



# DealReader

## Specialized Pharmacy Services

December 2016

## Inside this Issue

**Prescription Drug Market Overview**

**Pharmacy Benefit Management (PBM)**

**Specialty Pharmacy**

**Institutional Pharmacy**

**Home Infusion Therapy**

**Capital Markets**

## Select Lincoln Specialized Pharmacy Deals

Private Shareholder  
has agreed to sell

**APOSAN**  
sicher. gut. versorgt.

to

**Investment Partners**



## Home Infusion

**tnh**

has been sold to

**DIPLOMAT**



## Specialty Pharmacy

**Creadev**  
has sold

**homeperf**

to

**ARKEA** **BNP PARIBAS**  
**PARQUEST CAPITAL** **VIVALTO**



## Home Infusion

**FRONTENAC COMPANY**  
has sold

**Crescent Healthcare, Inc.**

to

**Walgreens**



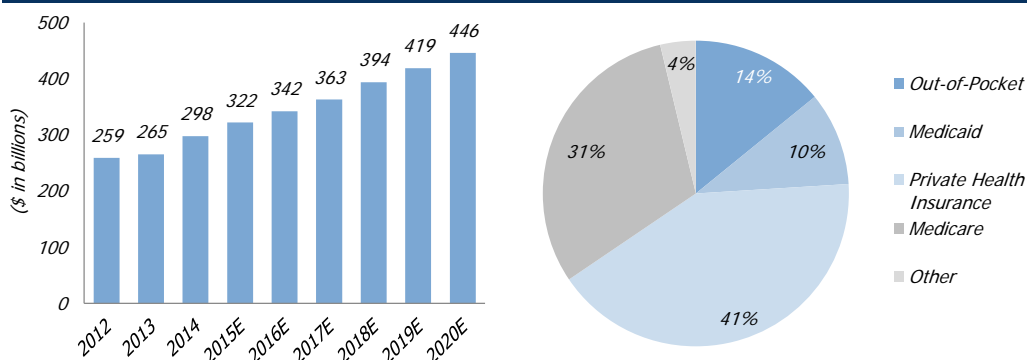
## Specialty Infusion

# Prescription Drug Market Overview

For millions of Americans, prescription drugs save lives, promote healing, reduce suffering and restore normal functioning for activities of daily living. The benefits associated with prescription drugs, however, have not come without a steep price tag. According to the Centers for Medicare & Medicaid Services (CMS), spending on prescription drugs in the U.S. was estimated at \$322 billion in 2015, representing an approximate 8% increase versus the prior year. Prescription drugs

currently represent approximately 10% of total U.S. healthcare expenditures up from 5% during the 1980s. By 2020, prescription drugs expenditures are projected to surpass \$445 billion, representing an approximate 6.7% compound annual growth rate ("CAGR"). On a worldwide basis, prescription drug sales are expected to reach almost one trillion dollars by 2020, representing a 4.8% CAGR between 2014 and 2020 according to EvaluatePharma.

## U.S. Prescription Drug Expenditures & 2016E Payer Mix



Source: Centers for Medicare & Medicaid Services, Office of the Actuary.

Critics wonder whether current spending levels and prescribing patterns are an efficient use of an already stretched healthcare dollar. A confluence of factors, including an aging population, prevalence of chronic conditions, and increasing insurance coverage through the Affordable Care Act have exacerbated pricing pressures. Moreover, the emergence of high-priced specialty drugs, a slowdown in blockbuster drugs losing patent protection and generic dispensing rates leveling off, continue to push the costs of medications upward.

Media attention over the past couple of years has been captivated by rising prescription drug expenditures. Expensive miracle drugs for Hepatitis C, perceived price gouging activities from companies such as Turing Pharmaceuticals for its HIV drug and Mylan for its EpiPen further contribute to the public's outcry for the need for greater price transparency.

Significant cost pressure across the health system to achieve greater efficiencies has served as the impetus for several mega mergers and acquisitions. Across the pharmacy landscape in the U.S., numerous notable acquisitions have been announced over the past two years, including CVS / Omnicare, CVS / Target pharmacies, Rite Aid / Envision, and Walgreens Boots Alliance / Rite Aid.

While major mergers and acquisitions dominate the pharmacy news headlines, the race for size continues to spur acquisitions within the broader middle market. This Specialized Pharmacy Services Deal Reader focuses on several key players in the dispensing of prescription medications (e.g., specialty pharmacy, institutional pharmacy, and home infusion), as well as those integral to the bending of the cost curve (e.g., pharmacy benefit management).

