

Investor who stands in your corner

The Leeds-based online pharmacy, Pharmacy2U, has received an investment package from BGF to support the rapid growth of its home delivery repeat prescriptions service for NHS patients. **Greg Wright** spoke to **Richard Taylor** from BGF and **Mark Livingstone**, the CEO of Pharmacy2U.



Pharmacy2U Chief Operating Officer Daniel Lee and CEO Mark Livingstone (right)

Pharmacy2U CEO, Mark Livingstone says...

I ran a company called Chemists Direct which is based in Birmingham. We started talking to Pharmacy2U at the end of 2015.

It became very evident that what we were doing in general healthcare, Pharmacy2U were doing in repeat prescriptions. We thought that it was really complementary.

We talked to BGF and a number of other potential investors. We raised some money to complete the merger in July 2016. We brought the two companies together and, since then, have doubled the size of the business and look forward to tripling the size of the core business in the next 12 months.

Over the last 15 years I have been involved in building four or five really successful companies with the backing of venture capital. This time around, I was very keen to work with someone who was a lot more local and a lot more engaged with management.

So BGF ticked those two boxes. What I was trying to do was quite complicated. We were trying to merge two businesses. We were trying to appease the shareholders of both businesses about relative valuation and I was trying to bring in a third person as new money, which effectively was BGF.

It was the most complicated deal I had ever transacted and I needed someone who was very pragmatic, very reasonable and very helpful and engaged.

The pragmatism and the local engagement was something I really

wanted and got from BGF.

We've raised over £10m in the last 13 months and the vast majority of that investment has come from BGF, not only when we did the merger in July 2016, but also in May 2017, when we did a further fundraising of about £7m.

BGF was instrumental in leading that funding round. It wasn't the easiest deal to do, but BGF was really supportive and first to put their hands up to say, 'Yes, it makes sense. We're in your corner and very supportive about getting it done.'

If I had a penny for every investment company that tells me, 'It's all about the management team and we are there for you and we will let you run your ship' I would be a very rich man. BGF is one of the very few companies who really deliver that. They're a very human company. They are very pragmatic to deal with.

They're good friends, they are good colleagues, they are good professionals. We feel that this is a really successful partnership; it's not a silent backer with money. It's been a really good relationship.

How big could Pharmacy2U become over the next five years? That's a really interesting question. It's an £8bn market in England alone that we compete in. We are growing at over 100 per cent per annum. And we're still under £100m worth of revenue.

But we will exceed £100m of revenue as a run rate in the next 12 months. That still makes our market share around 1.25 per cent.

We see no reason why we can't get to 10 per cent, in the next five years.

BGF Investor, Richard Taylor says...

We originally met the management team at Pharmacy2U about 18 months before we first met Mark.

We were introduced by one of our shareholder banks, Barclays.

We got to know the business and it looked very interesting. We had the opportunity to support the merger and back Mark and his team, to really drive that growth.

Why did we think it would be a winner? Without wishing to embarrass Mark, it was down to the calibre of the team.

Then you couple that with the market opportunity, which Mark has described.

There's really nobody else of any scale that is a pure online repeat prescriptions provider. This business has got the ability to scale really quickly.

Our funding facilitated the merger but it also primed the pump for future growth potential.

The use of innovation is what sets Pharmacy2U apart.

It's logistics and operating model gives the business the capacity to grow significantly.

There are still lots of people out there in the market who don't realise there is a different option to getting a repeat prescription at a local pharmacy or doctor's surgery.

This business enables those repeat prescriptions to be delivered more efficiently for the patient, and more cost efficiently for the Government.

A key driver for the business will be the issues around funding for the NHS especially when cost efficiencies are so front of mind.

Their service saves taxpayers' money and improves access to healthcare.

A part of the funding we're providing is being spent on campaigns.

We want to spread the word and help inform people about Pharmacy2U and online prescription availability.

Pharmacy2U is a fine example of the great firms that are investing in Yorkshire and creating jobs.

As an investor, we're looking to support businesses that will ultimately grow, be successful and provide returns for all shareholders. But, in my job, it's also really rewarding to see the opportunities that our investments can help to create for the local economy and communities.

We are interested in a company's ambitions, and we look for alignment of goals from the offset. With management teams, we explore how our funding might help them overcome barriers, pursue new opportunities or accelerate organic growth like Pharmacy2U has done. Mark and his team has plenty of ambition but they're also very strategic and practical. That makes for a great investment partnership.

BGF is the most active investor in small and mid-sized businesses in the UK and Ireland. An established and independent company, we have £2.5bn to support a range of growing companies – early stage, growth stage and quoted – across every region and sector of the economy.