



# Irish Pharmacy Sector

## M&A REVIEW 2024



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## INTRODUCTION

Thank you for taking the time to read the Irish Pharmacy Sector M&A Review: 2024. This report consolidates research prepared by Fitzgerald Power, the leading M&A advisor to the Irish pharmacy sector.

Our review covers the period Q1 2022 to Q4 2024. As part of this whitepaper, we consider the health of the Irish pharmacy sector, the challenges facing operators and the average enterprise valuations achieved during the 36-month review period. In total, Fitzgerald Power advised on 44 single-unit pharmacy transactions. The valuation stats included in this whitepaper are based on a review of these 44 transactions

We estimate there were 97 single-unit pharmacies sold during our review period. The 44 transactions represent 45% of deal activity during the review period. We have not included any of the large pharmacy group sales as part of our review and have only concentrated on individual pharmacy transactions and the sale of small pharmacy groups (group size  $\leq$  4 pharmacies).

As part of our multiple review, we used the maintainable EBITDA noted in the Information Memorandum and the goodwill consideration paid. However, the maintainable EBITDA per the Information Memorandum may not align with the purchaser's assessment of it, and as a result, the multiples reported might not be a true reflection of the actual multiples achieved.

This whitepaper aims to provide bi-annual insight into M&A activity in the Irish pharmacy sector.

*Noel Winters*

Noel Winters  
Partner

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# 1. TRANSACTIONS



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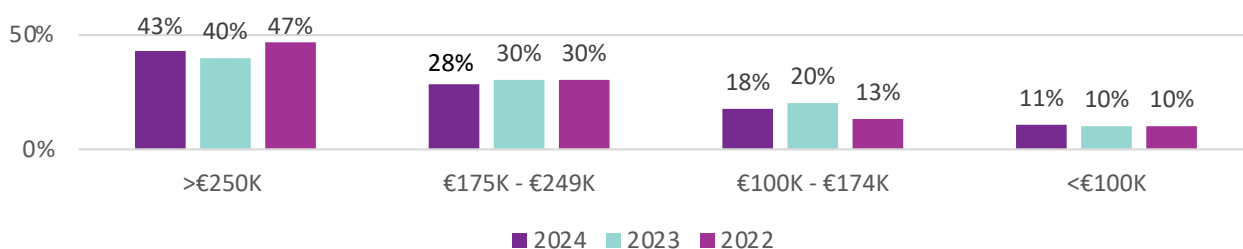
ADDING VALUE.  
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## TRANSACTIONS

We estimate that 97 pharmacy sector transactions occurred over the 36-month review period, 44 of which were advised by Fitzgerald Power.

### TRANSACTIONS BY SIZE

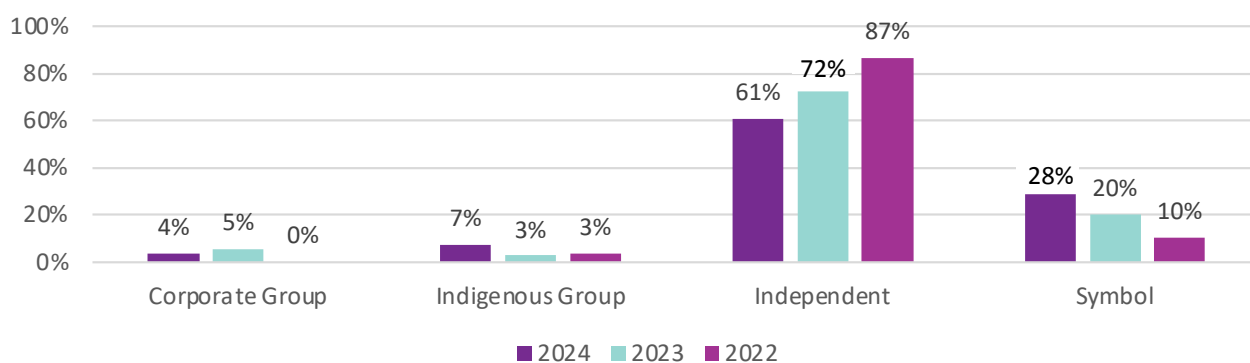
In the table below, we have analysed the transactions over the review period based on annual State dispensing fees.



Pharmacies receiving state fees of  $\geq$  €250K accounted for the majority of transactions every year over our review period. The split between the different fee levels has remained relatively consistent over the 3-year review period.

