

Q1-2016 Pharmacy Services Update



M&A Overview

Merger and acquisition deal volume for the first quarter of 2016 was a bit slower than in previous quarters, but this does not appear to be due to lack of interest from the buyer and private equity communities. Based on Provident's own deal flow and observed market activity, we expect deal volume to ramp back up to its previous levels during Q2. It should also be noted that Walgreens Boots is still pursuing its acquisition of Rite Aid, which is on track to close in the second half of 2016. While additional mega-mergers such as this are less likely to surface in the coming quarters, activity for lower and middle market providers should increase as strategic buyers seek to bolster niche service lines or expand geographically, and private equity firms seek platform or add-on candidates. This was evident during Q1, where both strategic buyers and a private equity group completed acquisitions in the sectors of medication management, oncology, infusion therapy, and 340B.

Public Company Valuations

Data from Capital IQ as of March 31, 2016			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	\$139,169.73	0.91x	11.74x
Express Scripts	ESRX	\$55,881.35	0.55x	8.14x
PharMerica Corp.	PMC	\$1,078.93	0.53x	7.95x
Rite Aid Corp.	RAD	\$15,669.90	0.53x	11.80x
Walgreens Boots	WBA	\$102,992.64	0.91x	13.29x

Noteworthy Transactions

Month	Acquirer	Target Company	Details
March 2016	Nautic Partners	ExactCare Pharmacy	Nautic Partners, a private equity firm based in Providence, Rhode Island, has partnered with ExactCare Pharmacy. Based in Valley View, Ohio, ExactCare is a full-service pharmacy that specializes in medication management for patients and owns and operates two pharmacies serving 20,000 patients annually. Financial terms of the deal were not disclosed.
February 2016	McKesson	Biologics	McKesson announced that it has signed a definitive agreement to acquire Biologics, an oncology pharmacy services company. Following the transaction, Biologics will become part of McKesson's Specialty Health business, expanding McKesson's practice management solutions that allow oncologists to enhance patient care. Terms of the deal were not disclosed.
February 2016	PromptCare	Boston Home Infusion	PromptCare, headquartered in Clark, New Jersey, provides home infusion therapy services and respiratory products for pediatric and adult patients at home. PromptCare acquired Boston Home Infusion (BHI), a Stoughton, Massachusetts based provider of infusion therapies for the greater Boston area. BHI offers infusion therapy, respiratory services, enteral therapy, and medical equipment to patients. Financial terms of the deal were not disclosed.
February 2016	Wellpartner	SolutionsRx	Wellpartner, based in Tualatin, Oregon, develops, delivers, markets, and supports pharmacy distribution solutions in the U.S. including tools to aid with 340B programs. The company has acquired SolutionsRx, a full-service 340B company based in Gainesville, Missouri that focuses primarily on serving sole community and rural access hospitals. Financial terms of the deal were not disclosed.