



Helping pharmaceutical, life science
and other healthcare companies respond
to a changing environment



METIS
integrity, passion, results

Real and immediate challenges

Life sciences, pharmaceuticals and health care are experiencing a period of extraordinary change. Driven largely by the expiry of patents, price competition, rising costs and declining R&D investment, businesses owners in sectors of the healthcare industry are being forced to critically assess the risks and embrace change to assure the long term viability of their businesses.

Metis Consulting is part of a team of specialists working with the healthcare industry helping organisations respond to these challenges by leveraging our industry and technical expertise to develop and implement effective, measurable strategies to manage the risks and navigate their way through this uncertain business environment.

While there are challenges, there is opportunity to reposition the sector for the future. Australia's rapidly ageing population will continue to drive demand for healthcare products and strengthen revenues, while a growing health-awareness among the general population will also bolster demand for advanced health and beauty products, including alternative health.



Retail Pharmacy: the state of play

The retail pharmacy sector faces a number of challenges, including increased competition from dominant supermarket chains and other discount outlets. Pharmacies have lost a significant proportion of front-of-store sales to chains in recent years, and now depend on dispensary sales for up to 83 per cent of their revenue compared to 50 per cent in the past.

The rise of pharmacy buying groups is another challenge. Of the 5250-plus community of pharmacies in Australia, around half are now affiliated with banner and buying groups who benefit from collective buying power and guarantee agreements. This puts pressure on independent pharmacies to innovate in their sales and marketing strategies, and sharpen their financial management to avoid the possibility of distress further down the track.

Further, declining income and stronger competition is seeing downward pressure on the value of independent pharmacies, once a stalwart of business performance. This puts many business owners at risk of breaching debt covenants and other compliance and solvency obligations. And the recent PBS reforms to generic medicines have significantly reduced pharmacy dispensary income. Never have retail pharmacies been under greater pressure to juggle labour, inventory, operating expenses and other business imposts.

Metis Consulting believes that pharmacy owners must have access to affordable financial expertise if they are to navigate the sector's current and future challenges. By leveraging our access to a suite of professional services, including retail pharmacy management, financial analysis and control, insolvency, reconstruction and legal services, businesses can thoroughly review their current position and take proactive steps to protect their future.

Who we help

Metis Consulting provides a full range of business advisory, accounting and other financial services to retail pharmacy businesses, pharmaceutical manufacturing and product distribution, medical imaging practices, radiopharmaceutical and other healthcare companies.

We help business owners take a proactive approach to managing their business, and we believe the best results are achieved by the earliest possible intervention. We use established financial control techniques to first diagnose the health of our client's business, then help owners build and sustain profitable, cash flow positive businesses by controlling and routinely reporting on the key drivers of business financial performance.

We are sensitive to the needs of business owners with distressed businesses and offer and recommend proactive management of their position by applying our holistic service model, bringing together the technical expertise to address financial challenges along with the strategic, legal and regulatory compliance, retail, personnel and operational needs of the business.

For businesses facing potential administration or liquidation, we can bring on board the specialised services of professionals who can proactively help business owners plan and manage the legal, regulatory and business obligations facing them to minimise losses and to help protect legally their assets. Again, early intervention is best, reducing stress by providing solutions that place the business and its owners' personal assets and lifestyle in the best possible position.

