

DEVELOPING AN EFFECTIVE EXIT STRATEGY

The need to plan for an effective exit strategy is critical for pharmacy owners today. For many, a major part of their net personal wealth is tied up in the pharmacy business and the ability to sell the business is often a substantial component of the owners retirement funding. However, with the value of many pharmacies being beyond the financial reach of young pharmacists coming through, it is essential that a strategy is in place that outlines when and how you intend to leave the business.

An exit strategy plan enables a smooth transition with less likelihood of disruption to operations. By planning your exit well in advance it allows you the time to fully consider every option available to you in order to maximise the value of your business.

Important points to consider in developing your strategy:

- What is the time frame involved for your partial or full exit from the business? Does your strategy allow for a sudden exit due to unforeseen circumstances?
- Thoroughly review the current financial status of the business, including sales, profits and trends over the last few years, and undertake an objective analysis as to how these can be improved in the time ahead to make the business more appealing to a prospective buyer. Pay special attention to controllable costs.
- Stay abreast of both industry & local developments that may affect the value of your business.
- Determine the value of your business. Is it equal to or greater than the minimum sale price you require? If not, what needs to be done to improve the value in the time you have available?
- Systemise the business, document all policies, procedures and processes and appropriately train staff to enable the business to be self-sufficient. This minimises the reliance on yourself as the main driver of the business and therefore reduces the risk to a prospective buyer.
- Detail the type of succession you want. Will it be a complete or progressive succession? What will be your future involvement if any, in the business?
- If you are in business with others, do you have a buy/sell agreement in place? (**Refer to our factsheet on Business Succession**). Will the remaining owners buy your share or will it be open to external parties?
- If you are not currently in partnership, is there a possibility of introducing a new pharmacist (maybe an existing employee) by gradually selling down equity to them over a period of time?
- Review your current business structure to ensure the proceeds from sale attract the minimum amount of Capital Gains Tax and can be invested in the most appropriate structure for your future needs.

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