

Adams & Remers

A&R. Selling Your Pharmacy

Essential Preparation



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Selling your Pharmacy is likely to be the culmination of a considerable amount of time and effort over many years to develop a successful venture. The sales process can be both stressful and time-consuming, but some simple preparation can ensure it goes as smoothly as possible.

Preparing a pharmacy for sale is an important part of the sale process. Effective preparation will help to secure the value of a successful pharmacy. The more confidence a buyer has in the pharmacy it is looking to acquire, the greater the price it is likely to pay.

Consequently, if there are any weaknesses in a pharmacy's procedures or documentation or its corporate structure, this could break a deal or lead to a reduction in the purchase price. Efforts should be made well in advance of marketing the pharmacy to ensure that the procedures and paperwork are as complete and watertight as possible.

Our experience of buying and selling pharmacies has highlighted a number of recurrent issues.

Corporate and statutory records

Many private companies do not adequately maintain their corporate and other statutory records, even though they are required to by law. Where a pharmacy trades through a company and it is proposed to sell the shares in that company, any prudent buyer will scrutinise the statutory records to check for deficiencies. These records should therefore be reviewed before the sale process commences and any problems remedied to avoid delay or embarrassment at a later date.

It is particularly important to ensure that all necessary documents have been filed at Companies House as the buyer will invariably undertake its own search against the company.

A set of well-maintained and correct statutory records will give a buyer added confidence that your pharmacy has been well run.

Accounts and FP34s

Most buyers will want to see trading accounts going back at least three years, together with FP34s for the same period. Make sure these are readily available and there are no gaps. If these records show any downturn in the pharmacy's trade, ensure you are able to provide legitimate reasons for this.



Is Everything Documented?

Buyers will be interested in any contractual arrangements that are binding on your pharmacy. Think about how your pharmacy operates and make a note of any contracts or arrangements to which it is a party, even if these are informal. These could include supplier arrangements, delivery/collections from nursing or care homes, hire purchase agreements and so on.

A buyer will be interested in the detailed terms and conditions of these arrangements, so ensure that you can readily produce copies of these. Some arrangements will invariably be less formal than others and may not have been reduced to a written contract. Nevertheless, make a note of what you understand to be the key terms.

Also make sure that any written terms are correctly recorded in the name of the pharmacy – you may be surprised how many pharmacy sellers get caught out here. Any error is often the result of an oversight or a perhaps a hang-over from when the pharmacy was owned by the sellers personally rather than through a company. Even check that the most obvious documents, such as the FP34s, record the correct name of the pharmacy.

Employees

Have all employees been provided with a written statement of their terms and conditions of employment? If not, this needs to be corrected.

Buyers are also likely to be interested in any recent pay reviews or annual bonus payments. Make sure you have records of these going back at least three years and can readily present them to a buyer on request.

Do you engage any locums?

If you use any locums, are there written terms and conditions governing their engagement? If not, consider putting some in place (the National Pharmacy Association has a precedent agreement on its website).

If any locums have been retained on a long-term basis, there is a chance they could be considered as employees, even if you have written terms and conditions to the contrary. Buyers will be suspicious of any such long-term arrangements and may require you to underwrite any loss that they suffer if any locum is deemed to be an employee.

Avoid entering into new, long-term commitments

Buyers are wary of any long-term commitments they may be required to take on when they purchase your pharmacy. Avoid entering into any new, long-term arrangements. If you have any existing long-term commitments, are you able to re-negotiate a shorter term arrangement?



New NHS contracts and re-locations

Are you aware of any new applications for NHS contracts or relocations in the immediate vicinity of your pharmacy? Any buyer will be concerned at any new competition and will invariably ask you for details.

Dealings with connected parties

Connected parties could encompass directors, shareholders, family members and associated companies. If your pharmacy uses assets, services or facilities of a connected party, these arrangements may need to be terminated prior to the sale completing, or alternatively put on an arm's length basis.

Outstanding litigation or disputes

If there are any outstanding disputes, it may be prudent to resolve these before the sale. Buyers are wary of disputes and often seek a price reduction or other appropriate protection from the seller if there are any outstanding. A seller should be wary of leaving any disputes in the hands of the buyer – the seller will invariably lose control of the conduct of the dispute and a buyer may be less inclined to minimise his exposure if he knows the seller must compensate him for any loss.

Tax

It is important for sellers to take advice in order to minimise their tax liabilities on a sale. This may influence how a sale of the pharmacy is structured and should therefore be considered at the outset. Any special arrangements should be explained to the buyer at the start of any negotiation.

By considering these issues, you will maximise your preparation for the sale process. This will help to ensure you receive the maximum purchase price possible for the pharmacy and that the risk of any unforeseen delays is minimised.

For further advice on buying or selling a retail pharmacy, please contact us.

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These notes are intended only for the guidance of readers. Whilst every effort has been made to ensure accuracy, these notes may not be comprehensive and readers should not act upon them without seeking professional advice. The law stated in this guide is as at 31.5.13.