

Pharmacy Pulse

Analysis of the key trends in the Irish Community Pharmacy sector, prepared by Fitzgerald Power on a quarterly basis.

Q1 2021



FitzgeraldPower

Chartered Accountants | Business Advisors

Summary Q1 2021

Consolidation

Pharmacy sector consolidation is a pre-COVID trend that looks set to continue, as owner operators retire or otherwise exit the market and large groups increase their footprint. This is evidenced by the number of acquisition opportunities coming to the market in H1 2021 and by other developments such as the recent market entry of Australian discounter Chemist Warehouse. Meanwhile, according to media speculation, McKesson is considering the sale of its UK based Lloyds Pharmacy network.

Examinerships

In January 2021 it was announced that the Cara group of pharmacies received fresh investment and exited examinership, a development that protects jobs and the market position of the group.

Medicine funding

The Irish Pharmaceutical Healthcare Association (IPHA) and the Irish government have agreed a six month extension to the drug supply agreement, with the recent bridging arrangement increasing access to 15 new drugs and providing €30 million to clear a 'backlog' of new medicines.

Vaccinations

As of Saturday 3rd April, 932,234 vaccine doses had been administered in Ireland, meaning 13.3% of the population had received at least a first dose. The government aims to have a majority of the population vaccinated by the summer.

Technology

The recent shift to e-prescribing has been driven by the COVID crisis and the requirement for patients and health professionals to find new ways to interact. Developments such as Healthmail, the greater use of video conferencing and the online migration of consumers have created a reimagined trading landscape. Whether these trends persist post-pandemic remains to be seen, but in the short-term opportunities have emerged for nimble, tech focused operators.

Professional Trust

The Ipsos MRBI Veracity index for 2021 was released in March. Pharmacy was judged the most trusted profession, with 96% of the public saying they trust their local pharmacist.

Revenue Pulse

Turnover

Fitzgerald Power estimates a 1.14% decline in total pharmacy revenues during the first quarter of 2021 versus the same period last year.

Volume of Sales: Fitzgerald Power 100 **1.14%** ↓

SOURCE: FITZGERALD POWER

Retail Excellence Ireland reports a decline of 5.8% in total sales in Q1 2021 versus Q1 2020.

Volume of Sales: Retail Excellence Ireland **5.8%** ↓

SOURCE: REI

The volume of sales as measured by the CSO, increased by 3.8% in February 2021 against the same period last year.

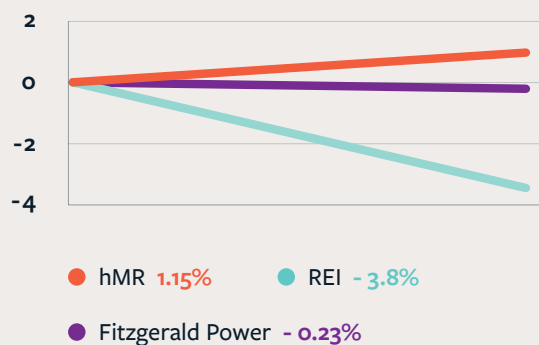
Volume of Sales: CSO **3.8%** ↑

SOURCE: CSO

Item Trends

According to hMR Ireland, the Irish prescription market grew by 1.15% in units in the 12-month period to March 2021. Fitzgerald Power's internal data shows a 0.23% decrease in medicine items in Q1 2021 versus Q1 2020. REI report that dispensary volumes declined by 3.8% in Q1 2021 when compared to Q1 2020.