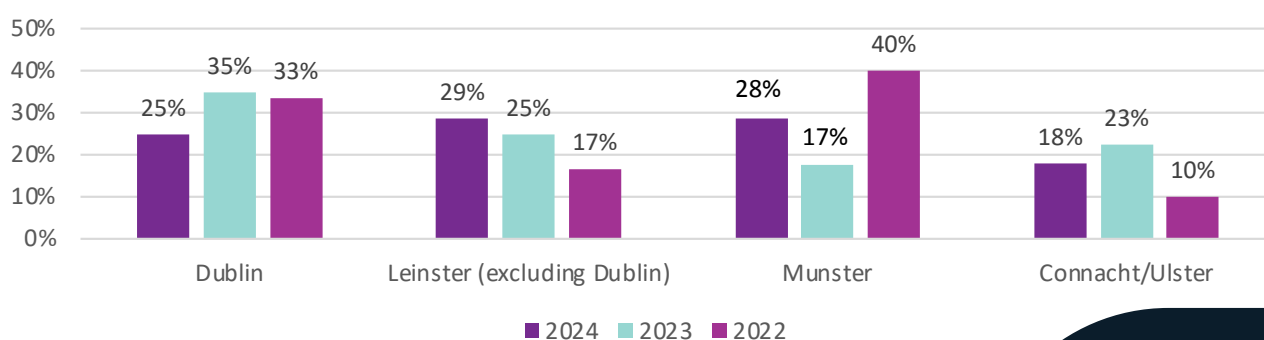
### TRANSACTIONS BY TYPE

As demonstrated in the graph below, the majority of transactions involved the sale of independently owned pharmacies. There was a growing proportion of symbol group pharmacies disposed of over the review period.



### TRANSACTIONS BY LOCATION

Dublin and Munster had a relatively even split of transactions over the 3-year period with 31% & 29% of the transactions respectively. Leinster (excluding Dublin) made up 23% of the transactions with Connaught/Ulster accounting for the remaining 17%.



## 2. VALUATION MULTIPLES

## VALUATION MULTIPLES

We have estimated the valuation multiple achieved on each transaction for which we have visibility by comparing the maintainable EBITDA presented in the information memorandum to the actual consideration paid (before working capital and net assets adjustments).

The average multiple achieved over the three-year review period was 4.91X, which was an increase from the 2023 three-year rolling average of 4.78X. We analysed the multiple achieved by turnover bracket, and as expected, the average multiple increased in revenue terms in line with the increase in the size of the pharmacy.

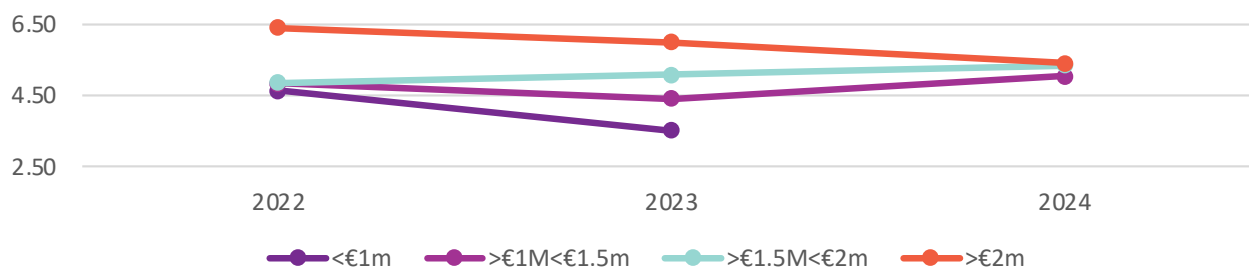
Turnover Range	Transactions	Average Multiple
<€1m	9	3.89
>€1M<€1.5m	16	4.85
>€1.5M<€2m	9	5.01
>€2m	10	5.83

The average time from releasing the information memorandum to signing the contract was 7 months.

Valuations were largely consistent across the country, with transactions in Dublin achieving the highest average multiple. However, 6 of the 10 >€2m turnover transactions were in the Dublin region, which has impacted the average earnings multiple achieved in this region.

