

Q3-2016 Pharmacy Services Update



Market Update

As one of the fastest growing sectors in healthcare, pharmacy services has continued to generate interest and activity in the merger & acquisition markets, and several notable transactions closed during the third quarter of 2016. Driven once again by strategic buyers who have sought to diversify service offerings, expand geographic presence, and increase access to limited distribution drugs through acquisitions, the transactions that closed in the third quarter were both sizeable and significant to the industry as a whole. As we head into the final quarter of 2016, Provident expects market leaders to continue to be aggressive in their respective acquisition strategies and willingness-to-pay, and Provident also believes private equity will drive additional merger & acquisition activity within the sector.

Comparative Valuation Analysis

Data from Capital IQ as of September 30, 2016			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	123,586.27	0.74x	10.00x
Express Scripts	ESRX	59,368.23	0.59x	8.80x
PharMerica Corp.	PMC	1,243.05	0.60x	9.50x
Rite Aid Corp.	RAD	15,204.15	0.47x	11.91x
Walgreens Boots	WBA	97,931.73	0.84x	11.77x

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
September 2016	Maxor National Pharmacy Services, LLC	Pharmaceutical Specialties, Inc.	Maxor, a leading pharmacy services platform, has agreed to acquire Pharmaceutical Specialties, Inc. ("PSI"). PSI is a leading pharmacy specializing in pulmonary medicine, including cystic fibrosis and bronchiectasis, endocrine medicine including growth hormone, and GI medicine including Hepatitis C and Crohn's disease. Maxor specializes in specialty pharmacy, respiratory, and home infusion services. The deal will combine the clinically-focused specialty pharmacy services of both companies to provide national scale, clinical expertise, and operational advantages, while maintaining the patient-focused approach that both companies share. Financial terms of the deal were not disclosed.
August 2016	Teva	Anda Inc.	Teva announced that it has entered into a definitive agreement to purchase Anda Inc., the fourth largest distributor of generic pharmaceuticals in the U.S., for \$500 million. Anda distributes generic, brand, specialty, and over-the-counter pharmaceutical products from more than 300 manufacturers to retail independent and chain pharmacies, nursing homes, mail-order pharmacies, hospitals, clinics and physician offices across the United States. Teva is the world's largest generic medicines producer. Anda will be able to leverage Teva's extensive supply chain network in order to improve their capabilities and decrease costs.
July 2016	Kroger	Modern HC Holdings, Inc.	Kroger has announced an agreement for its subsidiary, Axiom Pharmacy Holdings, Inc. ("Axiom"), to acquire Modern HC Holdings, Inc. ("ModernHealth"). ModernHealth is one of the nation's largest independent providers of specialty pharmacy services, providing comprehensive specialty pharmacy services including IVIG for patients who require IV-based therapies, and comprehensive medication management for HIV, Cystic Fibrosis, Transplant, Hepatitis C, Rheumatoid Arthritis and Dermatology. The acquisition will improve purchasing efficiencies and allow Kroger to expand its specialty pharmacy business into new territories in the West and Southwest and serve a wider range of customers who require complex drug therapies. Financial terms of the deal were not disclosed.