy business and often important security for a bank if your buyer is being funded. Therefore it is important to ensure that your property is firstly in good repair, and secondly that you have all of the required permitted uses and planning permissions in place.

Overall, the better organised your business structure is, the less opportunity there will be for a buyer to knock you down on price.

Step two - target your market

It is a good idea to get familiar with the market place and understand what kind of pharmacies sell and why. Get an idea of what the key selling points are in the pharmacy market and review your own business against these.

It is difficult to know what to expect in terms of value, which is why it is important to speak to your accountant, and specialist brokers, who will be able to help value your business and guide you through the marketing and sale process. Experienced pharmacy agents will have significant exposure across the market. They will know how to maximise the potential for a buyer, and will be able to guide you with good local and sector knowledge.

A broker without sector knowledge may end up under-, or over-valuing your business. Using agents who have the cheapest fees or put the biggest price tag on your business, is not necessarily the route to success. Your accountant or solicitor should have some useful contacts to help guide you if they are sector specialists themselves.

There are a few ways to market your business and this will depend on whether you want to sell it in public or conduct the process discretely. An open process will maximise your potential buyers and increase competition, which could ultimately push up the price. Alternatively, a well-connected agent will be able to sound out buyers with good credentials on a confidential basis and separate the wheat from the chaff so you don't have to!

Step three - sell with confidence

Getting experienced advisors who are familiar with the nuances of the pharmacy sector is key, whether this is financial or legal. In our experience, a client will have a much smoother transaction with experienced advisors.

The cost of using specialist advisors is significantly offset by the time and stress saved by having someone who knows what they are doing. Plus it may save you money in the long run.

The sale process is normally split into three main parts:

- Due diligence
- Negotiation and preparing the sale agreement
- Completion.

Due diligence is an investigation by a buyer into all aspects of the business. It is primarily broken down into two separate parts - financial and legal. The financial due diligence will be carried out by the accountants and will involve reviewing the accounts, management accounts and tax affairs of the business, as well as profitability.

The legal due diligence will look into most areas of the business. It



can be time-consuming, but an open and honest approach is always the best policy. This is where your previous preparation should pay off.

Negotiation

Once the due diligence is well underway, or completed, the next part of the process is to negotiate the sale agreement. This is a key document between the buyer and the seller and can often be subject to extensive negotiation.

In the sale agreement, the buyer will commonly require the seller to enter into obligations under the terms of the agreement such as warranties, indemnities and restrictive covenants. The buyer is likely to want to reserve a right of redress against a seller for any breach of the agreement by the seller.

The seller's primary concern is to firstly obtain payment for the business and secondly to limit their liability and restrictions as much as possible under the agreement. This is where the majority of the negotiation will take place and your advisors will make recommendations in this respect. Having sector specialist advisors on both sides can help reduce the length of the negotiation process.

That champagne moment

The big day that you have worked so hard for is finally here! The lead up to completion can be time consuming, stressful and emotional, particularly if you have not sold a business before. Hopefully, everything has gone smoothly, you have signed your agreement, the money has been transferred to your bank account and you have handed over the keys.

All that is left is to head home for a glass of champagne and a well-earned rest. However, as you are now, hopefully, sitting on a very nice retirement nest egg, you would be well advised to review your will. ●

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Further information

For further advice about selling your pharmacy, contact Jamie Gill in the corporate and commercial team at Ansons Solicitors on 01543 431 185 or email jgill@ansonsllp.com. Ansons Solicitors has offices in Lichfield and Cannock, Staffordshire.

