



RETAIL PHARMACY - BOOSTING VALUE IN NEGATIVE SITUATIONS

BUSINESS

Since the early 2000s, this retail pharmacy provided services to patients in a densely populated city in Southern California. The majority of patients came from walk-ins, hospitals, and clinics while a smaller segment originated from nearby long-term care facilities.

TRANSACTION

The pharmacy owners were seeking liquidity. Their objective was to monetize the assets of the company for personal investments, debt relief, and at the same time ensure a viable transition for the company employees. After engaging Harbor Healthcare as their strategic advisor and evaluating the options, the owners decided an asset sale was the best course of action to accomplish their objectives. After conducting a targeted search, Harbor Healthcare found a qualified buyer that was able to facilitate the owner's goals and close the transaction in less than 30 days: CVS Health.

CHALLENGES

Over the past few years, the pharmacy experienced a decline in profits. Reimbursement cuts, Medi-Cal program changes, and competition, continued to exert downward pressure on profit margins. As a result the owners found it more and more difficult to pay staff and service debt obligations.



Identifying a qualified buyer that would value the assets of the business at a price that met the owners needs, presented certain challenges. Pharmacies are frequently valued in the marketplace by the profits they generate. Because the business was not generating a profit, Harbor Healthcare had to identify a buyer that was willing to use a different valuation method and satisfy the owners price expectations.

SOLUTION

Valuation and favorable deal terms in an M&A transaction are heavily dependent on buyer demand and selling an unprofitable business can greatly impact that demand. Therefore, it was imperative to properly highlight the strengths of the business, including: geographic location, patient profile mix, therapies dispensed by disease state, clinics and hospitals served, physician relationships, referrals and patient retention. In addition to evaluating the business itself, buyer appetite for acquisitions can change frequently and timing is critical. An acquirer's M&A strategy can be dependent on many factors, including: current acquisition mandates, tax implications, fiscal cycle, current and future stock performance, availability of capital and competing market offerings. To achieve a successful close, it's imperative that buy-side and sell-side goals are understood and properly aligned.

Harbor Healthcare narrowed the list of potential acquirers and identified CVS Health as one of the ideal buyers. As a result of Harbor Healthcare's 24 years of experience in pharmacy transactions, they communicated with members of the CVS acquisition team and quickly and effectively obtained an ideal combination of maximum value and preferred seller deal terms. Harbor Healthcare successfully negotiated a 10% increase in purchase price on behalf of the sellers, improved the non-compete and other terms of the purchase agreement, and facilitated a close in less than 30 days from receiving the Letter of Intent.

CONTACT



Mark Alford

Strategic Advisor

(619) 535-9005

mark@harborhealthcare.com