Location	Transactions	Av Multiple
Dublin	10	5.38
Leinster (excluding Dublin)	8	4.92
Munster	14	4.74
Connacht/Ulster	12	4.71

Multiples over the last three years have increased in the €1 - €2m turnover brackets, however the multiples achieved for €2m turnover pharmacies decreased by a full point from 2022 to 2024. The average multiple for a >€2m is now in line with the >€1.5<€2m turnover pharmacies. This is expected due to decreased activity in the acquisition market by large corporate groups during 2023 & 2024. Interestingly, there were no disposals of any pharmacy with turnover <€1m during 2024, highlighting the challenges faced by businesses with lower turnover levels.



### 3. BUYERS



## BUYERS

Of the 44 transactions included in our analysis, 27 were purchased by independents and 17 by pharmacy groups (for the purposes of this report, we have assumed a group to be a holding of 6+ pharmacies). The average valuation multiple achieved was 4.81x when the purchaser was an independent operator and 5.06x when the purchaser was a group.

Group companies were the main acquirers of pharmacies with revenues in excess of €2m, acquiring 6 of the 10 pharmacies that changed ownership.

Although 2024 demonstrated a slowdown in activity, we expect better conditions in 2025, with interest rate decreases in H2 2024, which are expected to continue into 2025 and labour supply improving. The factors that contribute to a healthy pharmacy M&A market are as follows;

- **Market consolidation opportunities:** Opportunities for market consolidation, driven by factors such as retiring pharmacists, succession planning, and consolidators seeking greater economies of scale, contribute to a healthy M&A market.
- **Access to capital:** Adequate access to capital is imperative for driving M&A transactions.
- **Demographic factors:** Demographic trends such as our ageing population and increasing healthcare demands driven by a greater prevalence of lifestyle conditions contribute to pharmacy market growth and M&A activity. Regions with growing populations and changing healthcare demands are often attractive to consolidators.
- **Healthcare policy and reimbursement trends:** Policies supporting increases in community pharmacy services and improved reimbursement frameworks encourage investment and expansion.
- **Macroeconomic stability:** Overall economic stability, including factors like interest rates, inflation and consumer confidence influences investor sentiment and M&A activity in all sectors of the economy.

In summary, a healthy M&A market hinges on a harmonious blend of regulatory clarity, financial accessibility, predictable capital costs, consolidator appetite and a pipeline of attractive opportunities.

# 4. THE PHARMACY MARKET

## THE PHARMACY MARKET

The number of pharmacies in the country fluctuated over the review period, with the highest number recorded in Q1 2023 (1,913) and the lowest in Q1 2022 (1,901). The number remained static in 2024, at 1,906 community pharmacies.



PSI data suggests that from Q1 2022 to Q4 2024, there were 67 openings and 62 closures, bringing the number of community pharmacies in Ireland to 1,906 at the end of Q4 2024.



Pharmacy numbers have increased over the review period, but the failure rate of new openings is high. If relative scale cannot be achieved, ownership succession can be a challenge for those that do survive.

Fitzgerald Power maintains a distribution list of parties who are seeking acquisition opportunities. At the time of writing, 360 plus interested parties were on this distribution list. Over the past three years, we have seen a marked increase in first-time buyers seeking acquisition opportunities. Current bank lending policies have made acquiring their first pharmacy difficult for this cohort of would-be purchasers. As a result, we have seen an increase in hybrid deal structures, including Management Buy-In (MBI), deferred consideration and investor partnerships.

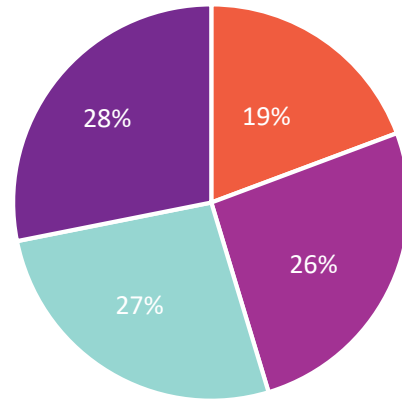
# 5. DEMOGRAPHICS

## DEMOGRAPHICS

### The Geographic Shift in Population and Impact on Pharmacy Location Profile

Acknowledging the geographic concentration of the population in the East of the country, we conducted this study to determine whether the distribution of pharmacies mirrors this trend. The study considers the distribution of pharmacies over an 11-year time cycle from 2013 to 2024.

In 2024, there were 1,906 community pharmacies, the majority of which were located in the Leinster region: 52.57% (Dublin 26.02%, Leinster excluding Dublin 26.55%).



