Buying a pharmacy.

Unlike almost every other retail business, a pharmacy sits behind a regulatory moat — high barriers to entry, tightly controlled locations, and profit above the sector average. That protection is real. It is also the reason the risks in a pharmacy deal sit somewhere unfamiliar.

THE INDUSTRY, IN FOUR NUMBERS

About **$29.9 billion** of revenue across **4,305 pharmacies** — roughly **$6.9 million each**, with around 21 staff. Industry profit of **$1.7 billion** works out near **$395,000 per pharmacy** before the owner's own wage. Margin sits at **5.7%**, down slightly over five years. This is a substantially larger and more defensible business than most retail — and it is priced accordingly.

You are buying two businesses in one shopfront

Scheduled non-prescription 7.1% · Professional services 2.8%

PROTECTED, AND COMPRESSING

Dispensary revenue sits behind location rules and PBS approval — a genuine moat. But the remuneration structure has been cut repeatedly by reform. A defensible position with a shrinking margin.

EXPOSED, AND THE GROWTH STORY

Front-of-store competes with supermarkets, online retailers and discount chains — no protection at all. It is also where pharmacies are being told to grow. Both things are true at once.

Two completely different risk profiles, two different growth paths — and almost every listing prices them as one number. **Ask for the split before you assume anything.** A pharmacy that is 80% dispensary is a regulated annuity under margin pressure. One that is 60% dispensary with a strong front of store and real professional services is a different asset, and worth a different multiple.

How they are priced — and why the rebuild matters more here

Australian pharmacies typically trade around **3–5× EBITDA**, or roughly **1.0–1.5× annual gross profit**, moving with location, lease and recent trading. Because the price is a **multiple**, every dollar you fail to adjust out of the earnings gets multiplied three to five times over.

THE AMPLIFICATION

Get the earnings wrong by $230,000 and at a 4× multiple you have got the price wrong by **$920,000**. In a café the same error costs you thirty thousand dollars. This is the single biggest reason to rebuild the number before you offer, not after.

The rebuild — illustrative	Amount
PEBITDA as advertised	**$520,000**
A managing pharmacist at market rate	– $155,000
Second-pharmacist hours the owner covers	– $45,000
Rent under the lease **you** will sign	– $18,000
Fit-out or systems due inside 24 months	– $12,000
What the lender assesses	$290,000

At 4×, that is a price of $2.08m on the advertised figure against $1.16m on the assessed one.

Three things that decide the answer.

None of these appear on a listing. All three can move the value of a pharmacy by more than any negotiation will.

1 · Do the financials span 60-day dispensing?

Sixty-day dispensing commenced on **1 September 2023** and now covers around **300 medicines**. For eligible medicines a patient collects two months' supply in one visit — which means fewer dispensing occasions, fewer dispensing fees, and fewer trips into the shop. Industry estimates at the time pointed to a **15–25% reduction in script volumes for affected medicines**, and the reduced foot traffic flows through to front-of-store sales as well.

So the question is a timing question. If the three years you are shown begin before September 2023, part of that history describes a business that no longer exists. If they begin after it, you are seeing the reset — which is what you are actually buying. Ask which, and get monthly figures either side of the change if they exist.

2 · Which pole is this pharmacy on?

The industry has polarised into two viable positions: **small, high-service pharmacies** offering clinical and preventative health services, and **large, high-volume, low-margin pharmacies** competing on price. Following the Chemist Warehouse and Sigma merger in early 2025, competing on price as a genuine independent has become materially harder — the industry commentary describes it as potentially enterprise-ending.

Which means the most dangerous pharmacy to buy is the one in the middle: not cheap enough to win on price, not clinical enough to win on service. **Work out which pole it sits on before you value it** — and if the answer is neither, that is the finding.

WHERE THE GROWTH IS

Professional services are only 2.8% of industry revenue today, but scope of practice is expanding and this is where the sector is being pushed. A pharmacy already earning from vaccination, screening and clinical services has started building the thing that will matter. One that hasn't is relying on a revenue mix under structural pressure.

3 · How old is the catchment?

Pharmaceutical consumption rises steeply with age. Australians aged **60 and over account for more than 60%** of all dispensed PBS-subsidised medicines. People under 40 — more than half the population — account for **less than 15%**.

