

# Blueprint to Success: Mastering the NCPA Student Business Plan Competition

*Seth Heldenbrand, Pharm.D.*

*UAMS College of Pharmacy*

*Schwanda Flowers, Pharm.D.*

*First Financial Bank*

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College of Pharmacy

## Seth Heldenbrand, PharmD,

*Associate Dean for Experiential Education*

*Professor, Pharmacy Practice*

*Advisor, NCPA Student Business Plan Team*

*University of Arkansas for Medical Sciences, College of Pharmacy*

*Co-Founder, NCPA Foundation-UAMS Pharmacy Ownership and Leadership Academy (POLA)*



# Schwanda Flowers, Pharm.D.

Managing Director, Professional Services Division  
SBA Loan Officer  
First Financial Bank

Adjunct Associate Professor, Pharmacy Practice  
Advisor, NCPA Student Business Plan Team  
University of Arkansas for Medical Sciences, College of Pharmacy

Co-Founder, NCPA Foundation-UAMS Pharmacy Ownership and  
Leadership Academy (POLA)

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# Objectives

1. Discuss requirements for NCPA business plan student team
  2. Review the NCPA business plan competition and deadlines
  3. Review best practices for submission of the written business plan
  4. Review best practices for live competition
  5. Discuss pharmacy valuations and purchase strategies
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# Good Neighbor Pharmacy NCPA Pruitt- Schutte Student Business Plan Competition



Neil Pruitt, Sr.



H. Joseph Schutte



# NCPA Student Business Plan Competition

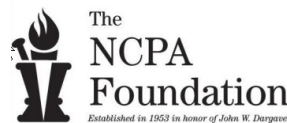
- **Goal:** To motivate student pharmacists to create the blueprint necessary for buying an existing independent community pharmacy or developing a new pharmacy.
- **History**
  - Started in 2004
  - Over 85 COP/SOPs have competed
  - 2000 student pharmacist have competed



Neil Pruitt Sr.



H. Joseph Schutte



# Requirements for the NCPA Student Business Plan Competition

- Active NCPA Chapter at your school
  - COP/SOP enrolled students
    - No limit on the number of students that assist in plan development
  - 4 official team members
    - Must be NCPA members
  - Team advisor(s) – usually NCPA Chapter advisor
  - Written business plan submission
    - 40 pages (CVs, references, coversheet excluded)
    - End of May deadline historically
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# Benefits: NCPA Student Business Plan Competition

- AACP Annual Meeting in July: House of Delegates
  - Top 10 teams announced
  - Top 3 teams announced
    - Compete in live competition at NCPA Annual meeting
- Finalists receive
  - 1<sup>st</sup> place: \$3000 NCPA chapter / \$3000 in Dean's name
    - All expenses paid trip to NCPA Multiple Locations Conference
  - 2<sup>nd</sup> place: \$2000 NCPA chapter / \$2000 in Dean's name
  - 3<sup>rd</sup> place: \$1000 NCPA chapter / \$1000 in Dean's name





# NCPA Foundation-UAMS Pharmacy Ownership and Leadership Academy (google "UAMS POLA")

## NCPA Foundation – UAMS Pharmacy Ownership and Leadership Academy

### POLA

#### POLA 2025 Information

The University of Arkansas for Medical Sciences (UAMS) will be hosting the upcoming session of POLA from **June 16-20, 2025**. POLA is open to students nationwide, but our maximum enrollment for this session is 40 students. The POLA curriculum is designed for current P2 students (rising P3s), but we encourage current P1 students to apply as well. P1 students at accelerated programs (three-year Pharm.D. schools/colleges) will be preferentially admitted over P1s from four-year schools/colleges. We received over 70 applicants for POLA 2024 and we expect high demand for POLA 2025. POLA 2025 will be an in-person event at the main UAMS campus in Little Rock, Arkansas.

We look forward to hosting you, Seth



NCPA Foundation-UAMS  
**Pharmacy Ownership &  
Leadership Academy**  
*Helping students own their future*





<https://pharmacy.uams.edu/current-students/activities/pharmacy-ownership-and-leadership-academy/>  
<https://www.facebook.com/POLAUAMS/>

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# Taking the leap: Deciding to develop a written business plan

- The importance of team dynamics
  - Where do you start?
  - Identifying a donor owner/pharmacy
  - Recommended timelines for section completion
  - How to utilize the Business Plan Rubric to minimize point loss
  - Importance of the NCPA Digest and the NCPA Digest Financials
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# Where (and when) do you start?

