

Q1-2015 Pharmacy Services Update



M&A Overview

2015 has ushered in a wave of pharmacy services M&A transactions, continuing the strong momentum from 2014. Both strategic buyers and private equity groups were active in Q1, including some large transactions with key players. Catamaran was particularly busy, with two acquisitions and then the announcement that the Company is being acquired by UnitedHealth. While not technically occurring in Q1, it is important to note that two additional transactions were announced on April 1: Diplomat Pharmacy's acquisition of BioRx for \$210 million in cash and approximately 4.05 million shares of Diplomat stock; and Magellan Health's acquisition of a PBM, 4D Pharmacy Management Systems, for \$55 million in cash plus up to \$60 million in additional earnout payments. Provident expects Q2 to remain very active, given the current activity we are witnessing in the marketplace.

Public Company Performance

Data from Capital IQ as of March 31, 2015			Valuation Statistics	
Company	Ticker	Enterprise Value (EV) – in millions	EV/ LTM Rev.	EV/ LTM EBITDA
CVS Health	CVS	\$128,104	0.92x	11.95x
Express Scripts	ESRX	\$74,983	0.74x	11.18x
Omnicare	OCR	\$9,446	1.47x	12.74x
PharMerica Corp.	PMC	\$1,168	0.62x	9.47x
Rite Aid Corp.	RAD	\$14,205	0.54x	11.61x
Walgreens Boots	WBA	\$94,099	1.21x	16.18x

Noteworthy Transactions

Month	Acquirer	Target Company	Details
March 2015	UnitedHealth Group	Catamaran	UnitedHealth Group has agreed to buy Catamaran in a transaction worth approximately \$12.8 billion, in order to improve its pharmacy benefits operations (OptumRx). The transaction will add approximately \$0.30 per share to UnitedHealth's profit in 2016 and is expected to close in Q4 2015.
March 2015	Fred's	Reeves-Sain Drug Store	Discount retailer, Fred's, has agreed to acquire Reeves-Sain Drug Store, a TN-based specialty and retail pharmacy, for approximately \$66 million. The transaction includes EntrustRx, which will provide Fred's with access to expanded specialty networks and limited distribution drugs.
February 2015	Catamaran	Healthcare Solutions	Catamaran has agreed to buy Healthcare Solutions from Brazos Private Equity for \$405 million in cash. The transaction will improve Catamaran's medical cost management services to customers in the workers' compensation and auto liability sectors.
February 2015	Kohl's Pharmacy	Wagey Drug Company	Omaha, NE-based Kohl's Pharmacy has acquired Wagey Drug Company, which is headquartered in Lincoln, NE. Wagey Drug is a retail community pharmacy, also providing prescription packaging for independent living residents. Terms of the transaction are undisclosed.
January 2015	Amerita	Coastal Pharmaceutical Services (dba InfusionRx)	Amerita, a wholly owned subsidiary of PharMerica Corporation, has acquired Coastal Pharmaceutical Services, dba InfusionRx. InfusionRx is a leader in Southern California, offering a full range of home infusion and pharmacy services. It serves patients in their homes, doctors' offices, and other non-hospital settings. No transaction terms have been announced.
January 2015	Madison Dearborn Partners	Walgreens Infusion Services	Walgreens has signed a definitive agreement to sell a majority interest in Walgreens Infusion Services to PE firm Madison Dearborn Partners. The division will become a new independent, privately-held company. It is one of the country's largest providers of home and alternate site infusion services with 89 infusion pharmacies and 110 alternate sites in 40 states. This transaction is consistent with Walgreens' focus to ramp up its core retail and specialty services. Terms of the transaction have not been disclosed.
January 2015	PipelineRx	Quality Pharmacy Management	PipelineRx, a clinical telepharmacy company, has acquired Denver-based Quality Pharmacy Management, a provider of remote pharmacy services in 6 western states. Terms of the transaction are undisclosed.
January 2015	AxelaCare Health Solutions	Ambient Healthcare	AxelaCare Health Solutions, a national provider of specialty home infusion services that is backed by Harvest Partners, has acquired Ambient Healthcare, which has locations in FL, AL, GA, NC, and SC. The acquisition expands AxelaCare's network in the Southeast and increases its number of pharmacies to 34 nationwide. Terms of the transaction have not been disclosed.
January 2015	Catamaran	Salveo Specialty Pharmacy	Catamaran, a provider of technology and PBM services, has acquired Salveo Specialty Pharmacy for \$260 million in cash, which represents a TTM EBITDA multiple of approximately 13x. Salveo manages approximately \$400 million in annual drug spend through its FL headquarters, as well as its NY (Echo Salveo Specialty Pharmacy) and CA (Mission Road Pharmacy) operations.