



Chemists set to join forces

Geoff Easdown

A DRUGS war of a different kind looms with chemist outlets in three states planning to combine against a growing challenge from supermarkets and discount prescription outlets.

The 25-strong group of independent pharmacies which belong to the Health Corporation franchise are raising \$7.5 million via a share issue to increase their war chest and seed business growth.

According to Health Corp managing director Ken Lee the cash will also be used to help finance young pharmacists into their own businesses and further grow the network.

Health Corp aims to grow its east coast membership to 40 outlets within the next year and eventually to 100 stores nationwide.

Mr Lee said the company was expected to be worth \$31.9 million when the company lists on the Australian Stock Exchange early next month.

Sydney broker Findlay & Co is sponsoring the offer which comprises 12.5 million shares, fully-paid at 60¢, with a one free option for every two shares purchased.

Company chairman Graham Dunkley, a pharmacist and former mayor of the New South Wales town of Maitland, said the offer would fund the expansion of what was already a profitable and established business.

Formed in 2002 to counter increased competition from supermar-

kets and discount chemist chains, Health Corp comprises 15 outlets across Queensland, eight in New South Wales and two in Victoria.

It offers chemist members specialist industry coaching and provides accounting services and store acquisition finance for young pharmacists.

"The company has sourced passionate, entrepreneurial pharmacists who will underpin the expansion of the company," Mr Lee said, noting that the company's twin franchise and finance models equip pharmacists to better manage the potential threat of open competition.

He said the industry now faced a situation where 60 per cent of chemists were aged over 55 and succession planning was now critical because many of their businesses would come up for sale during the next five years.

He said would-be buyers had to stump up deposits of around \$500,000 for outlets that bring an average price of \$2 million.

"The major reason we established the franchise model was to give small independents more clout," Mr Lee said, adding that competition by supermarket chains and discount outlets on chemist product lines prompted his decision to start Health Corp while running his own pharmacy at Castle Hill, Sydney.

He said Health Corp pharmacies provide specialist pharmaceutical advice on prescribed medication.

"Through our Chem Consult program we also seek to reduce the quantities of prescribed medications

within the community," Mr Lee said, noting that through the program a range of medication errors are regularly identified.

"Out of 2000 consultations last month we probably picked up between 200-300 medication errors involving our customers," he said.

Mr Lee said that these might have involved wrong medications, incorrect dosages or different drugs interacting causing unnecessary side effects for patients.



Competition: pharmacy.