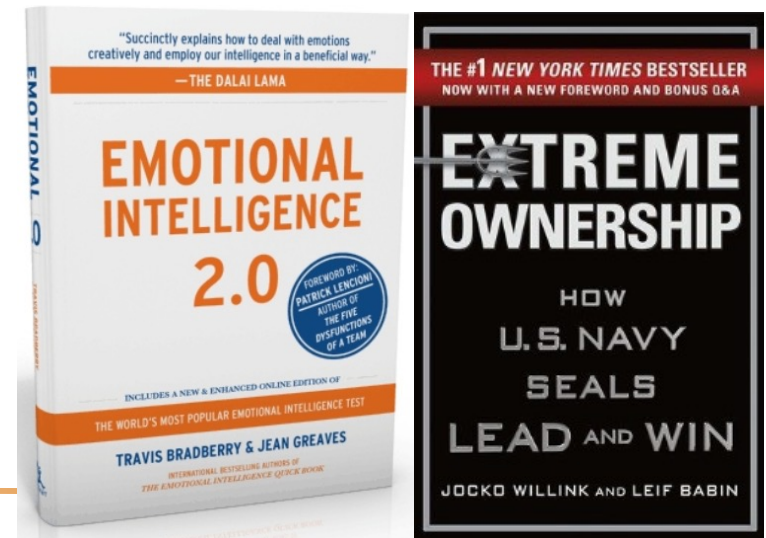
- **Form your team**
    - Team dynamics – critical component to success
  - **When do you start?**
    - Spring Elective – plenty of time
    - Outside of the curriculum – start in the fall
  - **Niche** – what sets your pharmacy apart
  - **Faculty advisor** – know their strengths and weaknesses
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# Identifying a Mentor and/or Owner

- Why?
    - Real world pharmacy financials
      - Some share comprehensive financials
      - Some may only give you an annual script count
      - Ask permission to use photos of the pharmacy and name (most are ok with this, some are not)
    - Someone to review
      - Pharmacy evaluation (purchase price)
      - Projected pharmacy financials for your plan
-

# Developing the Written Plan

- Entrepreneurship Spring Elective (2 hours per week)
- Team identification
- Team dynamics
- Teamwork development
  - Emotional Intelligence work
  - Extreme Ownership



# Written Plan Roles and Responsibilities

1. Document Leader – usually team captain
  2. Financials Leader – most difficult position
  3. Niche Expert
- Group work
    - Mission and Vision
    - Background and Description of Business
    - Products and Services (traditional and niche)
    - Marketing



# Timeline for the Written Plan

- Spring Elective Deadlines – 15 weeks
    - Weeks 1-3 decide teams, leadership development, assign roles
    - Week 4 - Niche
    - Week 5 - Mission and vision
    - Week 6-7 - Background of pharmacy and description of business
    - Week 7-8 - Products and services (niche and traditional Rx)
    - Week 9-10 - Marketing
    - Weeks 11-15 – Financials
    - Week 15 - Comprehensive plan submission
    - Month of May – Continuous plan revision
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# Special Considerations

- Request faculty/mentor feedback as each section is complete
- Complete final draft deadline 4 weeks prior to NCPA deadline (May 30<sup>th</sup>)
- Use these 4 weeks for comprehensive review
- **NCPA written plan rubric**
  - Advisor grades written plan using **rubric**
  - Each team member grades written plan using **rubric**
  - All deficiencies are addressed prior to submission



# NCPA Written Business Plan Rubric

ncpa.org/sites/default/files/2022-02/bpc-grading-rubric.pdf

bpc-grading-rubric.pdf 1 / 7 125%

School Name, Plan Title										
<b>Cover Sheet</b>			<b>1 Point</b>	<b>0 Points</b>	<b>Max Points</b>	<b>Weight</b>	<b>Max Points with Weight</b>	<b>Score</b>		
Company Name, Company Logo, Address and Owner(s) Name(s)			Included	Not Included	1	1	1			
School Name, Advisor Name, Team Captain, and Additional Team Members			Included	Not Included	1	1	1			
<i>If team is graded less than the maximum possible, please use the gray space to provide feedback to team:</i>							<b>Total: Cover Sheet</b>	<b>2</b>	<b>0</b>	
<b>Table of Contents</b>			<b>1 Point</b>	<b>0 Points</b>	<b>Max Points</b>	<b>Weight</b>	<b>Max Points with Weight</b>	<b>Score</b>		
Table of Contents Present and Page Numbers Match			Included	Not Included	1	1	1			
<i>If team is graded less than the maximum possible, please use the gray space to provide feedback to team:</i>							<b>Total: Table of Contents</b>	<b>1</b>	<b>0</b>	
<b>Mission Statement, Vision Statement, Executive Summary</b>			<b>3 Points</b>	<b>2 Points</b>	<b>1 Point</b>	<b>0 Points</b>	<b>Max Points</b>	<b>Weight</b>	<b>Max Points with Weight</b>	<b>Score</b>
Vision Statement			A clear, concise statement describing the clear and inspirational long term desired outcome of the pharmacy's existence.	Vision Statement is somewhat unclear or lengthy; not both	Vision Statement is attempted but is unclear and lengthy	Vision Statement missing or plagiarized.	3	1	3	
Mission Statement			A clear, concise statement describing how the borrower's vision will be achieved.	Mission Statement is somewhat unclear or lengthy; not both	Mission Statement is attempted but is unclear and lengthy	Mission Statement missing or plagiarized	3	1	3	
Executive Summary			Clear and concise summary	Executive Summary is attempted but is unclear and lengthy	Executive Summary is missing		2	1	2	
<i>If team is graded less than the maximum possible, please use the gray space to provide feedback to team.</i>							<b>Total: Mission Statement, Vision Statement, Executive Summary</b>	<b>8</b>	<b>0</b>	

