

INSIGHT

A network diagram consisting of numerous white nodes connected by thin white lines, forming a complex web. The nodes are small circles, some of which are highlighted in a light blue color. The background of the network is a blurred image of a person's face, looking slightly to the right. The overall color palette is light blue and white, with a dark blue background for the text boxes.

PHARMACY SERVICES

SECTOR SNAPSHOT

March 2019

BOURNE PARTNERS

PBM/Managed Care – Transaction Comps

PBM/Managed Care Transaction Comps								
USD in millions								
Announced Date	Target	Buyer	Geographic Location	Enterprise Value	LTM Revenue	LTM EBITDA	EV / LTM Revenue	EV / LTM EBITDA
Sep-18	Genoa Healthcare, LLC	OptumRx, Inc.	USA	\$2,500.0	NA	NA	NA	NA
Aug-18	Excel Managed Care & Disability Services Inc.	Genex Services, LLC	USA	2,499.0	NA	NA	NA	NA
Jul-18	Pulse Rx Inc.	Leviathan Cannabis Group Inc.	Canada	4.2	\$1.9	NA	2.2x	NA
Mar-18	RxAdvance Corporation	Centene Corporation	USA	NA	NA	NA	NA	NA
Mar-18	Express Scripts Holding Company	Cigna Corporation	USA	68,671.4	100,064.6	\$7,132.5	0.7x	9.6x
Dec-17	Aetna Inc.	CVS Health Corporation	USA	69,643.0	60,535.0	5,685.0	1.2x	12.3x
Nov-17	National Pharmaceutical Services	Diplomat Pharmacy, Inc.	USA	47.0	32.0	5.4	1.5x	8.7x
Nov-16	Integrated Prescription Solutions, Inc.	Mitchell International, Inc.	USA	NA	NA	NA	NA	NA
Jan-16	Helios Comp	OptumRx, Inc.	USA	1,600.0	NA	NA	NA	NA
Mar-15	Catamaran Corporation	OptumRx, Inc.	USA	13,385.5	21,581.9	845.7	0.6x	15.8x
Feb-15	Healthcare Solutions, Inc.	Catamaran Corporation	USA	405.0	NA	35.0	NA	11.6x

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$2,499.0	\$21,581.9	\$845.7	1.2x	11.6x
Mean	17,639.4	36,443.1	2,740.7	1.2x	11.6x
Min	4.2	1.9	5.4	0.6x	8.7x
Max	69,643.0	100,064.6	7,132.5	2.2x	15.8x

Comp./Spec. Pharmacy – Transaction Comps

Compounding/Specialty Pharmacy Transaction Comps

USD in millions

Announced Date	Target	Buyer	Geographic Location	Enterprise Value	LTM Revenue	LTM EBITDA	EV / LTM Revenue	EV / LTM EBITDA
Oct-18	Avella Specialty Pharmacy	OptumRx / UnitedHealth Group	USA	NA	NA	NA	NA	NA
Nov-17	Leehar Distributors, Inc.	Diplomat Pharmacy, Inc.	USA	\$595.6	\$388.0	\$41.0	1.5x	14.5x
Nov-17	Salus Pharmacare Inc.	Centric Health Corporation	Canada	3.2	NA	0.5	NA	6.8x
Aug-17	Quantum Pharma Plc	True Nature Holding, Inc.	United Kingdom	199.9	119.5	8.2	1.7x	24.4x
Apr-16	Diplomat Specialty Pharmacy of Los Angeles County, Inc.	Diplomat Pharmacy, Inc.	USA	75.7	400.0	9.0	NM	8.4x
Apr-16	Integrity Compounding Pharmacy, LLC	True Nature Holding, Inc.	USA	1.0	0.9	NA	1.1x	NA
Oct-15	PharMEDium Healthcare Holdings, Inc.	AmerisourceBergen Drug Corporation	USA	3,060.8	405.7	96.0	7.5x	31.9x
May-15	AnazaoHealth Corporation	Fagron NV	USA	97.8	NA	16.3	NA	6.0x
Jun-13	CarePoint Partners, LLC	BioScrip, Inc.	USA	221.1	140.5	NA	1.6x	NA

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$148.9	\$264.3	\$12.7	1.6x	11.5x
Mean	531.9	242.4	28.5	2.7x	15.3x
Min	1.0	0.9	0.5	1.1x	6.0x
Max	3,060.8	405.7	96.0	7.5x	31.9x

