

Q3-2017 Pharmacy Services Update



Market Overview

Consolidators in the pharmacy services sector continued to make acquisitions at a steady pace in the third quarter of 2017. The most notable announcement of this quarter was that KKR & Co., L.P. would take publicly-traded PharMerica, Inc. (PharMerica) private in a deal valued at \$1.4 billion. Shareholders of PharMerica will receive \$29.95 per share, which represents a purchase premium of about 17% above the stock price at the time the deal was announced. The transaction is also noteworthy because it marks the first direct private equity investment in the pharmacy services sector in 2017; until now, only strategic entities had completed acquisitions in the sector, despite the private equity community continuing to actively evaluate opportunities. In addition to KKR & Co., private equity firm TorQuest Partners closed an investment in retail pharmacy operator Amenity Health Care. Moving forward, Provident expects both strategic entities and private equity groups to continue consolidating the fragmented market to increase market share, diversify service offerings, and gain access to new patient populations.

PharMerica®

*Has entered into an agreement
to be acquired by*

KKR

SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
September 2017	Diplomat Specialty Pharmacy (NYSE: DPLO)	Focus Rx Pharmacy Services, Inc.	Diplomat Specialty Pharmacy, the nation's largest independent provider of specialty pharmacy services, has acquired Focus Rx Pharmacy Services, Inc. (Focus Rx), a specialty and infusion pharmacy with two locations in New York. The company partners with hospitals, specialty practices, and clinics to deliver comprehensive and personalized pharmacy services. In 2017, Focus Rx is expected to generate over \$45 million in revenue and \$3 million in adjusted EBITDA.
September 2017	PharmScript	MedCart Pharmacy	PharmScript, a pharmacy provider to long-term care and post-acute care facilities, has acquired MedCart Pharmacy, a Michigan-based long-term care pharmacy. The acquisition of MedCart Pharmacy will expand PharmScript's foothold in the Michigan geography.
September 2017	TorQuest Partners	Amenity Health Care	TorQuest Partners has acquired Winnipeg-based Amenity Health Care (Amenity), an operator of retail pharmacies. Amenity owns and operates a network of 32 pharmacies located in mostly rural and underserved communities across Western Canada. The investment will serve as TorQuest Partner's pharmacy services platform for future add-on acquisitions.
August 2017	KKR & Co. L.P. (NYSE: KKR)	PharMerica, Inc. (NYSE: PMC)	PharMerica, Inc. (PharMerica), a national institutional pharmacy provider, has entered into an agreement to be acquired by a newly formed company controlled by KKR & Co. L.P. The transaction will take PharMerica private and is valued at approximately \$1.4 billion. The company operates 96 institutional pharmacies, 20 specialty home infusion pharmacies, and 5 specialty oncology pharmacies in 45 states. Walgreens Boots Alliance will participate in the deal as a minority investor.
July 2017	McKesson Corporation (NYSE: MCK)	intraFUSION	McKesson Specialty Health, a division of McKesson Corporation (NYSE: MCK), has acquired intraFUSION. intraFUSION is a provider of physician practice management services that specializes in the management of infusion centers based in physicians' offices, a model that adds outpatient infusion therapy to medical practices as an ancillary service offering.