

Q4-2015 Pharmacy Services Update



M&A Overview

Strategic buyers dominated the merger and acquisition landscape in the fourth quarter of 2015, with Walgreens Boots Alliance, AmerisourceBergen, and PharMerica announcing and/or completing acquisitions. Provident expects the pharmacy services sector to remain very active in 2016, as providers seek to better position themselves by diversifying service offerings, increasing geographic footprint, improving access to limited distribution drugs, and adding contracts with payors and facilities, among other motivations. Based on our own deal flow and market knowledge, we also expect private equity (PE) groups to be acquisitive in the first half of the year. Independent providers with the infrastructure and size needed to serve as a PE platform will continue to command premium valuations.

Public Company Valuations

Data from Capital IQ as of December 31, 2015			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	\$132,742	0.89x	11.87x
Express Scripts	ESRX	\$74,370	0.73x	10.71x
PharMerica Corp.	PMC	\$1,363	0.67x	10.21x
Rite Aid Corp.	RAD	\$15,346	0.52x	11.80x
Walgreens Boots	WBA	\$104,235	1.34x	14.46x

Noteworthy Transactions

Month	Acquirer	Target Company	Details
December 2015	PharMerica Corporation	Integrated Pharmacy Network	PharMerica Corporation, a diversified provider of institutional and specialty pharmacy services, has acquired Integrated Pharmacy Network, a long term care pharmacy based in Midland, MI. Terms of the transaction were not announced.
December 2015	PharMerica Corporation/ Amerita	Alternacare Infusion Pharmacy	PharMerica Corporation's Amerita subsidiary completed the acquisition of Alternacare Infusion Pharmacy. Based in Olathe, KS, Alternacare provides specialty home infusion services throughout the Kansas City metropolitan area. Deal terms were not disclosed. Combined with the Integrated Pharmacy Network acquisition, PharMerica reached its 2015 goal of completing acquisitions that generate at least \$100 million of annualized revenue.
November 2015	Hospice Pharmacy Solutions	Outcome Resources	Hospice Pharmacy Solutions, a Dallas-based PBM focused on hospice providers, has merged Sacramento-based Outcome Resources into its operations. The headquarters will remain in Dallas and the company will operate under the Hospice Pharmacy Solutions name. Terms of the transaction were not disclosed.
November 2015	AmerisourceBergen Corporation	PharMEDium Healthcare Holdings	AmerisourceBergen Corporation has completed its acquisition of PharMEDium Healthcare Holdings from private equity firm Clayton, Dubilier & Rice for \$2.575 billion in cash. PharMEDium was privately held and is the leading national provider of outsourced compounded sterile preparations to hospitals. It is expected that the combined company will generate approximately \$30 million in synergies by fiscal year 2018.
October 2015	Walgreens Boots Alliance	Rite Aid Corporation	Walgreens Boots Alliance has announced it will acquire all outstanding shares of Rite Aid Corporation for \$9.00 per share in cash, or approximately \$17.2 billion, including acquired debt. The purchase price represented a 48% premium over the closing price per share on October 26 th . Rite Aid will become a wholly owned subsidiary of Walgreens Boots Alliance and is expected to initially operate under the existing Rite Aid name. The transaction is expected to close in the second half of 2016 and is expected to be accretive to Walgreens in its first full year after completion. Walgreens expects to realize synergies in excess of \$1 billion.