WALES PHARMACY MARKET UPDATE

Hutchings Pharmacy Sales & Valuations

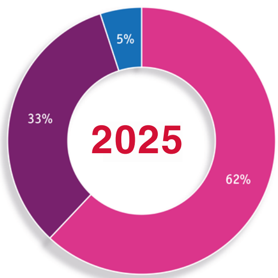
From the UK's leading independent pharmacy transfer agents

SELLER AND BUYER ACTIVITY

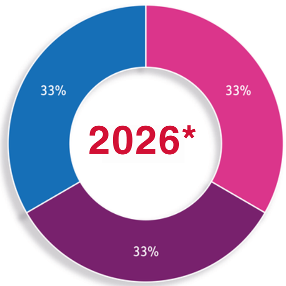
Following a significant increase in seller instructions during 2025, largely driven by corporate and multiple pharmacy disposals, Hutchings experienced a particularly busy second half of last year as transactions progressed to completion. Approximately 90% of instructions originated from these larger disposals, with the remaining 10% coming from independent owners, primarily as part of retirement planning. Around 85% of completed sales were in South Wales, a region that continues to attract strong buyer interest within the Welsh pharmacy sector. Transaction volumes in 2026 have returned to more typical levels, with most completions so far, occurring in West Wales, where buyer demand is traditionally lower than in South Wales.

The increased supply of opportunities in 2025 attracted interest from all buyer categories, although group operators dominated acquisition activity. In the first half of 2026, acquisitions have been more evenly distributed between first-time buyers, group owners, and independent operators seeking expansion, including purchasers from outside Wales attracted by the sector's relative value and opportunities.

BUYER BY TYPE BREAKDOWN



- Groups - 62%
- First Time Buyers - 33%
- Independents - 5%

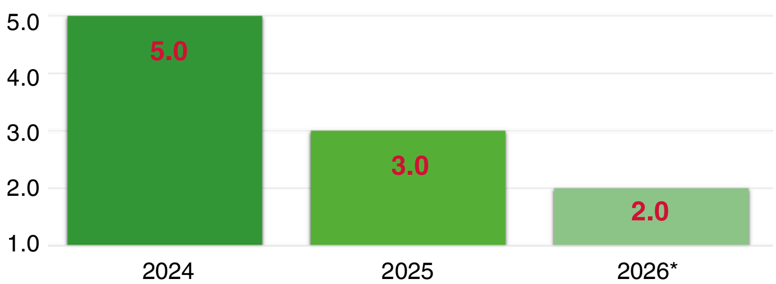


- Groups - 33%
- First Time Buyers - 33%
- Independents - 33%

AVERAGE NUMBER OF OFFERS

In 2025, strongly performing corporate and multiple pharmacy disposals dominated the market, driving a 68.7% increase in the average turnover of pharmacies sold to £933,235. Although the majority of these pharmacies were in the more sought-after South Wales area, their larger scale, turnover, and subsequent higher goodwill valuations reduced affordability for many potential buyers, resulting in fewer offers received per sale transaction.

To date, the average turnover of completed sales in 2026 has fallen back from the 2025 peak to £591,500. Despite this reduction, average turnover remains 6.9% higher than in 2024. However, over 65% of these opportunities have been in the more remote and rural areas of West Wales, where buyer demand is traditionally lower. Consequently, despite more affordable goodwill asking prices, the number of interested parties and the level of competition have remained slightly more subdued than in previous years.



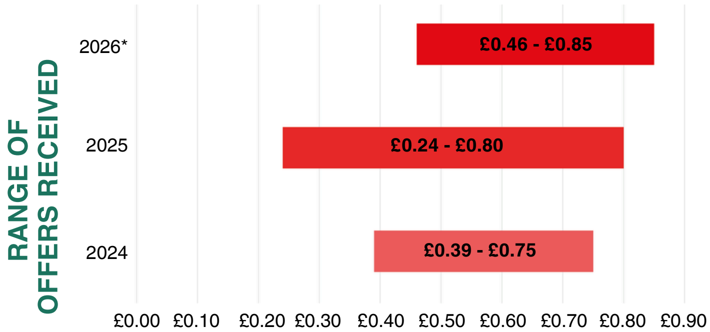
*Year to date

AVERAGE PENCE IN POUND

The influx of corporate and multiple opportunities into the Welsh pharmacy market in 2025 influenced average goodwill values across both independent and corporate transactions. While values improved compared with 2024, independent pharmacies experienced a degree of downward pressure as the expanded range of available opportunities diluted buyer focus and increased competition for attention. However, the impact was nuanced, with independent sellers, on average, still achieving higher pence in pound offers than many corporate disposals with which they were effectively competing.