# Pharmacy Benefit Management (PBM)

## Background

PBMs function as intermediaries between pharmaceutical companies that manufacture drugs, physicians that prescribe drugs and retail pharmacies that dispense them. PBMs

aggregate the buying power of enrollees from their client health plans, enabling plan sponsors and individuals to obtain lower prices for their prescription drugs through

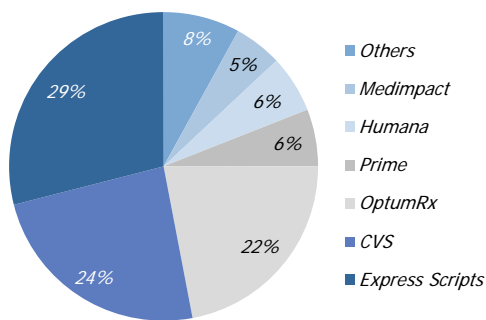


price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and the efficiencies of mail-service pharmacies.

According to industry sources, the U.S. PBM market in 2016 is estimated at over \$300 billion growing at an approximate 7% compound annual growth rate (CAGR)

### U.S.PBM Market Share

PBM Market Share



### Emergence of Three PBM Models

**Standalone**

EXPRESS SCRIPTS<sup>®</sup> MedImpact

**Drug-Store Affiliated**

CVS CAREMARK | ENVISIONR | RITE AID | Walgreens Boots Alliance

**Insurance Affiliated**

OPTUMRx<sup>®</sup> UNITEDHEALTH GROUP

Source: Xerox Corporation based upon 2014 Prescription Drugs

### Key PBM Market Trends

- Differentiation Through Clinical Programs** – PBMs seek to differentiate themselves in the marketplace by providing a wide array of clinical management programs, including step therapy, compound management, medication therapy management, prior authorization and fraud, waste and abuse. These services provide a means for PBMs to compete not simply on pricing, but through value added services that improve outcomes for health plans.
- Specialty Pharmacy** - A key area of focus for PBMs over the next several years is managing specialty pharmacy spending as plan sponsors look to utilize existing PBM tools to manage these costs, which are significantly higher than traditional pharmaceuticals.
- Channel Mix Changes** – Rise of retail 90 (i.e., 90-day prescriptions vs. standard 30-day prescriptions), decline in typical higher margin mail penetration, and rise in cash-pay are driving changes in traditional pharmacy channel management.
- Generics Continue to Provide Cost Savings** – According to IMS Health, generic penetration increased from 47% in 2010 to approximately 82% in 2014. Express Scripts reported that generics comprised 84% of its prescriptions in 2015 and pricing fell 19.9% in 2015.
- Call for Greater Transparency** – Over the past several years, health plans have demanded greater price transparency from the PBM industry. This call for transparency reached a new fever pitch following Anthem's decision to sue Express Scripts in March 2016 for more than \$15 billion. Anthem argued Express Scripts did not share enough drug savings, which led to "an obscene profit windfall."

### U.S. Mergers & Acquisitions Trends

The wave of mergers and acquisitions activity in the PBM industry continues. There is an intense desire to generate increased negotiating power and economies of scale in the face of rising costs and fewer discount

opportunities. In August 2016, The Carlyle Group (NASDAQ: CG) entered into a definitive agreement to acquire Florida-based WellDyneRx, a full-service PBM. Private equity interest in the PBM space also includes Gauge

Capital's backing of Veridicus Health. With respect to strategic buyers, Magellan (NYSE: MGLN) has become an active acquirer of PBM assets having acquired 4D Pharmacy, CDMI, and Partners Rx.

Industry consolidation is reshaping the traditional PBM industry along three paradigms: (i) pharmacy affiliated, (ii) payor affiliated, and (iii) standalone. Pharmacy affiliated PBMs include CVS Caremark and EnvisionRx (Walgreens / Rite-Aid). Payor affiliated PBMs include OptumRx (UnitedHealth), Humana (currently merging

with Aetna) and Cigna (currently merging with Anthem, which uses Express Scripts for PBM services). The pharmacy affiliated paradigm is focused on driving foot traffic to retail pharmacies to increase "front of the store" purchases whereas the payor affiliated model centers on insurance companies "carving in" prescription benefit and general health care delivery. Standalone PBMs include ExpressScripts which competes heavily based upon mail order delivery.