So the age profile of the catchment is close to a direct revenue predictor, and it is publicly available. A pharmacy beside a retirement precinct and one beside a university are entirely different assets with the same shopfront. Pull the census profile for the suburb, look at what is being built nearby, and ask what the catchment looks like in ten years — not just today.

AND THE QUESTION UNDERNEATH ALL THREE

Where do the scripts actually come from? If a co-located or neighbouring medical centre generates most of the dispensary volume, then that centre's lease, its doctors and its succession plan are part of your due diligence — because if the doctors leave, the scripts leave with them.

The gate, then the visit.

Pharmacy is one of the few businesses where the answer to "can I own this?" is genuinely in doubt before price is ever discussed. Settle it first.

The completion gate

- ☐ **Ownership is restricted.** Pharmacy ownership is generally limited to registered pharmacists, with limits on how many one person may hold. Detail varies by state — confirm your position before you spend money.
- ☐ **The location approval is part of the asset.** Location Rules govern where a PBS-approved pharmacy can operate. That regulation is the moat — and it ties the approval to the premises.
- ☐ **PBS approval** confirmed, with any conditions on it.
- ☐ **The lease** — approval and premises are bound together, so a lease problem here is an existence problem, not a cost one.
- ☐ **Your borrowing capacity assessed before you negotiate.** On a $2m transaction, knowing your ceiling changes how you negotiate.

THE NUMBER BUYERS UNDERESTIMATE

Stock. A pharmacy turning over $6–7 million carries very substantial inventory, typically bought **at valuation on top of the business price** — a large cash requirement landing at settlement, separate from the goodwill you negotiated. Budget it from day one.

What to establish on the first visit

- ☐ **Scripts per day**, and the three-year trend — monthly, not annual
- ☐ **The revenue split** — dispensary, front-of-store, scheduled non-prescription, professional services
- ☐ **Where the scripts originate** — neighbouring medical centre, aged care contracts, walk-in trade
- ☐ **Aged care or dose administration contracts** — contracted or habitual?
- ☐ **Professional services running**, and who delivers them
- ☐ **Staffing model** — pharmacist hours, and whether the owner is one of them
- ☐ **Front-of-store performance** — is the retail earning its floor space?
- ☐ **Dispensing software** — and whether patient data exports

TWO SEARCHES, TEN MINUTES

Run a **PPSR search** on the vendor entity and by serial for financed fit-out or automation. And check **what is being built or approved nearby** — a medical centre, a retirement development or a competitor approval changes your catchment.

Score them side by side

	Pharmacy A	Pharmacy B	Pharmacy C
Asking price			
PEBITDA advertised			
Rebuilt earnings, and the implied multiple on it			
Scripts per day — and the 3-year trend			
Dispensary / front-of-store / services split			
Lease: years left including options			
Where the scripts come from — and is it secure?			
Stock at valuation — estimated			
Deal-killers found — how many			

The 12 deal-killers.

One is a negotiation. Three is a walk. In a business priced on a multiple, every finding you clear before you offer is worth three to five times its face value.

1. **Financials that straddle 60-day dispensing.** Three years that begin before September 2023 describe a business that no longer exists.

   → **Get monthly figures either side. Price on the post-reform run rate.**

2. **A pharmacy stuck in the middle.** Not cheap enough to win on price, not clinical enough to win on service.

   → **Establish the position before you value it. Neither pole is a finding.**

3. **PEBITDA taken at face value.** Owner-pharmacist hours inside the advertised figure — then multiplied by three to five.

   → **Rebuild it. A $230k error becomes $920k at 4×.**

4. **A lease shorter than the loan.** Premises and approval are bound together. No lease is not a cost problem, it is an existence problem.

   → **Fix the term before contract. It sets the funding.**

5. **Scripts that belong to a doctor, not the pharmacy.** Most of the dispensary volume flowing from one neighbouring practice.

   → **Check their lease, their doctors, their succession. Price the risk.**

6. **Script volume falling, presented as flat.** Annual totals conceal a declining trend in a business priced on a multiple.

   → **Monthly script counts, three years. Reprice on trajectory.**

7. **A catchment getting younger.** Under-40s are more than half the population and under 15% of prescriptions.

