

Q4-2016 Pharmacy Services Update



Market Update

As expected, the fourth quarter of 2016 generated significant merger & acquisition activity within the pharmacy services sector, as large strategic groups executed upon expansion and diversification strategies and private equity firms sought to enter this rapidly growing market. A number of significant transactions were consummated in service lines ranging from compounding to pharmacy benefit management to traditional specialty drug distribution, and another private equity platform investment was made – the recapitalization of BioMatrix Specialty Pharmacy by ACON Investments and Triton Pacific Capital Partners. This transaction highlights one of the ancillary benefits private equity firms can offer, as ACON Investments brought in former Omnicare, Inc. senior executives as operating partners in conjunction with this deal to add additional strategic value.

Comparative Valuation Analysis

| Data from Capital IQ as of December 30, 2016 | | | Valuation Statistics | |
|---|--------|-------------------------------------|----------------------|-------------------|
| Company | Ticker | Enterprise Value (EV) – in millions | EV/ LTM Rev. | EV/ LTM EBITDA |
| CVS Health | CVS | 111,304 | 0.66x | 8.87x |
| Express Scripts | ESRX | 57,512 | 0.58x | 8.58x |
| PharMerica Corp. | PMC | 1,199 | 0.56x | 8.87x |
| Rite Aid Corp. | RAD | 15,643 | 0.46x | 11.87x |
| Walgreens Boots | WBA | 98,897 | 0.85x | 12.28x |

SELECT TRANSACTIONS

| Month | Acquirer | Target Company | Details |
|---------------|--|----------------------------------|---|
| December 2016 | Maxor National Specialty Pharmacy Services | Pharmaceutical Specialties, Inc. | Maxor National Specialty Pharmacy Services (Maxor), a leading specialty pharmacy platform with several different service offerings, has completed the acquisition of Georgia-based Pharmaceutical Specialties, Inc., which specializes in pulmonary medicine including cystic fibrosis and bronchiectasis, endocrine therapies including growth hormone, and GI medicine including Hepatitis C and Crohn's disease. Maxor is backed by Chicago-based private equity firm Beecken Petty O'Keefe & Company. |
| December 2016 | Magellan Health, Inc. (NASDAQ: MGLN) | Veridicus Holdings, LLC | Magellan Health, Inc. (NASDAQ: MGLN), has announced that it has entered into a definitive agreement to acquire Veridicus Holdings, LLC, a pharmacy benefit management organization with a differentiated approach that leverages proprietary analytics and clinical software to drive better health outcomes. Veridicus Holdings, LLC serves a customer base with a PBM membership of approximately 225,000 lives. |
| November 2016 | ACON Investments & Triton Pacific Capital Partners | BioMatrix Specialty Pharmacy | Private equity firms ACON Investments and Triton Pacific Capital Partners have partnered to complete an investment in Florida-based BioMatrix Specialty Pharmacy, which focuses on both infused and oral specialty drugs. Through this transaction, ACON Investments will provide the support of operating partners Tracy Finn and Patrick Keefe, two former senior executives of Omnicare, Inc. |
| November 2016 | Avella Specialty Pharmacy | Oncology Plus | Avella Specialty Pharmacy, a national platform backed by private equity firm Riordan, Lewis & Hayden, has announced that it has acquired Florida-based Oncology Plus, a provider of patient-specific compounded therapies. |
| October 2016 | Avella Specialty Pharmacy | Advanced Pharma, Inc. | Avella Specialty Pharmacy has announced that it has signed a definitive agreement to acquire Texas-based Advanced Pharma, Inc., an FDA-registered 503B Outsourcing Facility with a 35,000 square foot production facility in Houston. This acquisition marks continued expansion for Avella Specialty Pharmacy, which has been one of the fastest growing pharmacy services platforms in the U.S. over the past few years. |