## Select PBM U.S. Mergers & Acquisitions

Date	Target	Acquirer	Enterprise Value (\$mil)	EV / EBITDA
Aug-16	WelldyneRx	Carlyle Group	-\$1,000	n/a
Jan-16	Helios Comp	OptumRx, Inc. (UnitedHealth)	n/a	n/a
Jul-15	Catamaran	United-Health Group	\$13,200	15.6x
Jul-15	Veridicus Health	Gauage Capital	n/a	n/a
Jun-15	Envision Pharmaceutical Holdings	Rite-Aid	\$2,000	15.0x
Apr-15	4D Pharmacy Management	Magellan	\$85	n/a
Sep-14	MedTrak Services	Envision Pharmaceutical Holdings	\$165	9.0x
Apr-14	CDMI	Magellan	\$370	10.2x
Dec-13	Apex Affinity	MedImpact	n/a	n/a
Nov-13	Envision Pharmaceutical Holdings	TPG Capital	\$885	n/a
Oct-13	PMSI	Progressive Medical	\$412	12.5x
Oct-13	Partners Rx	Magellan	\$100	11.1x
Oct-13	Restat	Catamaran	\$410	9.0x
Sep-13	Modern Medical	Healthcare Solutions	n/a	12.0x
Aug-13	Script Save	MedImpact	\$160	8.9x
			<b>Median</b>	<b>11.1x</b>
			<b>Mean</b>	<b>11.5x</b>



## Specialty Pharmacy

### Background

Specialty pharmacies manage the handling of specialty pharmaceuticals, including dispensing, distribution, reimbursement, case management, and other services for patients that have rare and/or chronic diseases. The disease states treated range from cancer, multiple sclerosis and rheumatoid arthritis to rare genetic conditions. Specialty pharmaceuticals are often infused or injected at home or in the physician's office. Moreover, they typically require refrigeration and are shipped in specially designed containers to maintain proper temperatures and ensure stability/sterility. According to the American Pharmacist Association, a medication considered a specialty pharmaceutical may have some or all of the following key characteristics:

- Treatment for complex, chronic and/or rare conditions
- High cost, often exceeding \$10,000, with some costing more than \$100,000 annually
- Availability through exclusive, restricted or limited distribution

- Special storage, handling and/or administration requirements
- Ongoing monitoring for safety and/or efficacy

According to the Drug Channel Institute, the specialty pharmacy industry's revenues reached \$364.1 billion in 2015, up 12.1% from 2014 and represented approximately 27% of the pharmacy industry's revenues. By 2020, specialty pharmacy industry's revenues will exceed \$483 billion and represent approximately 44% of the pharmacy industry's revenues.

In the U.S., reimbursement of specialty drugs can occur either under a patient's pharmacy benefit, or under the patient's medical benefit. An oral specialty drug or self-injected specialty drug administered at the patient's home, for example, is typically reimbursed under the pharmacy benefit, and distributed by a specialty pharmacy. Alternatively, a specialty drug administered to the patient by a physician in an office or clinic is generally reimbursed under the medical benefit and distributed by a specialty distributor.

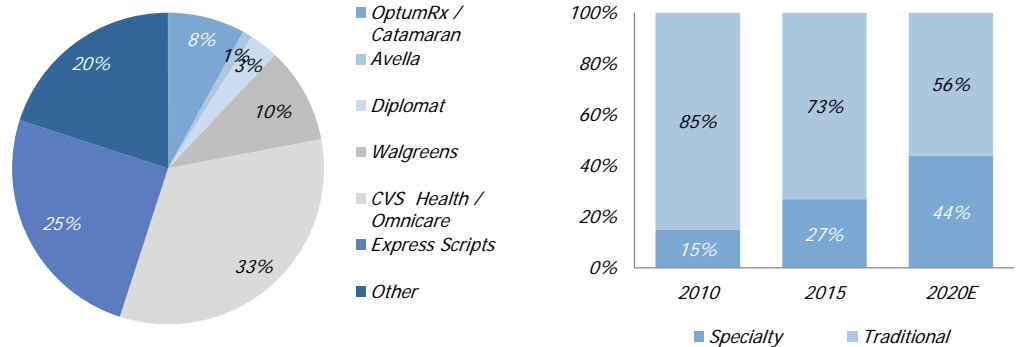
## Select Specialty Pharmacy Transactions



Market share for dispensing specialty drugs remains highly concentrated. The top four specialty pharmacy companies (CVS Health, Express Scripts, Walgreens, and UnitedHealth

Group's OptumRx business) accounted for almost two-thirds of U.S. revenues of pharmacy-dispensed specialty drugs.