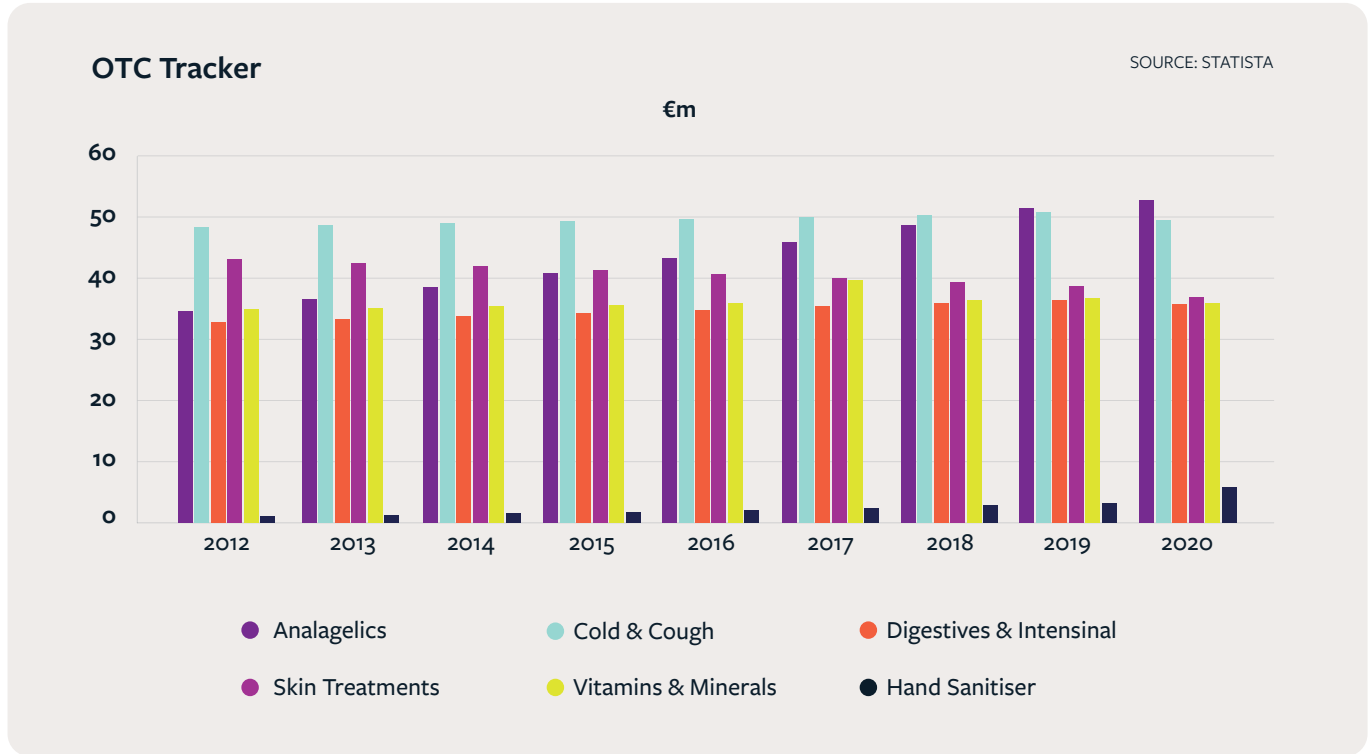
Item Growth



SOURCE: FITZGERALD POWER, HMR IRELAND, REI

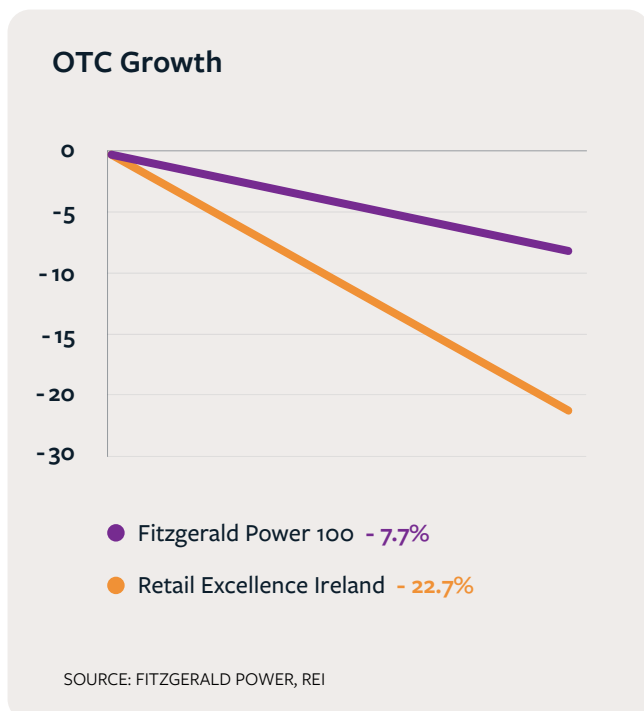
OTC Trends

Research compiled by Statista indicates that OTC sales decreased by 3.5% in 2020 (the most recent available dataset). In the previous year activity increased by 1.67% implying a regression in longer term trends.



