

# Q4-2014 Pharmacy Services Update



## M&A Overview

Merger and acquisition activity within the pharmacy services sector continued to be strong during the fourth quarter of 2014. Transactions were announced and/or completed by some of the top players, including Walgreens, Rite Aid, Catamaran, and AxelaCare. The most noteworthy transactions were Walgreens' purchase of the remaining shares of European pharmacy giant Alliance Boots, and Catamaran's purchase of Salveo Specialty Pharmacy. It was also revealed that PE firm Madison Dearborn Partners is in advanced discussions with Walgreens to purchase a majority share of the company's infusion business. Coming off a noteworthy quarter, and given Provident's current pipeline, we expect pharmacy M&A to remain active in 2015.

## Public Company Performance

Data from Capital IQ as of December 31, 2014			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	\$122,896	0.91x	11.58x
Express Scripts	ESRX	\$76,003	0.76x	11.66x
Omnicare	OCR	\$9,068	1.43x	12.42x
PharMerica Corp.	PMC	\$1,032	0.57x	8.95x
Rite Aid Corp.	RAD	\$12,998	0.49x	10.62x
Walgreens Boots	WBA	\$73,858	0.95x	12.70x

## Noteworthy Transactions

Month	Acquirer	Target Company	Details
December 2014	Walgreens	Alliance Boots	Walgreens has completed its acquisition of the remaining portion of Alliance Boots that it did not already own. In 2012, Walgreens acquired 45% of Switzerland-headquartered Alliance Boots, and at the end of 2014 received regulatory approval for, and completed, the acquisition of the remaining 55%. As part of the reorganization, Walgreens will become a subsidiary of a newly created company called Walgreens Boots Alliance. Additionally, Walgreens is shifting its stock listing from the New York and Chicago exchanges to the Nasdaq and will trade under the ticker "WBA".
December 2014	Madison Dearborn Partners	Walgreens' Infusion Business	According to Reuters, PE firm Madison Dearborn Partners is in advanced discussions to acquire a majority stake in the infusion services business of Walgreens for more than \$1 billion. This is an interesting deal to pay attention to given Walgreens' recent acquisition of Alliance Boots and the company's history of working with private equity sponsors.
November 2014	Rite Aid	Kopp Drug	Rite Aid has acquired the assets of nine pharmacies from the PA-based drug store chain, Kopp Drug. The terms of the transaction were not disclosed, but a Rite Aid spokesperson commented that the acquisition fits with the company's strategy to focus its growth in existing markets and will help create a stronger presence in the Altoona, PA market.
October 2014	Catamaran	Salveo Specialty Pharmacy	Catamaran, a provider of technology and PBM services, will acquire Salveo Specialty Pharmacy, based in St. Petersburg, FL, for \$260 million in cash, which represents a TTM EBITDA multiple of approximately 13x. Salveo manages approximately \$400 million in annual drug spend through its FL headquarters, as well as its NY (Echo Salveo Specialty Pharmacy) and CA (Mission Road Pharmacy) operations. Catamaran has stated that Salveo's commercial strategy, geography, and diverse therapy mix are very complementary to Catamaran's BrivoRx specialty strategy. It is important to note that while the transaction was announced in Q4 2014, it was successfully completed on January 2, 2015.
October 2014	AxelaCare Health Solutions	Advanced Care	AxelaCare Health Solutions, a provider of specialty home infusion services, has acquired Advanced Care, a home IV therapy provider based in NY. The transaction increases the number of AxelaCare IV pharmacies to 18 nationwide and expands the company's home IV therapy network into the NY/NJ metro area. Terms of the transactions were not disclosed.