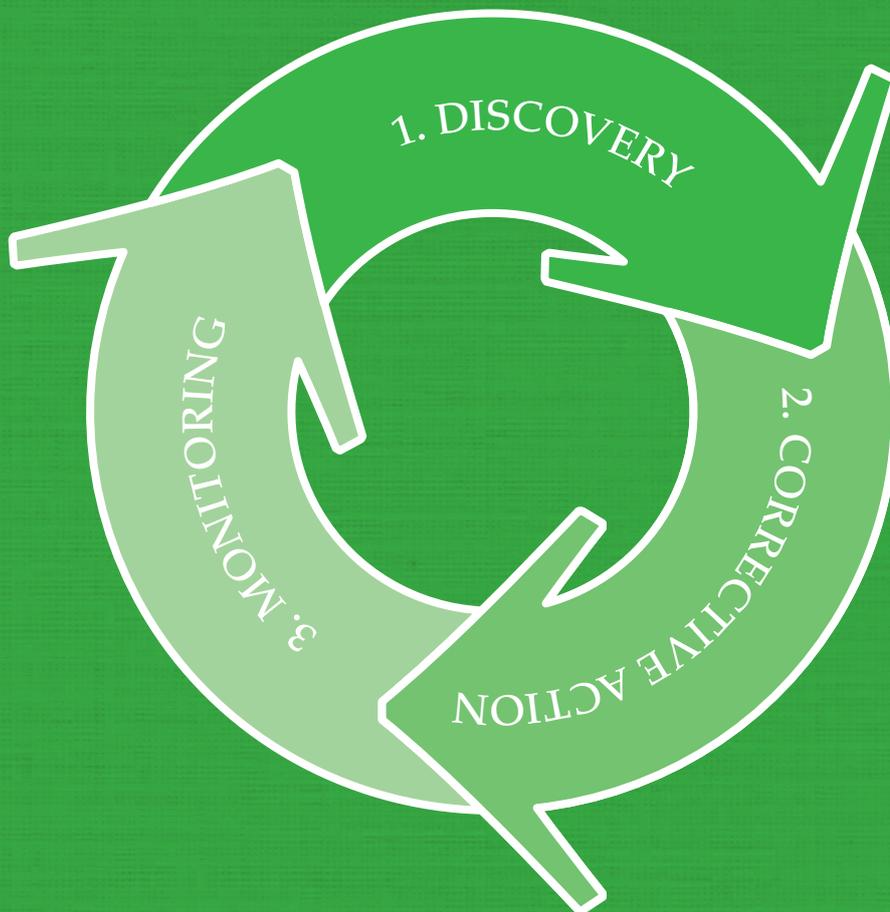
Why Metis Consulting?

Metis Consulting is the ideal partner of choice for pharmaceutical, pharmacy businesses and other life sciences and healthcare companies because we:

- » Have an experienced and dedicated team led by Lyle Holm FCPA, whose career spans 15 years in senior executive positions in the Asia Pacific healthcare industry, bringing clients a thorough understanding of the pharmacy sector and its challenges.
- » Offer a range of end-to-end solutions to help pharmacies and other healthcare companies respond to the tough market and regulatory conditions.
- » Are specialised and focused, bringing pharmacies a high level of expertise, and access to critical resources, at highly competitive rates.
- » Have a cost-effective model that ensures pharmacies and other healthcare and pharmaceutical companies can access the help they need to maximise their business performance.

Our services

Our service model has three core components and business owners can engage us to apply all three services or enter at any point in the value chain, depending on their requirements.



1.

Discovery: The Metis health check

Ensuring your finances are performing well is an important first step in transforming your overall business performance. Metis Consulting offers comprehensive accounting services, from administration to financial control by trained and accredited professionals, to assist business owners in optimising their profit and cash flow performance.

Metis Consulting assists businesses by:

- » Conducting a detailed analysis of financial statements for the past three to five years, to measure performance of the seven key business performance drivers against established industry and internal KPIs.
- » Conducting a review of overheads, wages to sales analysis, GP analysis and over trends on revenues and costs.
- » Collecting retail pharmacy sales data and completing analysis to establish trends and compare against established industry KPIs. We present our findings to clients in the form of dashboard tabulations, graphical representations and written reports.
- » Conducting product contribution margin analysis to guide decisions on which products to carry.
- » Identifying and renegotiating supplier contracts, reviewing and reducing staff costs, monitoring and managing credit control, preparing forecasts and budgets for Profit & Loss, Balance Sheet and cash flow, and more.

As part of our health check, clients receive ongoing status reporting along with a range of other business reports critical in providing business owners the information needed to make informed business decisions.

Metis also provides a short or long term accounting and book keeping staffing resources together with a full suite of financial management services for, preparation of financial statements, BAS lodgements and compliance reporting on so on. These services are conducted by our trained staff and supervised by our experienced CFO.

2.

Corrective action: Applying remedial therapy to your business

Metis Consulting partners with a specialist pharmacy alliance to help retail pharmacies correct their business systems through diagnosing and developing the right sales and marketing strategies. Here's a closer look at how it works.

Diagnosis – Before we can consider any solutions, we allocate resources for a thorough health check on the state of your sales and marketing strategy.

Data extraction – Our diagnostic tool will analyse retail and dispensary transactions, helping establish consumer buying patterns, stock balances, profit margins and a range of other data.

Performance profiling – After analysing your sales data, we can generate a performance and risk profile along with a full financial and operational profile, to gauge your overall performance.