■ Con/Uls ■ Dublin ■ Leinster (ex Dublin) ■ Munster

Area	Change 2013 - 2024
Con/Uls	8.21%
Dublin	10.91%
Leinster (ex Dublin)	12.40%
Munster	6.25%
Total	9.41%

Over the 11-year period from 2013 to 2024, we estimate an increase of 164 pharmacies (a 9.41% increase) in the country, with the Leinster region accounting for 63.76% of this increase (Dublin 29.74%, Leinster excluding Dublin 34.02%). The rate of increase by region is noted in the table on the left.

According to Census data from 2011 to 2022, the population increased by 12.22%. The table below outlines the higher rate of population growth in the Dublin and broader Leinster areas compared to the southern and western regions over the 11-year period, and we would expect this trend to continue.

	2022	2011	Change
Dublin	1,458,154	1,273,069	14.54%
Leinster (ex Dublin)	1,412,200	1,231,745	14.65%
Munster	1,373,346	1,246,088	10.21%
Con/Uls	905,439	837,350	8.13%
Total	5,149,139	4,588,252	12.22%

It is worth noting that the population increased by 12.22% from 2011 to 2022, and the number of pharmacies increased by 13.33% over the same period. Population growth in the range of 0.8%-1.2% per annum is forecast to 2030, or by 6%-9% cumulatively from 5.6m - 5.8m. If the historic growth rate continues, this would imply an additional 167 - 241 pharmacies by the end of 2030, with a higher proportion in the Dublin and Leinster regions. However, this level of new openings is unlikely to be required as existing stores will primarily service this demand.

Unsurprisingly, regions experiencing the greatest population growth have seen an equivalent rise in the number of new registered pharmacies from 2013 to 2023.



## 6. STEPPING ON THE OWNERSHIP LADDER - THE FUNDING GAP

## STEPPING ON THE OWNERSHIP LADDER

### - The Funding Gap

Commercial bank lending policies have challenged “first-time buyers” looking to acquire a pharmacy.

As a general rule of thumb, commercial banks will finance approximately 70% of the acquisition price, with the promoter required to fund the remaining 30%. Additionally, the promoter must also finance the deal costs associated with the acquisition. These additional costs include Commercial and Financial Due Diligence, Legal Due Diligence, Bank Business Plan/Funding projections, and Stamp Duty (1% of market value when acquiring shares in a company, 7.5% when acquiring Goodwill), as well as covering the bank’s legal expenses. Consequently, the high costs associated with purchasing a pharmacy exclude many capable and eager pharmacists from taking their first steps onto the pharmacy acquisition ladder.

We have noticed an increasing number of hybrid deal structures and partnership arrangements being established. As a result, deal structures such as deferred consideration, Management Buy-in deals, and partnership investment support are becoming more prevalent in the sector.

Fitzgerald Power hosted the “Future Pharmacist” event in September 2024 in partnership with the Bank of Ireland. Leading industry experts discussed the pharmacy sector acquisition landscape at the event, which was recorded and can be viewed on our website at <https://fitzgeraldpower.ie/insights/future-pharmacists-summit/>.

We produce The Pharmacy Pulse report quarterly, which includes insights and expert analysis on the performance of the Pharmacy market. If you haven’t signed up to receive this, you can sign up here (insert link). We have also published numerous articles on the pharmacy sector that would be informative for various individuals, depending on whether you are a current owner, investor, investee, or are looking to sell your business.

# 7. OUTLOOK FOR 2025



## OUTLOOK FOR 2025

The pharmacy sector has encountered significant challenges over the past three years. Still, some of these challenges appear to be easing with decreases in inflation (1.5% per CSO at the time of writing, down from a high of c.10% in 2022) and improvements in the supply of labour.

Fitzgerald Power's corporate finance team has had a busy opening to 2025. We have received numerous approaches from prospective purchasers (our purchaser database has increased over 20% in the past 12 months), and we expect Corporate Groups to return to the market after a period of consolidation. This should lead to an active pharmacy M&A market in 2025.

In our opinion, there will be more hybrid deal transactions in 2025, which will enable first-time buyers to enter the pharmacy ownership ladder.

# How can we help?

Our team is dedicated to providing you and your business with the absolute best financial advice out there. We approach each and every case from a fresh perspective, working with you to find tailored solutions that leave your business feeling stronger than ever. With our expert analysis, we translate figures into a language you can understand. Using timely, reliable advice, our experienced team of experts devise sophisticated plans to encourage cost efficiency and growth. If you would like to discuss this research, contact our team at Fitzgerald Power today.

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