

INSIGHT

A network diagram consisting of numerous white nodes connected by thin white lines, overlaid on a blurred image of a person's face. The nodes are arranged in a complex, interconnected pattern, suggesting a network or data flow. The background is a soft, out-of-focus portrait of a person's face, primarily in shades of brown and orange.

PHARMACY SERVICES

SECTOR SNAPSHOT

June 2019

BOURNE PARTNERS

Comp./Spec. Pharmacy – Transaction Comps

Compounding/Specialty Pharmacy – Transaction Comps

USD in millions

Announced Date	Target	Target Description	Buyer	Geographic Location	Enterprise Value	LTM Revenue	LTM EBITDA	EV / LTM Revenue	EV / LTM EBITDA
May-19	Belmar Pharmacy	Compounding pharmacy located in Golden, CO. Provides patient-specific preparations of various pharmaceutical products	MedEquity Capital, LLC; Webster Equity Partners	USA	NA	NA	NA	NA	NA
May-19	Specialty Pharmacy Business Assets of Premier, Inc.	Comprises the specialty pharmacy business/operations and related assets of Premier, Inc.	Procure Pharmacy, L.L.C.	USA	\$42.3	NA	NA	NA	NA
Oct-18	Avella Specialty Pharmacy	Operates a chain of retail pharmacies that provide specialty medications to patients across the US	OptumRx / UnitedHealth Group	USA	NA	NA	NA	NA	NA
Nov-17	Salus Pharmicare Inc.	Specialty pharmacy offering medication management services to assisted living and LTC facilities	Centric Health Corporation	Canada	3.2	NA	\$0.5	NA	6.8x
Aug-17	Quantum Pharma Plc	Develops, manufactures, and supplies niche pharmaceutical products to the retail pharmacy, pharmaceutical wholesaler, hospital, and homecare markets	Clinigen Group Plc	United Kingdom	199.9	\$119.5	8.2	1.7x	24.4x
Apr-16	Diplomat Specialty Pharmacy of Los Angeles County, Inc.	Stocks, dispenses, and distributes prescriptions for various biotechnology and specialty pharmaceutical manufacturers	Diplomat Pharmacy, Inc.	USA	75.7	400.0	9.0	NM	8.4x
Apr-16	Integrity Compounding Pharmacy, LLC	Develops and provides compounded pharmaceutical products	True Nature Holding, Inc.	USA	1.0	0.9	NA	1.1x	NA
Oct-15	PharMEDium Healthcare Holdings, Inc.	Provides outsourced compounded sterile preparations to acute care hospitals	AmerisourceBergen Drug Corporation	USA	3,060.8	405.7	96.0	7.5x	31.9x
May-15	AnazaoHealth Corporation	Specialty pharmacy that compounds patient-specific preparations for the nuclear medicine and pain management markets, as well as for drugs used in clinical trials	Fagron NV	USA	97.8	NA	16.3	NA	6.0x
Jun-13	CarePoint Partners, LLC	Provides home infusion therapy and specialty pharmacy services for patients, families, and caregivers in the US	BioScrip, Inc.	USA	221.1	140.5	NA	1.6x	NA

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$86.7	\$140.5	\$9.0	1.6x	8.4x
Mean	462.7	213.3	26.0	3.0x	15.5x
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 – Transaction Comps