   → **Pull the census profile. Ask what is being built nearby.**

8. **Stock that has not been properly counted.** Expiry-dated lines, slow movers and dead front-of-store retail, bought at valuation.

   → **Cap it, exclude near-date and obsolete, condition a clean count.**

9. **Professional services that are one person.** Vaccination and clinical revenue resting entirely on the departing owner.

   → **Secure the person, or carve the revenue out of the price.**

10. **Unpaid super or award exposure.** Twenty-plus staff, a heavily rostered workforce, entitlements behind.

    → **Quantify, indemnify, adjust at settlement. Or walk.**

11. **A competitor approval or development nearby.** A new pharmacy, medical centre or discount chain changing the catchment.

    → **Check council and approvals before you offer, not after.**

12. **No restraint, no handover.** The owner-pharmacist stays local and keeps the patient relationships.

    → **No restraint, no deal.**

THE MULTIPLE CUTS BOTH WAYS

Everything you find and price out of the earnings comes off the purchase price three to five times over. That makes thorough due diligence the highest-return work in the entire transaction — far higher than anything you will achieve arguing about the multiple itself.

AND THE PROTECTION IS REAL

None of this says pharmacy is a bad business. High barriers to entry, low revenue volatility, profit above the sector average and an ageing population behind it — this is one of the more defensible small businesses in Australia. The point is to buy the right one, at the right number.

Score it — one column per pharmacy you inspect

1 _____	2 _____	3 _____	4 _____	5 _____	6 _____
7 _____	8 _____	9 _____	10 _____	11 _____	12 _____

Send the pack. Get an answer in 24 hours.

Funding is decided on the quality of the submission — and on a two-million-dollar transaction that matters more, not less. Send these to **priyank@prevailfinance.com.au** and a written action plan comes back within

Priyank Thakkar
Chief Vision Officer & Finance Broker. Former bank lending manager and commercial credit analyst.

priyank@prevailfinance.com.au
+61 404 44 22 11

With gratitude

About the pharmacy

- ☐ The lease in full, with outgoings and options
- ☐ Financials and tax returns — three years minimum, five if held
- ☐ The PEBITDA worksheet, add-backs evidenced
- ☐ **Monthly script counts**, three years, spanning Sept 2023
- ☐ Revenue split — dispensary, retail, non-prescription, services
- ☐ Stock position and last stocktake · aged care contracts
- ☐ PBS and location approval, with any conditions
- ☐ Asking price, and how it was built

About you

- ☐ Pharmacist registration and your ownership position
- ☐ Two years' tax returns, plus entity financials
- ☐ Assets and liabilities, with an equity source
- ☐ Six months' loan statements, three months' transactions
- ☐ A short work history — credit assesses **your** capacity too
- ☐ Proposed buying entity and transition plan

WHY PHARMACY FUNDS DIFFERENTLY

High barriers to entry, low volatility and defensible earnings mean specialist lenders treat pharmacy as a professional-practice asset rather than generic retail — which can mean materially better gearing, sometimes without putting your home behind it. Tell your broker it is a pharmacy in the first conversation.

Why the pack decides the outcome

Complete pack everything, first time	→ **One clean submission** the story holds together	→ **Credit reads it once** confidence, not questions	→ **Room to negotiate** gearing, pricing, exceptions
Partial pack sent in pieces	→ **Questions, then re-work** days lost each round	→ **Credit reads it twice** doubt attaches to the file	→ **Conditions and delay** and a finance clause running out

Same deal, same buyer, same lender. The only variable is what arrived in the first email — and it moves the terms, not just the timeline.

Within 24 hours of a complete pack

- ☐ A written action plan — what happens, in what order
- ☐ The funding pathway scoped for this pharmacy
- ☐ An indicative pricing band
- ☐ **The stock and working capital number**, modelled
- ☐ The finance clause date your contract needs

Then what we do with it

- ☐ **Maximise the funding** — rebuilt earnings presented to desks that treat pharmacy as a professional practice
- ☐ **Argue the exceptions** — the case put directly to the decision-maker
- ☐ **Fund the stock properly** — no settlement-day surprise
- ☐ **Hold the timeline** — approval, lease and settlement clocks

We're paid when a deal settles. If the numbers say walk, we'll still tell you to walk. **With gratitude — Priyank**