

# Q2-2016 Pharmacy Services Update



## M&A Overview

Although the volume of transactions in the second quarter of 2016 was relatively low, the size of the companies acquired and their prominence in the specialty pharmacy sector is particularly noteworthy. Strategic buyers drove the M&A market, with McKesson, Diplomat, and Premier all being active. Their target companies were all sizeable, with annual revenues in excess of \$200 million each. The main themes in the deals were expanding geographic reach and/or disease state expertise. We expect private equity to re-enter the M&A landscape in the coming quarters and strategic buyers to continue to seek acquisitions that better position them with manufacturers and payors, as well as increase access to limited distribution drugs. Additionally, it is important to note that Walgreens Boots is still seeking approval for its acquisition of Rite Aid, and management expects the deal to close in the second half of 2016.

## Public Company Valuations

Data from Capital IQ as of June 30, 2016			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	\$128,437.88	0.80x	10.63x
Express Scripts	ESRX	\$62,794.78	0.62x	9.24x
PharMerica Corp.	PMC	\$1,110.01	0.54x	8.50x
Rite Aid Corp.	RAD	\$14,683.92	0.45x	11.13x
Walgreens Boots	WBA	\$100,770.06	0.86x	12.55x

## Noteworthy Transactions

Month	Acquirer	Target Company	Details
June 2016	Premier	Lincare's Acro Pharmaceutical Division	Premier, a leading healthcare improvement company, has agreed to purchase the national specialty pharmacy operations of Lincare Holdings for \$75 million. The acquisition includes Acro Pharmaceutical Services and Community Pharmacy Services. The acquired operations generated \$206 million in revenue in 2015 and will serve to expand and diversify Premier's specialty pharmacy patient base and disease capabilities. It will also provide access to limited distribution drugs for the treatment of oncology, MS, and respiratory disease, as well as heighten Premier's preferred specialty status with multiple payers. Provident acted as the exclusive financial advisor to Acro in its original sale to Lincare in 2011.
June 2016	Diplomat Pharmacy	TNH Advanced Specialty Pharmacy	Diplomat Pharmacy, the largest independent specialty pharmacy in the U.S., has completed its acquisition of Valley Campus Pharmacy, doing business as TNH Advanced Specialty Pharmacy ("TNH"). TNH is based in Van Nuys, CA and in 2015 generated approximately \$400 million in revenue. Phil Hagerman, Diplomat's CEO, commented, "We are very excited to expand Diplomat's specialty services with the acquisition of TNH. This partnership opens new prescriber relationships and growth opportunities with TNH's market concentration in California and Texas. Further, Diplomat recently added a licensed Texas facility to enable brick and mortar presence for the State of Texas Medicaid program...Our combined resources will make us stronger and more unique within the specialty services industry."
April 2016	McKesson	Biologics & Vantage Oncology	McKesson has completed its previously announced acquisition of Biologics, an oncology pharmacy services company. Biologics became part of McKesson's Specialty Health business, expanding McKesson's practice management solutions that allow oncologists to enhance patient care. McKesson also acquired Vantage Oncology, a leading national provider of radiation oncology, medical oncology, and integrated cancer care. The two acquisitions totaled \$1.2 billion and will significantly bolster McKesson's oncology offerings for manufacturers, payers, providers, and patients.