Recommendations report – The next step is to advise on any reforms, such as changing store management practices, improving retail marketing and sales tools, or bringing on board a team of regulatory and compliance experts to assist with the more sensitive issue of managing a financially distressed business.

Delivery – After diagnosing the health of the business, we deliver a range of specific services to help business owners. These include:

- » Retail buying – We can help improve the retail buying strategy and access major wholesalers, leveraging volume discounts that will help your pharmacy compete against the big-name pharmacy groups.
- » Marketing – Drawing on our networks of support, technology and expertise, we can help plan and deliver marketing and sales strategies that will boost pharmacy sales. Key marketing tools include loyalty programmes, catalogues, in-store marketing collateral and local market advertising, all designed to help achieve the best results from campaigns.
- » Retail consulting – Our experts will assess your pharmacy layout, category management, staffing, product mix, local competition, store presentation, technology systems, pricing and more, helping you better position the store and attract and retain customers.
- » HR and training – Our HR and training experts will help achieve the right staff hires and the right culture to deliver a first-class retail pharmacy. Our HR services include recruitment, performance management, technical training and soft skill training such as customer service.
- » Other – We are connected with a range of industry forums, conferences, contacts and expertise banks that offer pharmacy owners additional contacts and expertise to run their businesses

3.

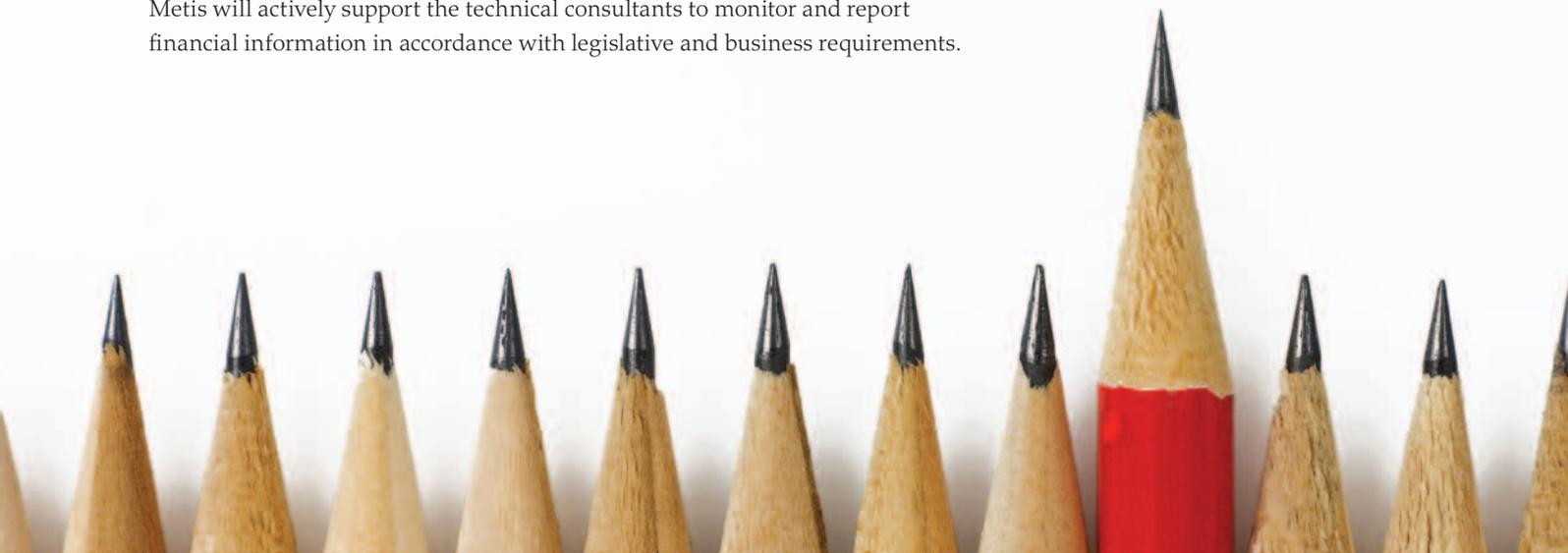
Monitoring: The Metis approach to maintenance

From our initial health check and analysis of your business, Metis Consulting will tailor a project plan based on the agreed service priorities, and draft a set of KPIs to track performance.