PBM/Managed Care – Trading Comps

PBM/Managed Care Trading Comps

USD in millions, except for per-share amounts

Company	Ticker	Share Price	LTM Sales	LTM EBITDA	LTM EPS
Anthem, Inc.	NYSE:ANTM	\$304.30	\$92,091.0	\$6,363.0	\$12.30
Centene Corporation	NYSE:CNC	58.40	56,688.0	2,627.0	2.88
Cigna Corporation	NYSE:CI	167.20	48,569.0	5,208.0	11.57
CVS Health Corporation	NYSE:CVS	56.54	193,919.0	12,431.0	4.64
Humana Inc.	NYSE:HUM	273.43	56,912.0	3,336.0	13.06
UnitedHealth Group Incorporated	NYSE:UNH	249.31	226,247.0	19,166.0	9.94

Company	Ticker	Enterprise Value	EV / Sales	EV / EBITDA	P / E
Anthem, Inc.	NYSE:ANTM	\$94,163.2	1.0x	14.8x	24.7x
Centene Corporation	NYSE:CNC	25,568.5	0.5x	9.7x	20.3x
Cigna Corporation	NYSE:CI	102,168.9	2.1x	19.6x	14.4x
CVS Health Corporation	NYSE:CVS	140,185.0	0.7x	11.3x	12.2x
Humana Inc.	NYSE:HUM	40,984.4	0.7x	12.3x	20.9x
UnitedHealth Group Incorporated	NYSE:UNH	264,910.5	1.2x	13.8x	25.1x

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$98,166.0	0.9x	13.1x	20.6x
Mean	111,330.1	1.0x	13.6x	19.6x
Min	25,568.5	0.5x	9.7x	12.2x
Max	264,910.5	2.1x	19.6x	25.1x

- The narrative hasn't changed much from Q4 2018 with PBMs and Managed Care organizations. Due to a significant amount of M&A activity over the last few years, highlighted by 2018's two banner deals, the overall market is concentrated
- The median EV multiples for this sector were 0.9x and 13.1x for Sales and EBITDA, respectively

Comp./Spec. Pharmacy – Trading Comps

Compounding/Specialty Pharmacy Trading Comps

USD in millions, except for per-share amounts

Company	Ticker	Share Price	LTM Sales	LTM EBITDA	LTM EPS
Diplomat Pharmacy, Inc.	NYSE:DPLO	\$6.02	\$5,492.5	\$118.1	\$0.03
Harrow Health, Inc.	NasdaqCM:HROW	5.42	41.4	(2.7)	0.44
BioScrip, Inc.	NasdaqGS:BIOS	1.96	708.9	41.0	(0.22)
Fagron NV	ENXTBR:FAGR	17.94	540.0	106.5	0.54

Company	Ticker	Enterprise Value	EV / Sales	EV / EBITDA	P / E
Diplomat Pharmacy, Inc.	NYSE:DPLO	\$1,068.8	0.2x	9.0x	NM
Harrow Health, Inc.	NasdaqCM:HROW	120.9	2.9x	NM	12.2x
BioScrip, Inc.	NasdaqGS:BIOS	741.3	1.0x	18.1x	NM
Fagron NV	ENXTBR:FAGR	1,575.7	2.9x	14.8x	33.2x

Notes:

NA - Not Available

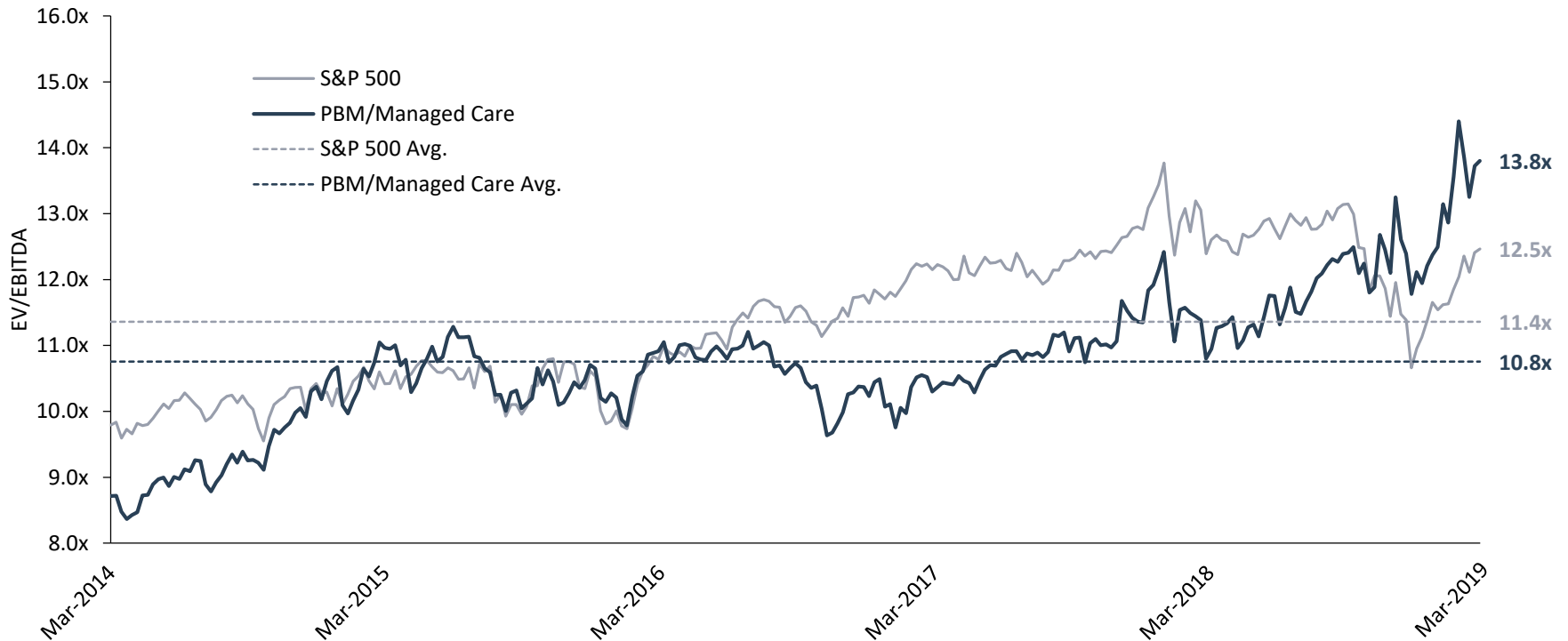
NM - Not Meaningful

Median	\$905.0	2.0x	14.8x	NM
Mean	876.7	1.8x	14.0x	NM
Min	120.9	0.2x	9.0x	12.2x
Max	1,575.7	2.9x	18.1x	33.2x

- Few pure-play, publicly traded Compounding/Specialty Pharmacies exist on the market today
- The Compounding/Specialty Pharmacy market is largely fragmented with many smaller and local players, with the Compounding market still being relatively nascent
- As these markets mature and see consolidation, we expect to see more companies looking to the public markets as a capital source
- The median EV multiples in this sector were 2.0x and 14.8x for Sales and EBITDA, respectively