PBM/Managed Care – Transaction Comps

USD in millions

Announced Date	Target	Target Description	Buyer	Geographic Location	Enterprise Value	LTM Revenue	LTM EBITDA	EV / LTM Revenue	EV / LTM EBITDA
Mar-19	WellCare Health Plans, Inc.	Provides government-sponsored managed care services	Centene Corporation	USA	\$17,300.0	\$20,414.1	\$915.2	0.8x	18.9x
Sep-18	Genoa Healthcare, LLC	Genoa Healthcare is the largest provider of pharmacy, outpatient telepsychiatry and medication management services	OptumRx, Inc.	USA	2,500.0	NA	NA	NA	NA
Aug-18	Excel Managed Care & Disability Services Inc.	Provides occupational and non-occupational medical case management, utilization review, and return-to-work services	Genex Services, LLC	USA	NA	NA	NA	NA	NA
Mar-18	RxAdvance Corporation	RxAdvance is a national full-service PBM that helps to manage standard formulary, specialty pharmaceutical, and biologics usage	Centene Corporation	USA	NA	NA	NA	NA	NA
Mar-18	Express Scripts Holding Company	Express Scripts is one of the largest PBMs in the US	Cigna Corporation	USA	68,671.4	100,064.6	7,132.5	0.7x	9.6x
Dec-17	Aetna Inc.	Aetna is one of the largest managed healthcare companies in the US	CVS Health Corporation	USA	69,643.0	60,535.0	5,685.0	1.2x	12.3x
Nov-17	Leehar Distributors, Inc.	Provides pharmacy benefits services for health insurance agents and consultants; third party administrators; and self-insured organizations	Diplomat Pharmacy, Inc.	USA	595.6	NA	NA	NA	NA
Nov-17	National Pharmaceutical Services	Designs performance network pharmacy concepts in the US	Diplomat Pharmacy, Inc.	USA	47.0	32.0	5.4	1.5x	8.7x
Nov-16	Integrated Prescription Solutions, Inc.	Provides PBM and ancillary healthcare services in the US	Mitchell International, Inc.	USA	NA	NA	NA	NA	NA
Jan-16	Helios Comp	Helios Comp is a PBM focused on workers' compensation and auto no-fault cost containment	OptumRx, Inc.	USA	1,600.0	NA	NA	NA	NA
Mar-15	Catamaran Corporation	Provides PBM and Healthcare IT solutions to the healthcare benefits management industry across North America	OptumRx, Inc.	USA	13,385.5	21,581.9	845.7	0.6x	15.8x
Feb-15	Healthcare Solutions, Inc.	Operates as a health services company delivering integrated solutions to the property and casualty markets	Catamaran Corporation	USA	405.0	NA	35.0	NA	11.6x

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$2,500.0	\$21,581.9	\$880.4	0.8x	11.9x
Mean	19,349.7	40,525.5	2,436.5	1.0x	12.8x
Min	47.0	32.0	5.4	0.6x	8.7x
Max	69,643.0	100,064.6	7,132.5	1.5x	18.9x

Comp./Spec. Pharmacy – Trading Comps

Compounding/Specialty Pharmacy – Trading Comps

USD in millions

Company	Ticker	Enterprise Value	LTM			Margin Analysis			Enterprise Value/			Debt/		
			Sales	EBITDA	EBIT	Gross Profit	EBITDA	EBIT	Sales	EBITDA	EBIT	Enterprise Value	Equity Value	EBITDA
BioScrip, Inc.	NasdaqGS:BIOS	\$830.1	\$719.3	\$41.9	\$19.7	12.5%	5.8%	2.7%	1.2x	19.8x	42.2x	64.5%	178.6%	12.8x
Diplomat Pharmacy, Inc.	NYSE:DPLO	1,010.9	5,406.8	103.4	31.2	6.8%	1.9%	NM	0.2x	9.8x	32.4x	63.2%	170.4%	6.2x
Fagron NV	ENXTBR:FAGR	1,740.0	540.0	99.0	83.8	44.2%	18.3%	15.5%	3.2x	17.6x	20.8x	21.7%	26.0%	3.8x
Harrow Health, Inc.	NasdaqCM:HROW	150.9	44.8	(1.5)	(3.4)	63.5%	NM	NM	3.4x	NM	NM	14.0%	13.0%	NM

Median	28.3%	5.8%	9.1%	2.2x	17.6x	32.4x	42.5%	98.2%	6.2x
Mean	31.7%	8.7%	9.1%	2.0x	15.7x	31.8x	40.9%	97.0%	7.6x
Min	6.8%	1.9%	2.7%	0.2x	9.8x	20.8x	14.0%	13.0%	3.8x
Max	63.5%	18.3%	15.5%	3.4x	19.8x	42.2x	64.5%	178.6%	12.8x

