


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, showing their eyes and nose. The network is overlaid on a dark blue horizontal bar.

PHARMACY SERVICES SECTOR SNAPSHOT

October 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
Oct-19	KnippeRx Inc.	Operates as an independent specialty pharmacy chain, offering rare, orphan, and ultra orphan drug categories	Court Square Capital Partners	USA	NA	NA	NA	NA	NA
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.	Procare Pharmacy, L.L.C.	USA	\$42.3	NA	NA	NA	NA
Mar-19	BioScrip, Inc.	Provides infusion and home care management solutions in the United States	Option Care Health, Inc.	USA	NA	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 Pharmacare 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

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$75.7	\$259.8	\$9.0	1.7x	8.4x
Mean	497.2	231.5	26.0	3.4x	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
Diplomat Pharmacy, Inc.	NYSE:DPLO	972.4	5,278.4	83.2	15.2	6.5%	1.6%	NM	0.2x	11.7x	64.1x	62.5%	164.0%	7.3x
Fagron NV	ENXTBR:FAGR	1,587.1	564.6	101.9	90.2	44.9%	18.1%	16.0%	2.8x	15.6x	17.6x	26.7%	33.3%	4.2x
Harrow Health, Inc.	NasdaqCM:HROW	130.3	47.9	(1.5)	(3.5)	63.7%	NM	NM	2.7x	NM	NM	15.8%	14.6%	NM
Median						44.9%	9.8%	16.0%	2.7x	13.6x	40.9x	26.7%	33.3%	5.7x
Mean						38.4%	9.8%	16.0%	1.9x	13.6x	40.9x	35.0%	70.6%	5.7x
Min						6.5%	1.6%	16.0%	0.2x	11.7x	17.6x	15.8%	14.6%	4.2x
Max						63.7%	18.1%	16.0%	2.8x	15.6x	64.1x	62.5%	164.0%	7.3x

- Few publicly traded Compounding/Specialty Pharmacies exist on the market today
- As these markets continue to mature and experience consolidation, we expect to see more companies looking to the public markets as a capital source
- Q3 2019 was marked by Option Care’s reverse merger with BioScrip in August
 - Under the merger agreement, BioScrip issued new shares to Option Care shareholders who now own ~80% of the combined publicly traded entity
 - Many of the recent acquisitions in the Specialty Pharmacy industry have been at steep discounts due to the compressed margin profiles of companies in the space
- Throughout Q3, Compounders continued to endure the scrutiny of the FDA and its requirements for sterile compounding
- As of the end of Q3, the median EV multiples for this sector were 2.7x and 13.6x for LTM Sales and EBITDA, respectively

