

Q1-2017 Pharmacy Services Update



Market Update

Transaction volume within pharmacy services experienced an uptick during the first quarter of 2017, as strategic operators continue to utilize mergers and acquisitions as a means to expand market share, diversify service offerings, and gain access to new patient populations. There was a notable absence of private equity platform investments in the space during the first quarter. However, it is Provident's view that this is merely a function of timing and does not indicate any subsiding investor interest in pharmacy services. Our expectation is that the sector will continue to experience steady transaction volume from strategic consolidators, private equity-backed platforms, and private equity funds throughout the remainder of 2017.

Comparative Valuation Analysis

Data from Capital IQ as of March 31, 2017			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	105,308	0.59x	8.07x
Express Scripts	ESRX	52,066	0.52x	7.33x
PharMerica Corp.	PMC	1,188	0.57x	9.2x
Rite Aid Corp.	RAD	11,526	0.35x	9.78x
Walgreens Boots	WBA	99,286	0.85x	12.43x

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
March 2017	Serve You Rx Vermont, LLC	New England Mail Order Pharmacy	Serve You Rx Vermont, a wholly owned subsidiary of Serve You Custom Prescription Management, Inc., has acquired the New England Mail Order Pharmacy (NEMOP) business, from Pharmacy Health Services, Inc.. This acquisition doubles the organization's size and nearly quadruples its per-shift prescription dispensing capacity.
March 2017	PharMerica Corporation (NYSE:PMC)	CareMed Specialty Pharmacy	PharMerica Corporation, a national provider of institutional and specialty pharmacy services, has acquired Hyde Park, NY-based CareMed Specialty Pharmacy. CareMed Specialty Pharmacy is licensed in all 50 states to provide comprehensive specialty pharmacy services.
March 2017	Guardian Pharmacy of Atlanta	Collier's Personal Care Pharmacy	Guardian Pharmacy of Atlanta, a long-term care pharmacy and locally-owned member of the Guardian Pharmacy family, has acquired Collier's Personal Care Pharmacy. The acquisition increases Guardian Pharmacy of Atlanta's resident customer base by more than 75 percent.
February 2017	Guardian Pharmacy, LLC	Pharmacy Concepts	Guardian Pharmacy has acquired Pharmacy Concepts, an operator that specializes in providing pharmacy services to nursing homes, skilled nursing facilities, assisted living, and alternate site facilities in Texas. It offers medications and multi-dose packaging options. The company employs 50 individuals, and serves more than 1,100 senior residents across the state.
February 2017	Diplomat Pharmacy, Inc. (NYSE: DPLO)	Affinity Biotech, Inc.	Diplomat Pharmacy, a provider of medication management programs for people with complex chronic diseases in all 50 states, acquired Affinity Biotech (Affinity). Affinity is a specialty pharmacy and infusion services company based in Houston, Texas that provides treatments and nursing services for patients with hemophilia.
January 2017	Wells Specialty Pharmacy	Xubex Pharmacy & Pharm-EZ Medical	Wells Specialty Pharmacy, based in Winter Park, Florida, has acquired Xubex Pharmacy and Pharm-EZ Medical. The operations of Xubex Pharmacy and Pharm-EZ Medical were consolidated into one facility as a result of this transaction.
January 2017	Factor One Source Pharmacy LLC	Fast Access Specialty Therapeutics	Maryland-based Factor One Source Pharmacy (FOSRx) and Louisiana-based Fast Access Specialty Therapeutics (F.A.S.T) have announced that they have entered into a definitive agreement under which FOSRx will acquire F.A.S.T. for a combination of cash and stock. Together the companies are projected to generate approximately \$156 million in revenue for 2017.