- Few pure-play, publicly traded Compounding/Specialty Pharmacies exist on the market today
- The Compounding/Specialty Pharmacy segment is largely fragmented with many smaller and local players, specifically in the nascent Compounding market
- As these markets continue to mature and experience consolidation, we expect to see more companies looking to the public markets as a capital source
- The median EV multiples for this sector are 2.2x and 17.6x for LTM Sales and EBITDA, respectively

PBM/Managed Care – Trading Comps

PBM/Managed Care – Trading Comps

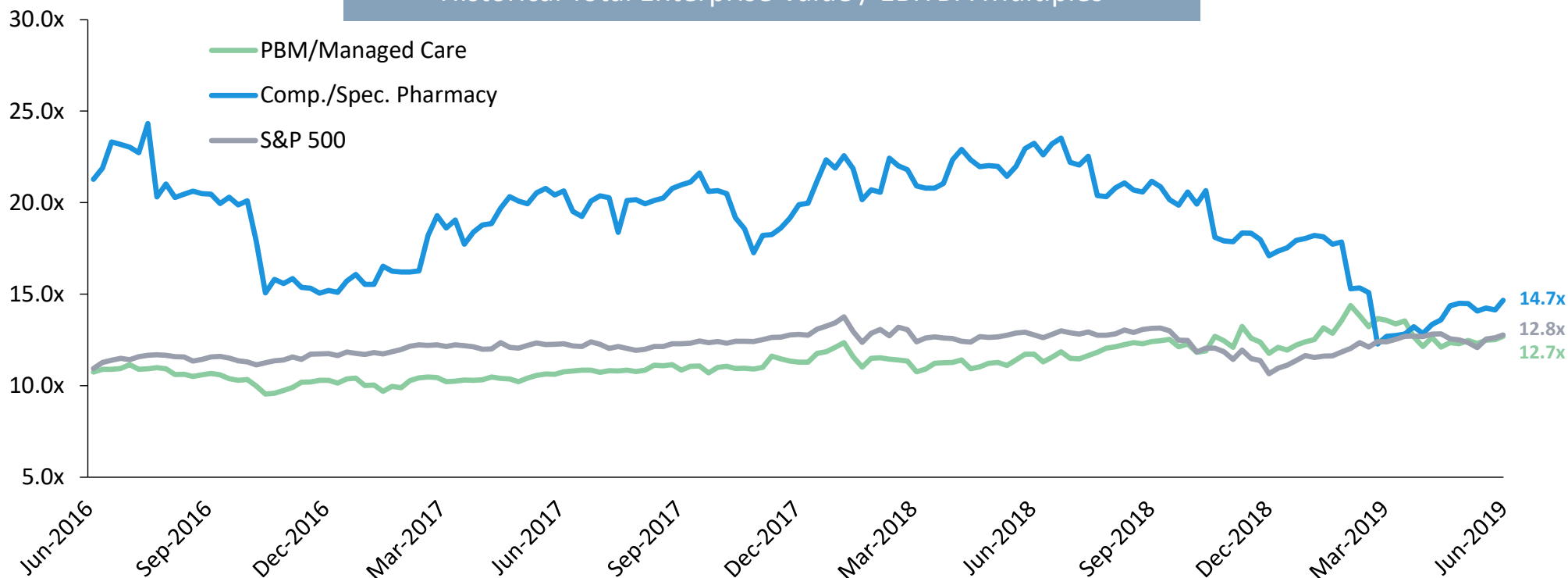
USD in millions

Company	Ticker	Enterprise Value	LTM			Margin Analysis			Enterprise Value/			Debt/		
			Sales	EBITDA	EBIT	Gross Profit	EBITDA	EBIT	Sales	EBITDA	EBIT	Enterprise Value	Equity Value	EBITDA
Anthem, Inc.	NYSE:ANTM	\$91,047.1	\$94,220.0	\$6,530.0	\$5,966.0	21.3%	6.9%	6.3%	1.0x	13.9x	15.3x	22.7%	27.5%	3.2x
Centene Corporation	NYSE:CNC	24,159.7	61,028.0	2,877.0	2,331.0	18.2%	4.7%	3.8%	0.4x	8.4x	10.4x	31.5%	33.3%	2.6x
Cigna Corporation	NYSE:CI	96,812.4	75,145.0	6,983.0	5,870.0	24.6%	9.3%	7.8%	1.3x	13.9x	16.5x	42.5%	67.9%	5.9x
CVS Health Corporation	NYSE:CVS	157,210.1	209,623.0	13,633.0	10,448.0	16.6%	6.5%	5.0%	0.7x	11.5x	15.0x	60.8%	136.5%	7.0x
Humana Inc.	NYSE:HUM	37,772.1	58,740.0	3,420.0	3,187.0	18.8%	5.8%	5.4%	0.6x	11.0x	11.9x	17.7%	19.2%	2.0x
UnitedHealth Group Incorporated	NYSE:UNH	261,388.0	231,367.0	20,002.0	18,123.0	23.6%	8.6%	7.8%	1.1x	13.1x	14.4x	14.7%	16.3%	1.9x
WellCare Health Plans, Inc.	NYSE:WCG	14,013.1	22,530.1	996.3	862.2	14.5%	4.4%	3.8%	0.6x	14.1x	16.3x	17.1%	16.1%	2.4x
Median						18.8%	6.5%	5.4%	0.7x	13.1x	15.0x	22.7%	27.5%	2.6x
Mean						19.7%	6.6%	5.7%	0.8x	12.3x	14.2x	29.6%	45.3%	3.6x
Min						14.5%	4.4%	3.8%	0.4x	8.4x	10.4x	14.7%	16.1%	1.9x
Max						24.6%	9.3%	7.8%	1.3x	14.1x	16.5x	60.8%	136.5%	7.0x

- Following the same trend as the year prior, 2019 has already been marked by its own mega-deal – the \$17.3bn proposed acquisition of WellCare Health Plans by Centene Corporation – highlighting an ever-increasing focus on consolidation within this industry segment
