



Financial Session Highlights from the 2015 API Trade Show

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Delegates, sharpen your pencils

by Liza Horowitz, Communications Specialist Desante Financial

2015 API Trade Show Success

The two-day 2015 API trade show held at the International Centre in October was attended by over 400 pharmacy delegates. The thoughtfully planned show accommodated the independent pharmacists' weekend work schedule and popular sessions were offered on both Saturday and Sunday. Trade show coordinator Rejan Guirguis flawlessly organized a delegate experience that combined the right amount of learning, networking and fun. Lively conversations in the exhibitor area revolved around the biggest challenges pharmacists face today: including increased workload, reduced compensation for enhanced services, and lack of both resources and time to expand roles.

Many pharmacists believe they are allocating too much time on dispensing given the added roles of injections, ability to prescribe and expanded scope of services. On the financing end, break out discussions revolved around the shortage of pharmacies for sale. While on the hiring end, there is still a challenge to find the right fit amongst a large pool of qualified candidates.

"Sales is not a four-letter word"

I participated in Mr. Boivin's session, *Selling the Value of Pharmacy Services – The Path to Patient-Centered Care*. One learning objective was reviewing the different approaches to increase the patient uptake of pharmacy services. This generated an active discussion



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among pharmacists who have experienced mediocre results from selling new services. Mr. Boivin drove two points home; if patients do not expect or know about patient services, how can pharmacists expect them to pay for something they are not aware of or do not understand. He also talked about looking beyond today and if pharmacists choose to offer their services for free, they cannot expect patients to pay. A key takeaway – it is ok to sell to your patients.

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Pharmacy Financing Conversations

Through conversations with some of the delegates, I met a few looking to buy a pharmacy. They shared their frustration with the lack of pharmacies available for sale. One pharmacist in his early 30's, who currently works for his uncle, had set a career goal to own a pharmacy. He had an idea of how much he was willing to pay for a store, yet didn't consider how he would finance the transaction. For pharmacists looking to buy a pharmacy, securing pre-approval from a lender will make the due diligence process easier. Niche healthcare lenders working with buyers before tabling an offer can point out areas of the business they might be overpaying or underpaying. Sellers are more interested in pre-approved buyers as the process is quicker and more efficient.

Another pharmacist planned to add a third store to her portfolio and was seeking a low rate provider. When you have multiple locations and multiple partners with various ownership structures, rate is only one factor to consider. Clever financing may be necessary to reduce payment risk and ensure room is left for future funding opportunities. One pharmacist, looking to purchase a second pharmacy was surprised to learn that personal or spousal guarantees are not always required.

From a lender's perspective, pharmacy financing is based on the ability to repay the loan. Most pharmacy loans are fixed term loans, of 10 years or longer. A helpful tip, ensure the loan leaves room for potential expansion and is structured for realistic long-term repayment.



Valuation Approaches & Methods

In a well-attended session, Mr. Waqas delivered *How Much Is Your Pharmacy Really Worth*. He started off by explaining why a pharmacy owner may consider getting a valuation before considering selling the business and the reasons were: shareholder buyouts, partner or family disputes, income tax and estate planning, corporate reorganizations or employee stock ownership. For a buyer, it all comes down to "can I trust the numbers". Documentation, leases and financial information that is readily available and well-presented add credibility to the numbers. Good financial housekeeping can be done by hiring a good (repetition of the word) bookkeeper, controller or accountant. Planning ahead should be a key consideration to create an attractive valuation to a prospective buyer. Staging your business is best done years in advance of selling the pharmacy. The speaker reviewed primary valuation based on adjusted earnings/cash flow. To get a quick value, he shared three rules of thumb often used to confirm if the primary valuation is accurate: $\$/script$ plus inventory, 100% of Gross Profit, or 15-20% of annual sales plus inventory. He stressed the importance for pharmacy owners to spend time

understanding and defining their value proposition. In other words, where do you fit in your overall marketplace?

Other Interesting CE Sessions

- Private Drug Plans: Threats and Opportunities
- Decisions, Decisions: The art and science of clinical decision making in challenging pharmacy practice situations
- Third party audits and pharmacy contracts- Tips and actions
- What do you need to know about COPD?
- The Management of Anaphylaxis
- Medication non-adherence: The real drug problem

About the Conference Writer

Liza Horowitz is the Communication and Marketing Lead at Desante Healthcare Financial Solutions. Desante is a niche healthcare financing company, providing loans up to \$10 million dollars to independent pharmacists across Canada. Desante's core focus is pharmacy financing, and they work with a network of over 2,300 healthcare professionals. Their combined financial portfolio exceeds \$1.1 billion dollars. www.desante.ca, @desantefinance



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