# What Happens If You Make Top 3

- Announces at AACP annual meeting (July)
  - The work begins....
  - **July** – script and slide deck work begins (or continues)
    - Script: develop script that is timed to 19:30
    - Slide deck: use animations, make it as flashy as you can
      - Recommend assigning all slide “clicking” to one team member
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# Live Competition Preparation

- **August**

- Weekly live presentations with advisor/mentor/non-presenting team members
  - Request immediate feedback from observers
  - Implement feedback prior to next presentation
  - UAMS students are allowed to use script notes/iPad/phone
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# Live Competition Preparation (cont.)

- **September**









- Weekly, in person presentations continue
- Immediate feedback
- UAMS students: script notes are **not allowed**

- **October**

- Formal presentation to students and faculty at NCPA chapter meeting
  - Fly to NCPA on Friday and give one last presentation to advisors prior to Saturday competition
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# Review of Best Practices



-  Team selection and dynamics are key
  -  Strong team captain
  -  Strict written plan deadlines
  -  Prompt actionable feedback for written document
  -  Plan 360 with NCPA rubric assessment
  -  Weekly in person presentations with feedback
  -  Transition to presenting from memory in September
  -  High stakes presentation prior to NCPA competition
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# Basics of Pharmacy Valuation and Purchasing

- Schwanda Flowers, Pharm.D.



# Buyers Must Have a Plan

- Good credit
- Valid Pharmacist License (or access to one)
- Passion & Desire to Own a Business
- Have a Great Mentor
- Cash Available for Equity
- Understanding of Financial Performance & Benchmarking
- Find the right pharmacy
- Understand the opportunity
  - Due diligence, valuation, business trends
- Negotiate
  - Term sheet/LOI, real estate, seller carry, bank, cash injection
  - Timeline for the above can take 3-12 months





# Performing a Valuation

What does a buyer, accountant, and lender need to review?

1

**YTD Profit and Loss  
Statement and Balance  
Sheet**

2

## **Pharmacy Prescription & Profitability Reports**

- ✓ Rx Sales Report (Scripts & Payers by plan Code)
- ✓ Top 100 Drugs Dispensed
- ✓ Generic vs. Brand / New vs. Refill
- ✓ Seller's cost of goods, Gross Margin logs
- ✓ Rebates, % Medicaid, 3<sup>rd</sup> party
- ✓ Ability to recast/normalize financial statements accordingly for a new customer

3

**Three Years of Tax Returns**



# Identifying Value in a Pharmacy

<b>Attractive</b>	<b>Not Attractive</b>
>\$3M Revenue	<\$2M Revenue
Good profitability	Underperforming, limited growth potential
Balanced expenses	Overstaffed/extended hours
Good staff and location	Declining revenue and/or scripts
Stable growth	Excessive rent
Reasonable rent/lease	Unfavorable lease terms
Differentiation	Premium asking price
Competition	Poor/unclear/outdated financials

# What is the Pharmacy Worth

What price a seller is willing to accept for the business?

What a buyer is willing to pay

What a lender is willing to invest

\*\*All dependent upon the buyers' ability to generate a future ROI. Business evaluations need to be done.