 - The spike in M&A over the last handful of years has driven valuations – and will likely continue to do so – within the PBM segment as firms look to add niche services and compile more lives
- Median EV multiples for this segment are currently 0.7x and 13.1x for LTM Sales and EBITDA, respectively

Valuation Trends – Last 3 Years

Historical Total Enterprise Value / EBITDA Multiples



- The PBM/Managed Care segment has seen a steady rise over the last 3 years, largely in line with the S&P 500
 - The sector is currently sitting at 12.7x LTM EBITDA
- The Compounding/Specialty Pharmacy index, despite sitting well above the S&P 500 over the last three years, has fallen closer in line with the broader market over the last few months
 - The sector is currently sitting at 14.7x LTM EBITDA

Comp./Spec. Pharmacy basket consists of: BioScrip, Inc. (NasdaqGS:BIOS), Diplomat Pharmacy, Inc. (NYSE:DPLO), Fagron NV (ENXTBR:FAGR), and Harrow Health, Inc. (NasdaqCM:HROW)
 PBM/Managed Care basket consists of: Anthem, Inc. (NYSE:ANTM), Centene Corporation (NYSE:CNC), Cigna Corporation (NYSE:CI), CVS Health Corporation (NYSE:CVS), Humana Inc. (NYSE:HUM), UnitedHealth Group Incorporated (NYSE:UNH), WellCare Health Plans, Inc. (NYSE:WCG)

Valuation Trends (Current, 3 Year, & LTM Comparisons)

- Below are the current TEV / EBITDA multiples for each sector:
 - Compounding/Specialty Pharmacy: 14.7x (14.7% above current S&P multiples)
 - PBM/Managed Care: 12.7x (0.6% below current S&P multiples)
 - S&P 500: 12.8x
- Below are the average TEV / EBITDA multiples for each sector over the last 3 years:
 - Compounding/Specialty Pharmacy: 19.1x (56.2% above average S&P multiples)
 - PBM/Managed Care: 11.4x (7.1% below average S&P multiples)
 - S&P 500: 12.2x
- Below are the % change in TEV / EBITDA multiples for each sector over the last 3 years (and LTM):
 - Compounding/Specialty Pharmacy: -31.1% (down 36.9% in the last 12 months)
 - PBM/Managed Care: +18.1% (up 8.3% in the last 12 months)
 - S&P 500: +16.7% (unchanged in the last 12 months)