PBM/Managed Care Valuation Trends – Last 5 Years

Historical Total Enterprise Value/EBITDA Multiples

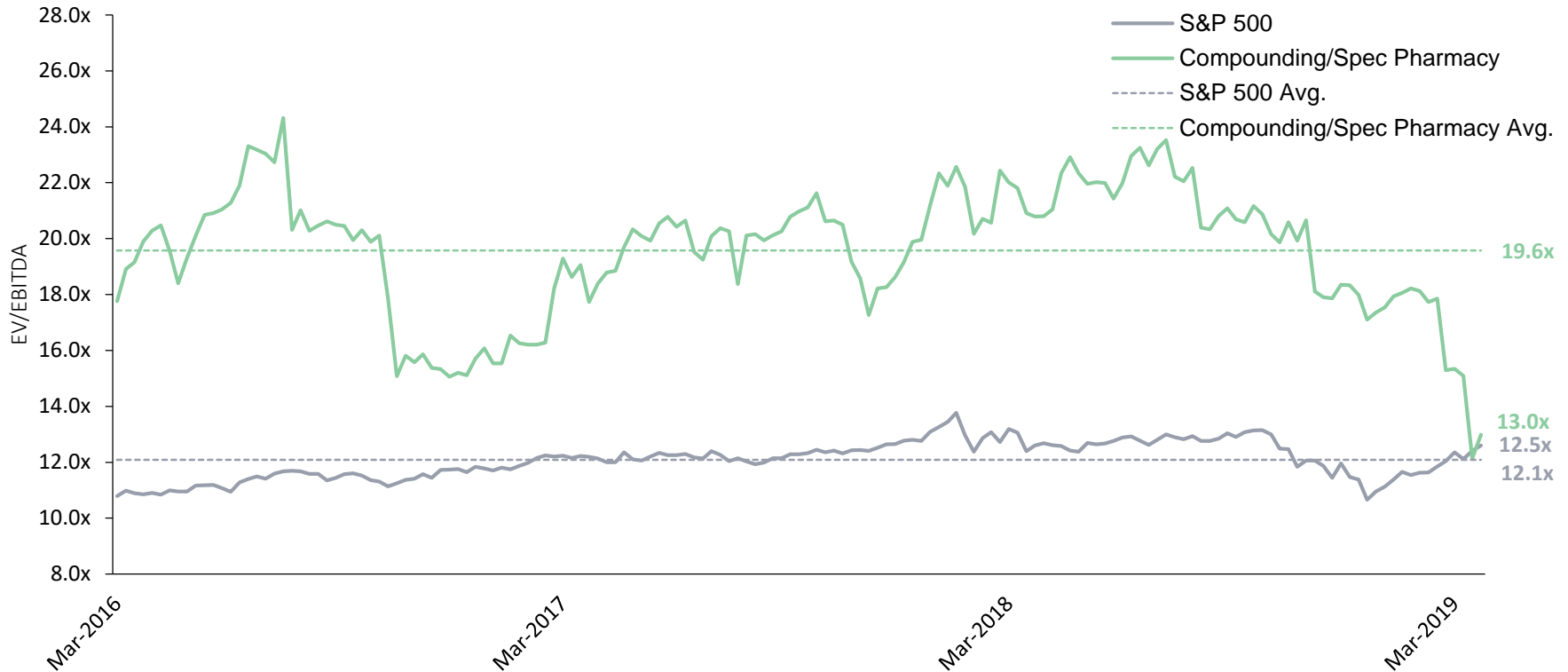


- The PBM/Managed Care sector has seen a steady rise over the last 5 years, largely in line with the S&P 500
 - More recently, the sector has outpaced the broader market (as measured by the S&P 500)

PBM/Managed Care basket consists of the following: Anthem, Inc. (NYSE:ANTM); Centene Corporation (NYSE:CNC); Cigna Corporation (NYSE:CI); CVS Health (NYSE:CVS); Humana Inc. (NYSE:HUM); UnitedHealth Group Incorporated (NYSE:UNH)

Comp./Spec. Pharmacy Valuation Trends – Last 3 Years

Historical Total Enterprise Value/EBITDA Multiples



- Despite sitting well above the S&P 500 over the last 3 years, the Compounding/Specialty Pharmacy industry has fallen closer in line with the S&P 500
 - The inflated EBITDA multiples for Specialty Pharmacies are largely due to their margin profile
- This chart only includes 3 years of data due to extreme volatility for Diplomat Pharmacy and BioScrip in 2014-2015

Compounding/Specialty Pharmacy basket consists of the following: BioScrip, Inc. (NasdaqGS:BIOS); Diplomat Pharmacy, Inc. (NYSE:DPLO); Fagron NV (ENXTBR:FAGR); and Harrow Health, Inc. (NasdaqCM:HROW)

Valuation Trends (Current, 3-5 Year, LTM Comparisons)

- Below are the current TEV/EBITDA multiples for each sector:
 - PBM/Managed Care: 13.8x (10.4% above current S&P multiples)
 - Compounding/Specialty Pharmacy: 13.0x (4.0% above current S&P multiples)
 - S&P 500: 12.5x
- Below are the average TEV/EBITDA multiples for each sector over the last 3-5 years:
 - PBM/Managed Care: 10.8x (5.3% below 5 yr. average S&P multiples)
 - Compounding/Specialty Pharmacy: 19.6x (3 yr. average – 62.0% above 3 yr. average S&P multiples)
 - S&P 500: 11.4x (5 yr. average)
 - S&P 500: 12.1x (3 yr. average)
- Below are the % change in TEV/EBITDA multiples for each sector over the last 3-5 years (and LTM):
 - PBM/Managed Care: +58.6% in the last 5 yrs. (up 27.8% in the last 12 months)
 - Compounding/Specialty Pharmacy: -27.0% in the last 3 yrs. (down 37.9% in the last 12 months)
 - S&P 500: +27.6% in last 5 yrs. (up 1.7% in the last 12 months)
 - S&P 500: +15.7% in last 3 yrs. (up 1.7% in the last 12 months)