PBM/Managed Care – Trading Comps

PBM/Managed Care – Trading Comps

USD in millions

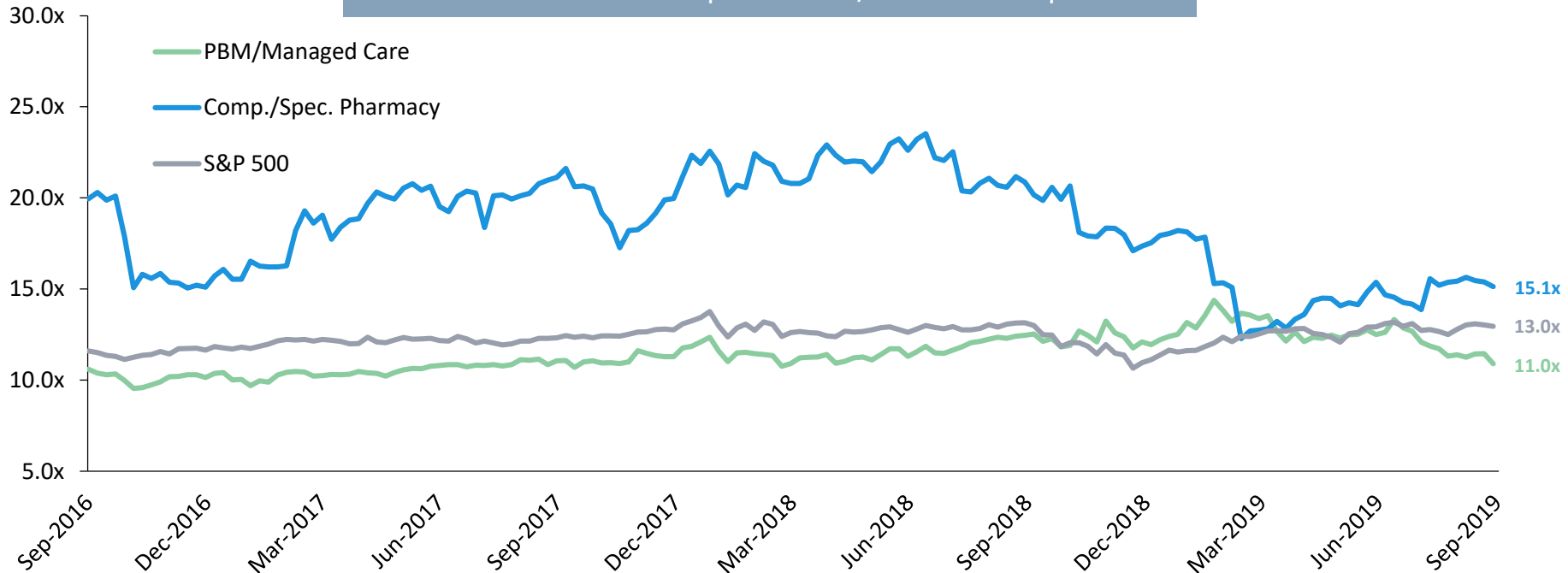
Company	Ticker	Enterprise Value	LTM			Margin Analysis			Enterprise Value/			Debt/		
			Sales	EBITDA	EBIT	Gross Profit	EBITDA	EBIT	Sales	EBITDA	EBIT	Enterprise Value	Equity Value	EBITDA
Anthem, Inc.	NYSE:ANTM	\$77,902.7	\$96,742.0	\$6,483.0	\$5,908.0	20.6%	6.7%	6.1%	0.8x	12.0x	13.2x	26.4%	33.5%	3.2x
Centene Corporation	NYSE:CNC	18,919.6	65,491.0	3,137.0	2,544.0	17.7%	4.8%	3.9%	0.3x	6.0x	7.4x	41.8%	44.2%	2.5x
Cigna Corporation	NYSE:CI	93,577.3	102,510.0	8,893.0	7,002.0	20.3%	8.7%	6.8%	0.9x	10.5x	13.4x	42.6%	69.6%	4.5x
CVS Health Corporation	NYSE:CVS	165,420.3	226,053.0	14,830.0	11,220.0	17.1%	6.6%	5.0%	0.7x	11.2x	14.7x	55.6%	112.1%	6.2x
Humana Inc.	NYSE:HUM	36,135.3	60,726.0	3,683.0	3,440.0	18.5%	6.1%	5.7%	0.6x	9.8x	10.5x	17.6%	18.5%	1.7x
UnitedHealth Group Incorporated	NYSE:UNH	234,478.0	235,876.0	20,598.0	18,663.0	23.5%	8.7%	7.9%	1.0x	11.4x	12.6x	18.0%	20.5%	2.1x
WellCare Health Plans, Inc.	NYSE:WCG	12,391.5	24,901.2	1,055.6	887.9	13.5%	4.2%	3.6%	0.5x	11.7x	14.0x	18.9%	18.0%	2.2x

Median	18.5%	6.6%	5.7%	0.7x	11.2x	13.2x	26.4%	33.5%	2.5x
Mean	18.7%	6.5%	5.6%	0.7x	10.4x	12.3x	31.6%	45.2%	3.2x
Min	13.5%	4.2%	3.6%	0.3x	6.0x	7.4x	17.6%	18.0%	1.7x
Max	23.5%	8.7%	7.9%	1.0x	12.0x	14.7x	55.6%	112.1%	6.2x

- 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/Managed Care segment as firms look to add niche services and compile more lives
- As of the end of Q3, the median EV multiples for this segment were 0.7x and 11.2x for LTM Sales and EBITDA, respectively

Valuation Trends – Last 3 Years

Historical Total Enterprise Value / EBITDA Multiples



- The PBM/Managed Care segment struggled throughout Q3, falling below the S&P 500 index
 - As of the end of Q3, the sector was sitting at 11.0x LTM EBITDA
- The Compounding/Specialty Pharmacy index saw a slight lift over the last quarter but is still short of 2018 highs
 - As of the end of Q3, the sector was sitting at 15.1x LTM EBITDA

Comp./Spec. Pharmacy basket consists of: 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 as of the end of Q3:
 - Compounding/Specialty Pharmacy: 15.1x (16.0% above current S&P multiple)
 - PBM/Managed Care: 11.0x (15.7% below current S&P multiple)
 - S&P 500: 13.0x

- Below are the average TEV / EBITDA multiples for each sector over the last 3 years:
 - Compounding/Specialty Pharmacy: 18.5x (49.5% above average S&P multiple)
 - PBM/Managed Care: 11.5x (7.3% below average S&P multiple)
 - S&P 500: 12.4x

- Below are the % change in TEV / EBITDA multiples for each sector over the last 3 years (and LTM):
 - Compounding/Specialty Pharmacy: -24.2% (down 27.6% in the last 12 months)
 - PBM/Managed Care: +3.5% (down 11.9% in the last 12 months)
 - S&P 500: +12.3% (down 0.9% in the last 12 months)