

Q2-2017 Pharmacy Services Update



Market Overview

During the second quarter of 2017, strategic buyers picked up where they left off in the first quarter as they continue to utilize mergers and acquisitions to gain access to new markets and offer more comprehensive services. In addition, private equity firms remain bullish on the sector, and while no private equity platform investments were closed in the space during the second quarter, KKR-backed Mitchell's International, Inc. completed an add-on acquisition in PMOA, Inc. This transaction strengthens the Company's footprint within the pharmacy benefit management space, and also represents an overall theme of companies utilizing mergers and acquisitions to help innovate their technology platforms. Provident anticipates the industry to continue experiencing steady transaction volume, with a possible uptick in activity as private equity firms play an increasingly important role in the pharmacy services merger and acquisition environment for the remainder of 2017.

Comparative Performance Analysis

Select Public Pharmacy Services Trading Multiples

Company	Ticker	EV(MM)	EV/REV	EV / EBITDA
CVS Health*	CVS	108,601	0.6x	9.2x
Express Scripts	ESRX	53,256	0.6x	7.3x
PharMerica Corp.	PMC	1,181	0.6x	11.9x
Rite Aid Corp.	RAD	13,448	0.4x	13.8x
Walgreens Boots	WBA	101,409	0.9x	13.9x

* As of 6/30/2017
Source: Pitchbook

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
May 2017	Albertsons Companies, Inc.	MedCart Specialty Pharmacy	Albertsons Companies, Inc. (Albertsons), a food and drug retailer, acquired MedCart Specialty Pharmacy. MedCart Specialty Pharmacy is a pharmacy and healthcare provider of customized specialty care services and medication management for patients and physicians addressing complex diseases. This acquisition expands the scope and capabilities of Albertsons' specialty pharmacy services. The financial terms of the deal were not disclosed.
April 2017	Comprehensive Pharmacy Services	PharmaSource Healthcare, Inc. / Omnicare	Comprehensive Pharmacy Services, a provider of pharmacy solutions, acquired PharmaSource Healthcare, Inc. (PharmaSource). PharmaSource, the pharmacy management division of Omnicare, provides pharmacy management services for acute care, rehabilitation, long-term acute care, behavioral, pediatric, surgical, and specialty hospitals. Financial terms of the deal were not disclosed.
April 2017	Mitchell International, Inc. / KKR & Co. L.P. (NYSE: KKR)	PMOA, Inc.	Mitchell International, Inc. (Mitchell), a provider of technology, connectivity and information solutions to the property and casualty industry, and portfolio company of KKR & Co. L.P., acquired PMOA, Inc. (PMOA). PMOA is a provider of pharmacy benefit management and mail order pharmacy solutions. Mitchell will integrate PMOA's service offerings into its ScriptAdvisor Platform - Mitchell's end-to-end pharmacy benefit management and ancillary services solution offered to insurers, third party administrators, and self-insured entities and state funds. This acquisition will make Mitchell's ScriptAdvisor™ solution the fastest growing in the industry. The financial terms of the transaction were not disclosed.
April 2017	Omnicell, Inc. (NASDAQ: OMCL)	InPharmics	Omnicell, Inc. (Omnicell), a provider of automation and business analytics software solutions for medication and supply management in healthcare, acquired InPharmics. InPharmics offers end-to-end medication use process cost analytics and compliance systems for acute care hospital pharmacies. InPharmics currently serves more than 150 hospitals with tools that analyze drug cost by patient diagnosis, thereby supporting pharmacy's clinical activities while helping to optimize supply chain performance and comply with drug pedigree regulations. The acquisition will expand the capabilities of Omnicell's Performance Center which combines enterprise software solutions with ongoing expert services to monitor pharmacy operations and improve operational efficiency, regulatory compliance, and patient outcomes. The financial terms of the transaction were not disclosed.