## The Pharmacy must...

- ✓ Enable a buyer to earn market compensation
- ✓ Allow for debt repayment on total project cost
- ✓ Appraise - lenders like a debt service margin of 1.3 or better



# Pharmacy Valuation Formulas

Multiple of cash flow

➤ (EBITDA) + inventory

➤ Market is averaging 2.5 to 4x

% of annual gross sales + inventory

➤ Usually 15-25%

\$\$ multiple of annual Rx count + inventory

➤ Typically \$10-\$20 (chain method)



# Valuation Example

\$4M total revenue, \$65k annual RX  
Normalized EBITDA of \$315K

**\$145K**

(last year tax  
return earnings)

**\$60K**

(dep/amort)

**\$50K**

(owner annual  
bonus)

**\$15K**

(delivery  
vehicle...Lexus)

**\$45K**

(spouse salary for  
"bookkeeping")

**Option 1** (cash flow)

$\$315K \times 3 = \$945K + \text{inventory}$

**Option 2** (gross sales)

$\$4M \times 20\% = \$800K + \text{inventory}$

**Option 3** (\$/script)

$\$65k \times \$15/\text{script} = \$975K + \text{inventory}$

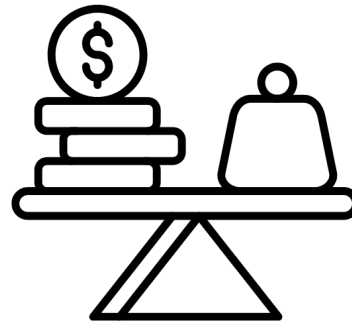
# Debt Service Coverage Ratio

**Debt Service Coverage Ratio (DSCR):** DSCR shows how healthy a company's cash flow is and can determine how likely a business is to qualify for a loan. The DSCR is calculated by dividing the operating income available for debt service by the total amount of debt service due.

**What Lenders Look For:** The minimum DSCR to secure SBA 7(a) financing is 1.15. However, most lenders want a borrower to have a DSCR of 1.3 or more.



A DSCR of 1 or higher indicates that an entity has a greater ability to service its debts, making it easier for it to obtain loans.



A DSCR of less than 1 denotes a negative cash flow, and the borrower may be unable to cover or pay current debt obligations without drawing on outside sources or borrowing more.



# Cash Flow Simplified

- Cash flow = net operating income (NOI) of the business
- The net operating income will tell us how much debt the business can afford
- Annual debt of the business = any old and NEW business debt
- The business debt coverage ratio and the personal global debt service margin must be sufficient to support the loan request

$$\text{DSCR} = \frac{\text{Net Income}}{\text{Debt Payment}}$$

# NCPA Digest

**Sponsored by Cardinal**

- Annual report of the state of independent pharmacy
- Serves as a benchmark for pharmacies
- Has provided baseline metrics for over 80 years
  - Financial trends
  - Employment trends
  - Niches
  - Patient care services
  - Third party payor metrics

2023 NCPA Digest sponsored by Cardinal Health





**Table 1:** Independent pharmacy at a glance

Year	2022
Average number of pharmacies in which each independent owner has ownership	2

Average number of prescriptions dispensed per pharmacy location	
New prescriptions	31,687 (48%)
Renewed prescriptions	34,531 (52%)
<b>Total prescriptions</b>	<b>66,218 (100%)</b>
Average prescription charge	\$59.84

Percentage of total prescriptions covered by	
Government program (Medicaid or Medicare Part D)	51%
Other third-party programs	39%
Non-third party	10%

2023 NCPA Digest sponsored by Cardinal Health



**Table 3:** Average annual sales (in thousands) per pharmacy location, 10-year trend

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$3,893	\$3,622	\$3,678	\$3,619	\$3,540	\$3,484	\$3,400	\$3,460	\$4,031	\$4,847

**Table 4:** Averages of pharmacy operations, 10-year trend

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of goods sold	76.7%	77.1%	77.7%	77.9%	78.2%	78.2%	78%	78.1%	76.7%	79%
<b>Gross profit</b>	<b>23.3%</b>	<b>22.9%</b>	<b>22.3%</b>	<b>22.1%</b>	<b>21.8%</b>	<b>21.8%</b>	<b>22%</b>	<b>21.9%</b>	<b>23.3%</b>	<b>21%</b>
Payroll expenses	13.4%	13%	12.8%	13.1%	13%	13.2%	13.1%	12.9%	13.3%	11.8%
Other operating expenses	6.8%	7.1%	7.2%	6.8%	6.6%	6.5%	6.7%	6.6%	6.7%	7.9%
<b>Total expenses</b>	<b>20.2%</b>	<b>20.1%</b>	<b>20.2%</b>	<b>19.9%</b>	<b>19.6%</b>	<b>19.7%</b>	<b>19.8%</b>	<b>19.5%</b>	<b>20%</b>	<b>19.7%</b>
<b>Net operating income</b>	<b>3.1%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>3.4%</b>	<b>3.1%</b>