Within the corporate segment, while some high-performing, high-turnover branches achieved stronger than initially anticipated goodwill values, a number of lower-performing units transacted at much reduced goodwill prices, impacting average prices achieved.

In the first half of 2026, transactions have predominantly involved independently owned pharmacies, albeit located in areas of weaker buyer demand. Nevertheless, the increased presence of independents has contributed to strengthening the upper end of the goodwill values achieved across the market.



MARKET OUTLOOK

Despite continuing pressures on the wider UK pharmacy sector, the Welsh pharmacy market has continued to demonstrate resilience throughout 2025 and into 2026. Following the exceptional volume of corporate and multiple-pharmacy disposals seen during 2025, transaction activity has returned to more typical levels. Buyer demand remains healthy across all buyer categories, with first-time buyers, independent contractors, and groups continuing to seek acquisition opportunities.

The sector's long-term outlook is supported by the continued evolution of community pharmacy's role within primary care. The Welsh Government's commitment of £182 million (2025/2026) in annual core funding through the Community Pharmacy Contractual Framework (CPCF), together with ongoing investment in Independent Prescribing and digital innovation, is creating opportunities for pharmacies to diversify income streams and strengthen business performance. Increasingly, buyers are recognising the value of pharmacies that can demonstrate both sustainable dispensing income and clinical growth potential.

Looking ahead over the next 12 months, we expect transaction levels to remain steady, with independent sellers likely to account for the majority of pharmacies brought to market and small to medium-sized pharmacy groups remaining the most active acquirers. Provided borrowing costs remain relatively stable and there is no significant increase in corporate disposal activity, goodwill values are expected to remain broadly consistent, supported by resilient demand and confidence in the sector's long-term prospects.

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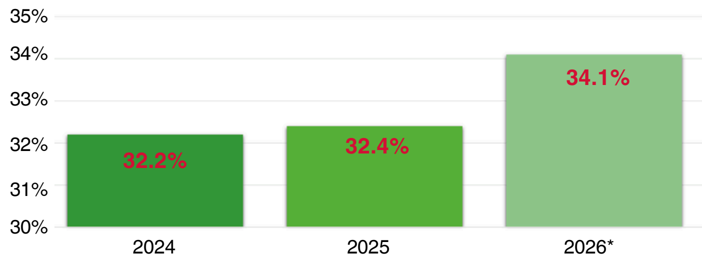
GROSS PROFIT MARGINS

While pharmacy contractors continue to face challenges including medicine supply shortages, reimbursement pressures, rising operating costs, and workforce constraints, many businesses have demonstrated resilience through improved purchasing strategies, greater use of buying groups, and an increased focus on services-based income streams.

Consequently, gross profit margins have remained strong. Analysis of Hutchings' completed pharmacy transactions shows a continued year-on-year improvement in average gross profit performance, rising from 32.4% in 2025 to 34.1% in 2026 to date. This positive trend reflects the sector's ability to adapt to a challenging operating environment and implement strategies that protect and enhance profitability.



*Year to date

What our clients say about us...

'I found Hutchings and their team professional, knowledgeable and supportive throughout the transaction. In particular, Paul Steet was excellent to deal with. He kept me informed throughout the process, was always approachable, and provided valuable guidance at each stage of the sale.

His experience within the pharmacy sector was evident and helped make what could have been a stressful process much more manageable. I would have no hesitation in recommending Paul Steet and the Hutchings team to other pharmacy owners considering a sale.'

Adrian Thomas
Adrian Thomas Pharmacy, Lampeter