To fully drive these transformational changes, Metis Consulting and its partners encourage clients to embrace our program of ongoing monitoring and maintenance. Designed to ensure that targets are achieved, this phase occurs after both the discovery and corrective action phases. The monitoring phase typically includes:

- » Preparing financial accounts or working with a book keeper to finalise the routine set of accounts.
- » Conducting financial analysis and preparation of dashboard reports against agreed-on KPIs to monitor the financial health of the business.
- » Preparing and lodging statutory filings including BAS and other compliance reporting requirements.
- » Preparing financial and cash flow forecasts and monitoring actual performance.
- » Collecting updated retail and dispensary data and analysing against benchmarks or internal KPIs.
- » Maintaining and monitoring pricing and GP margins for product lines.
- » Monitoring and reporting on buying deals and how changes to the pharmacy layout, retail marketing and advertising impact on the overall volume of sales.
- » Monitoring and reporting on the progress of HR and training objectives.

In cases where pre or post Administration services are implemented, Metis will actively support the technical consultants to monitor and report financial information in accordance with legislative and business requirements.



Project snapshots

Business turnaround from woe to go

Challenges – An engineering firm in the petroleum sector was suffering from escalating losses and poor cash flow as a result of the global financial crisis and internal operational challenges. These problems were leading to contract losses, sluggish customer payments and growing creditor debt. Compounding the challenges was the loss of staff, especially experienced technical staff, due to competition from mining and other sectors.

Solution – Metis Consulting used diagnostic tools to analyse the company's past and present financial records, identifying its key weaknesses and working closely with management to implement a series of strategic, operational and financial priorities to turn around the company's performance. These priorities included: a renewed focus on winning larger value projects; replacing underperforming staff with more project management staff; and instilling lean management processes and rigorous controls to reduce operating costs.

Results – Metis Consulting implemented a plan that satisfied existing stakeholders while continuing to serve customers, staff, creditors and other partners. We worked with executives and owners to achieve transformational change, with our client establishing strong business relationships with some of Australia's largest private and government-owned transport and mining companies. Project values rose from an average of \$20,000 to \$350,000, with the company enjoying improved and sustainable profits and cash flow.

Insights – *“Under challenging change management circumstances involving a difficult realignment of corporate culture, business processes and staffing methods, Metis Consulting displayed a solid understanding of the principles of effective business management. This proved to be the key to trust-based collaboration between the owners and executives of the firm and, ultimately, the achievement of successful outcomes.”*

Top software and analysis transforms a client's bottom line

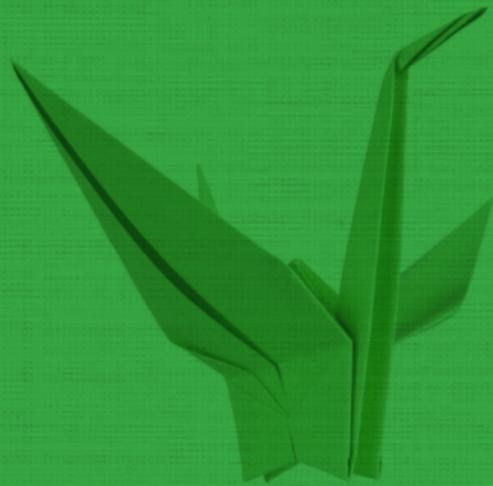
Challenge – A pharmaceutical manufacturer, achieving consistently poor profit margins and cash flow results over several years, was at a loss to explain why their results were not improving despite achieving growth in new customers, contract manufacture, cold kits and other product sales.

Solution – Metis Consulting drew on its extensive industry experience to fully review the manufacturer's business operating systems. Working closely with management, we implemented a new ERP system capable of tracking and analysing transactions across the full spectrum of finance and accounting, sales, manufacturing, customer relationships and resource management.

Results – From quote to cash, the new ERP system streamlined production scheduling and raw materials purchases, substantially reducing the resources deployed to finance, sales and warehouse management. We used a bill of materials to plan and capture the full cost of each batch, through to release from quality control, pinpointing where the losses were occurring. With this diagnosis, the company can make pricing decisions based on accurate analysis and assumptions.

Insights – *“Being able to understand the true costs of production highlighted just how wrong we were in our previous analysis and assumptions. With the assistance of Metis Consulting, we are not only better at managing our production schedules, but better equipped to track transactions in all areas of our business. The reduced costs, improved pricing and operational efficiency has immeasurably lifted our bottom line.”*





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