

# A-Z GUIDE TO ARRANGING FUNDING FOR A PHARMACY PURCHASE

## A

**Always** collaborate with an Independent Business Adviser who has access to a comprehensive network of banks. Each bank has unique lending criteria, and the competition can yield surprisingly competitive lending terms.

## B

**Business Plan:** Creating a robust business plan is paramount. It serves as a testament to your experience, competence, and financial capability.

## C

**Cashflow:** As the saying goes, "Turnover is vanity, Profit is sanity, but Cash is reality." It is essential to prepare a cashflow forecast to affirm the feasibility of your purchase. This highlights potential cashflow fluctuations, enabling you to make suitable provisions.

## D

**Delegate:** Avoid attempting to manage everything on your own. While your strength lies in being a pharmacist, recognise that expertise in other aspects of a pharmacy purchase requires experts who have navigated this journey before.

## E

**Equipment Financing:** Whether it is existing equipment at the business you are acquiring or new equipment post-purchase, explore flexible, competitive, and tax-efficient funding options, especially for new equipment.

## F

**Finance:** often crucial for pharmacy acquisitions. The pharmacy profession is favourable to lenders, but each bank has distinct lending policies. Engaging an independent expert with a holistic market perspective is paramount.

## G

**Goodwill:** In most cases, goodwill constitutes the largest component of a pharmacy purchase, representing the amount paid for the business above property and equipment. High Street banks and smaller lenders typically understand and lend against goodwill, subject to their unique criteria.

## H

**Help:** Don't hesitate to seek guidance from experts in the field. You are not expected to know everything, so engage with professionals who have encountered similar challenges and can provide valuable insights.

## I

**Independent:** Many first-time buyers make the mistake of approaching their current bank, neglecting alternative opinions. Engaging an Independent Business Adviser ensures you consider all major banks, fostering competition for flexible and competitive terms.

## J

**Justify the Investment:** Not all pharmacies are worth their asking price. Prepare a Profit/Loss forecast based on your ownership to assess the financial benefit of the purchase.

## K

**Knowledge:** Business purchase can be a complex field, potentially costly if mismanaged. Collaborate with specialised Lawyers, Accountants, and Business Advisers to stay on the right path and save money in the long run.

## L

**Lawyers:** Always work with a solicitor experienced in the pharmacy market. Opt for a fixed fee and inquire about a zero-abort fee, which ensures you will not incur costs if the purchase falls through.

## M

**Manpower:** Post-purchase, staff management can be a significant challenge. Ensure proper contracts for self-employed staff and engage an employment law specialist for salaried staff. Have a reliable pharmacy specialist recruitment agency on standby for urgent cover needs.

## N

**Not for the Faint-Hearted:** Purchasing a pharmacy can be a bumpy ride. Seek advice, guidance, and the right professional team to support you through the entire process.

## O

**Ownership;** Determine the most suitable ownership structure—sole name, partnership, limited company, or LLP. Seek guidance from accountants to ensure tax efficiency and flexibility, considering individual circumstances.

## P

**(Financial) Pre-Assessment -** Calculate how much you can borrow by consulting your business adviser. This information guides your search for appropriately sized pharmacies and demonstrates your seriousness to sales agents and sellers.

## Q

**Question Everything! -** When evaluating pharmacy sales details, be prepared to ask sellers and sales agents questions to cover any uncertainties or missing information. Prepare your adjusted profit figures (often referred to as EBITDA) to reflect the business performance under your ownership, rather than relying solely on the agent's figures.

## R

**Research -** Viewing the pharmacy is essential. Your conduct and questions during visits can significantly impact whether your offer is accepted. Prior to viewing, ask the agent questions about financials and research local competition. It is advisable to spend a few hours exploring the neighbourhood before or after your viewing.

# S

**Savings** - In most cases, first-time buyers are expected to contribute their funds toward the purchase. Contributing more upfront can reduce your loan commitment and monthly expenses.

# T

**Time Management:** Pharmacy sale/purchase typically takes 3 to 6 months on average. Challenge professionals involved to work within this timeframe.

# U

**Useful Contacts:** Build a team of experts, including your accountant, solicitor, business adviser, bank manager, and recruitment company. Maintain regular communication with them throughout the purchase process.

# V

**Valuation:** An independent bank valuation often verifies goodwill and freehold purchase prices. Negotiation may be necessary if these figures differ, and your Independent Business Adviser can assist in reaching a mutually agreeable price.

# W

**Wills and Future Planning:** Review your will and consider trusts for tax-efficient structuring. Additionally, review life and protection coverage to ensure that any borrowing is repaid in the event of death or serious illness.

# X

**Explore:** Compile a wish list of your perfect business to guide your search and ensure you find the right fit.

# Y

**Yay:** Celebrating the moment of completing your business purchase is cause for celebration. You have taken control of your destiny, a significant step for many dentists.

# Z

**Zealous:** Success requires dedication and ongoing self-investment. Regularly attend business-related seminars and courses to stay informed and maintain your commitment to your business.