

Q2-2018 Pharmacy Services Update



Market Update

As a result of Amazon's entry into pharmacy services, many expect downward pricing pressure to have an effect on distributors' margins, especially with low-touch-point, high volume drugs. A smaller distributor could hope to gain operating leverage from transacting with a larger player to allow the company to remain competitive. Walgreens, CVS, and Rite-Aid, three of the largest pharmacy providers in the U.S., lost over \$10 billion in value in the public markets after Amazon's announcement to acquire PillPack, indicating that even the largest distributors must adapt. This transaction points to further consolidation within the pharmacy distribution market as industry participants aggressively position themselves to compete with Amazon.

Select Transactions:

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
June	Amazon	PillPack	Specialty Pharmacy	Amazon.com has announced its acquisition of PillPack for ~\$1 billion. The transaction signifies Amazon's entry into the pharmacy distribution space and is one of its first acquisitions in healthcare.
June	CVS Health	EntrustRx	Specialty Pharmacy	CVS acquired Entrust Rx, the specialty pharmacy arm of Fred's Pharmacy for over \$40 million. CVS is aggressively expanding its specialty pharmacy business as specialty drugs have exceeded 40% of all pharmaceutical sales nationwide.
May	ConnectiveRx	The Macaluso Group	Pharmacy Solutions	ConnectiveRx acquired The Macaluso Group with the goal to use TMG's buy and bill reimbursement model to expand its capabilities. The acquisition will allow ConnectiveRx to further develop its high-touch relationship with patients.
April	Waud Capital Partners	Pharmacy Partners Holdings	Specialty Pharmacy	Waud Capital has deployed former Express Scripts, Inc. executive, Sean Donnelly as CEO of the newly established platform. As the third investment made by Waud in the pharmacy space, the acquisition is a reflection of Waud's interest in the \$300+ billion specialty pharmacy market.

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Public Comparable Companies

Select Public Pharmacy Trading Multiples					
Company	Share Price	Revenue	EBITDA	EV/REV	EV/EBITDA
CVS Health Corporation	\$65.17	185.94B	12.62B	0.5x	7.0x
Walgreens Boots Alliance	\$61.13	128.24B	8.32B	0.6x	8.7x
Amerisource-Bergen Corp.	\$85.72	159.33B	2.38B	0.2x	9.8x
Express Scripts, Inc.	\$77.99	100.18B	7.11B	0.6x	7.9x
Diplomat Pharmacy	\$25.67	4.75B	81.27M	0.6x	32.9x

As of 7/2/2018

Upcoming Conferences



National Association of Specialty Pharmacy Annual Meeting
September 24th – September 26th Washington, D.C.