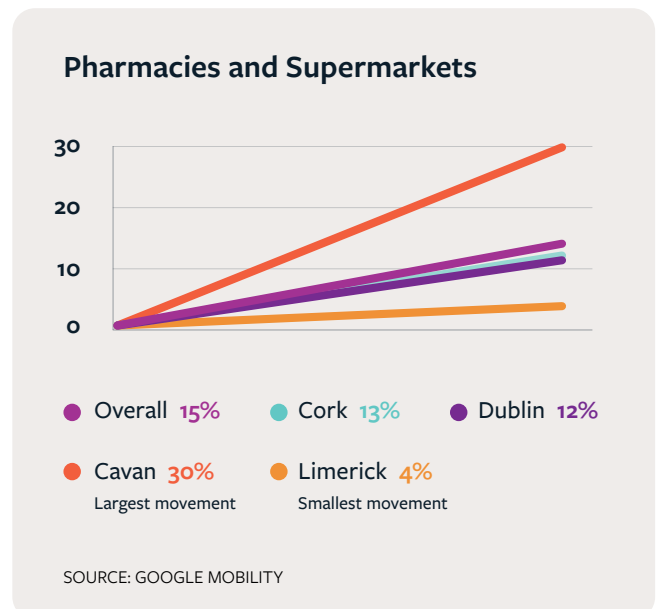
OTC Growth

The Fitzgerald Power 100 and Retail Excellence Ireland datasets both show negative OTC growth in Q1 2021 at 7.7% and 22.7% respectively, versus Q1 2020.



Footfall Mobility

Google mobility data gives a snapshot comparison to the same period in 2020, and shows mobility was up 15% in pharmacies and supermarkets on the 2nd April 2021. However, there is significant weekly variation in the mobility data and over the longer term the OECD has estimated a 20% drop in all mobility over the period of the pandemic.

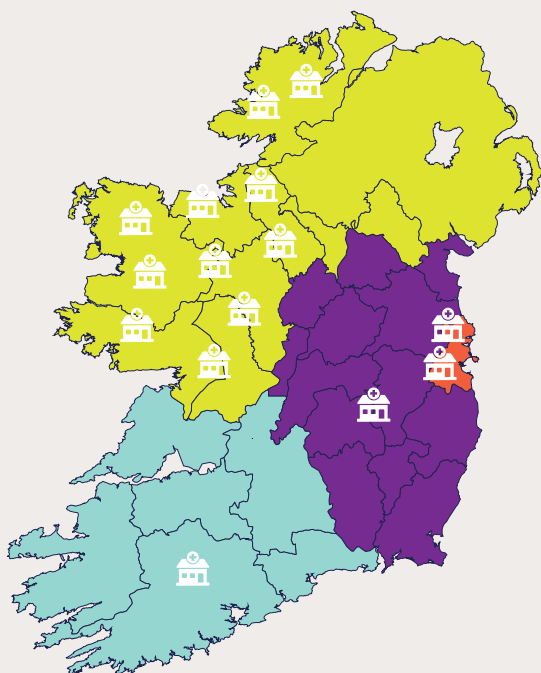


Market Pulse

Internal Fitzgerald Power data suggests that in spite of the COVID-19 pandemic, 2020 was a strong year for pharmacy transactions. In Q1 2021 there were two transactions completed outside of the Cara group sale, one in Dublin and one in Cork.

The Cara group examinership deal involved the sale of 13 pharmacies.

Completed Deals in Q1 by Geographical Location



● Dublin 2 ● Ulster/Connacht 11
● Munster 1 ● Leinster 1

SOURCE: FITZGERALD POWER

Completed Deals in Q1 by HSE Fees List Position

€250k and over	6
€175k-249k	4
€100k-174k	4
Under €100k	1

SOURCE: FITZGERALD POWER

Completed Deals in Q1 by Pharmacy Type

Corporate Group	0
Indigenous Group	13
Independent	1
Symbol Group	1

SOURCE: FITZGERALD POWER

PSI data suggests there have been four new openings since the beginning of 2021, bringing the number of community pharmacies in Ireland to 1,894 by 31st March.

