

Q4-2018 Pharmacy Services Update



Market Update:

Consolidation activity within the pharmacy services space in 2018 was defined by a new wave of vertical integration. Cigna and Express Scripts finally completed their long anticipated merger, while OptumRx, a division of UnitedHealthcare, executed multiple sizeable acquisitions across the pharmacy continuum. One of the transaction success stories of 2018 was Avella's acquisition by Optum. Less than a decade ago, Avella was acquired by the private equity firm, Riordan Lewis & Haden, and at the time reported less than \$100 million in annual revenue. During its partnership with RLH, Avella expanded its specialty pharmacy services to encompass 20 diseases across all 50 states, with annual revenue of over \$1.4 billion in 2018. Through the private equity partnership, Avella became the largest privately-held specialty pharmacy in the US.

Select Transactions:

Month	Acquirer	Target	Pharmacy Sub-Sector	Deal Significance
December	KKR	Pharmerica / BrightSpring Health Services	Institutional Pharmacy	Pharmerica and BrightSpring Health Services have announced a merger to form a combined entity within the portfolio of KKR. Both companies focus exclusively on LTC and other facility based patient populations.
December	Cigna	Express Scripts	Pharmacy Benefit Manager	Cigna and Express Scripts have closed their long anticipated merger. Payors are beginning to leverage vertical integration as a tool to better manage patient outcomes and reduce costs.
November	InfuCare	Factor One	Specialty Pharmacy	InfuCare Rx, an infusion services provider has partnered with Factor One Source Pharmacy to combine specialty and infusion services. The combined entity possesses locations in five states and is accredited to distribute nationally.
November	BioMatrix	OncoSource 360	Specialty Pharmacy	Cardinal Health has carved out their specialty pharmacy, OncoSource 360. BioMatrix, a portfolio company of Acon and Triton-Pacific, will align the asset within their diversified portfolio of pharmacy services companies.
October	ParcelShield	Dawson	Pharmacy Technology	ParcelShield and Dawson Healthcare Solutions have merged to create ParcelShield Holdings. The combined entity will possess a dominant market share within the pharmaceutical supply chain.
September	Optum	Avella	Specialty Pharmacy	Avella exited their private equity investment with Riordan, Lewis and Haden to join OptumRx, a subsidiary of UnitedHealthcare. The deal closed in the third quarter of 2018 but was disclosed later in the year.

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Upcoming Conferences



Asembia Specialty Pharmacy Summit 2019
April 29th – May 2nd Las Vegas, Nevada