New Openings and Closures

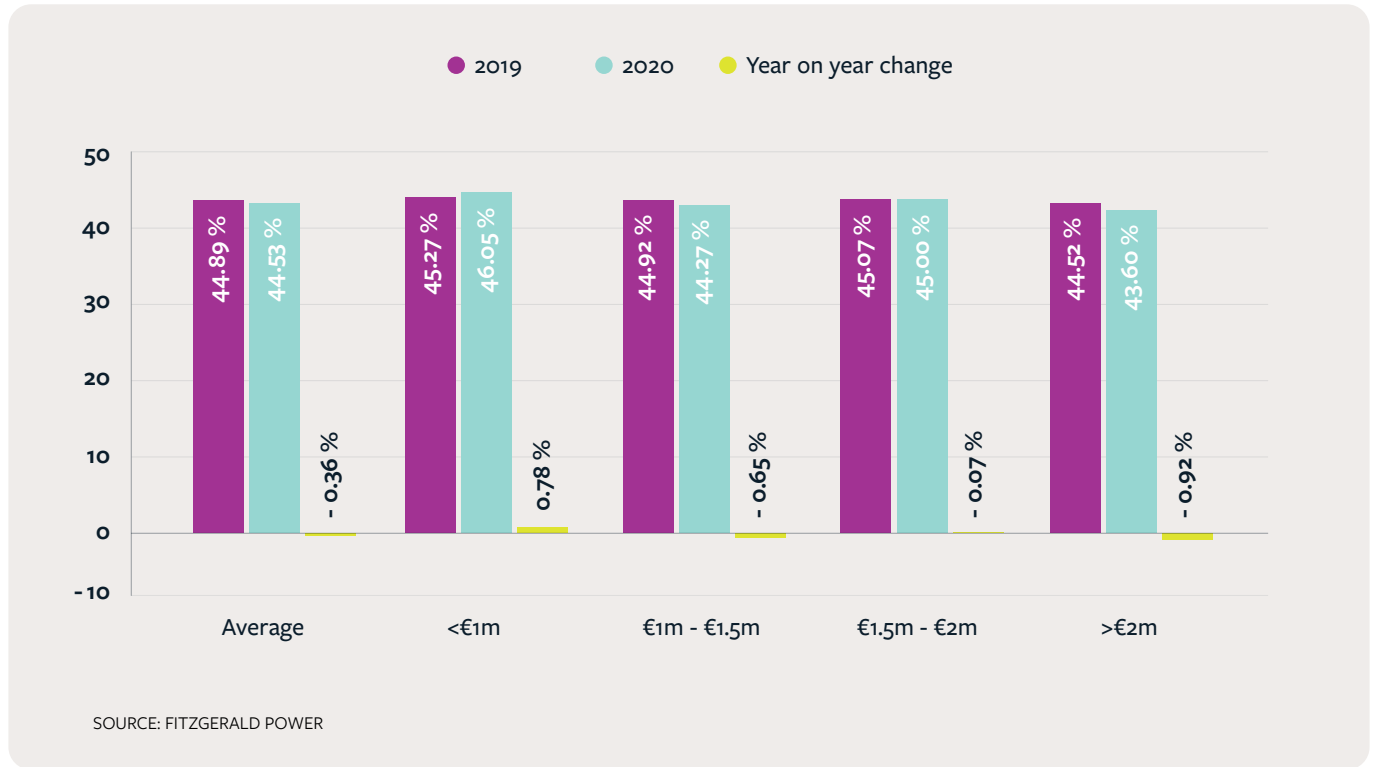
New Openings between 1st January – 31st March 2021	4
Closures between 1st January – 31st March 2021	3
Net Openings between 1st January – 31st March 2021	1

SOURCE: PSI

Margin Pulse

Gross profit performance by turnover bracket – 2019 vs. 2020

Gross profit margins remained relatively flat in 2020 with pharmacies in the < €1m and > €2m ranges showing the greatest variance.



Gross profit performance by geographical location – 2019 vs. 2020

Gross profit margins were stronger in Dublin in 2020. Pharmacies in Munster and the Rest of Leinster have experienced gross profit margin declines over the review period.



Fitzgerald Power is the leading financial advisor to the Irish community pharmacy sector and the leading pharmacy sales brokerage firm in Ireland.

We'd love to hear from you so please get in touch if you think we can help.



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