### Market Share & Percentage of Drug Spend



Source: Diplomat Investor Presentation, 2016 Economic Report on Retail, Mail and Specialty Pharmacies

### Selected Leaders in U.S. Specialty Pharmacy



### Key Specialty Pharmacy Trends

- High Growth Prescription Drug Segment** – The specialty pharmacy market is expected to grow 15%-20% annually over the next three years, which is well above the traditional pharmacy growth rate of about 5%-10% per annum.
- Less Price Pressure** – In retail medicine, the pricing pressure is strong on commonly used drugs with generic equivalents. Specialty medications, however, may be made by only one company due to the costs of development and manufacturing, so the drug maker has more pricing power. Insurers focus on reducing cost through promoting more efficient delivery and patient adherence.
- Limited Distribution Continues to Gain Momentum** – Limited distribution is a targeted channel strategy that provides certain specialty pharmacies with exclusive or preferred dispensing rights to certain drugs. This approach completely eliminates or reduces reliance on a wholesaler. Mid-size and smaller specialty pharmacies need to compete aggressively for access to lives and medications.
- Scrutiny by Plan Sponsors** - Employers are more willing to take aggressive steps to mitigate rising specialty drug costs. In the past 5 years, there has been a large increase in the number of employers focused on effective ways to manage the rising cost of specialty drugs. According to a report by Towers Watson, 53% of employers have added new coverage and utilization restrictions for specialty prescription drugs, including prior authorization or limiting quantities based on clinical evidence.

## U.S. Mergers & Acquisitions Trends

Merger and acquisition activity in the specialty pharmacy sector has been quite high over the past several years. These deals are spread across a number of different players in the sector, including large pharmacy providers engaging on strategic acquisitions to expand their specialty operations and big-box retailers looking for opportunities to complement their retail holdings.

Mergers and acquisitions activity in this sector continues at a robust pace, with particular opportunities for pharmacies that offer expanded capabilities and sought-after specialized services, including disease-specific medication therapy management programs, comprehensive data reporting, advanced patient coaching and physician engagement programs. Moreover, private equity firms have sought to participate in the high growth specialty pharmacy market through platform acquisitions.

In late 2015, OptumRx acquired AxelaCare Health Solutions, which is a portfolio company of Harvest Partners. In public markets, Diplomat Pharmacy Inc. (NYSE: DPLO) has been active in acquisitions and is one of several potential acquirers for private equity investors looking for exit strategies. In 2016, Diplomat announced the acquisition of TNH Advanced Specialty Pharmacy following the acquisitions of Burman's Specialty Pharmacy and BioRx in 2015.

Supermarket chains have also joined in the buying spree. In September 2016, Kroeger announced it was acquiring ModernHealth. In 2015, Meijer agreed to acquire Aureus Health Services from the private equity firm BelHealth Investment Partners. Supermarket chain Hy-Vee acquired Amber Pharmacy in 2014 and Kroger acquired Axiom Pharmacy Holdings in 2012.

### Select Specialty Pharmacy U.S. Mergers & Acquisitions

Date	Target	Acquirer	Enterprise Value (\$mil)	EV / EBITDA
Nov-16	BioMatrix, LLC	Acon Investments and Triton Pacific Capital Partners	n/a	n/a
Nov-16	Oncology Plus, LLC	Avella Specialty Pharmacy, Inc.	n/a	n/a
Sep-16	Pharmaceutical Specialties Inc.	Maxor National Pharmacy Services	n/a	n/a
Sep-16	ModernHealth	The Kroger Company	n/a	n/a
Jun-16	Avita Drugs	Long's Drugs Inc.	n/a	n/a
Apr-16	TNH Advanced Specialty Pharmacy	Diplomat Pharmacy, Inc.	\$76	8.4x
Mar-16	Healy Pharmacy, LLC	Apothecary by Design LLC	n/a	n/a
Nov-15	AxelaCare Health Solutions, LLC	OptumRx, Inc.	n/a	n/a
Aug-15	Apothecary by Design LLC	BelHealth Investment Partners, LLC	n/a	n/a
Jun-15	Aureus Health Services, LLC	Meijer, Inc.	n/a	n/a
Jun-15	Burman's Apothecary, L.L.C.	Diplomat Pharmacy, Inc.	\$73	2.8x
Apr-15	BioRx	Diplomat Pharmacy, Inc.	\$348	15.1x
Jan-15	Ambient Healthcare	AxelaCare Health Solutions	n/a	n/a
Jan-15	Salveo Specialty Pharmacy, Inc.	Catamaran Corporation	\$260	13.0x
Jun-14	MedPro Rx, Inc.	Diplomat Pharmacy, Inc.	\$75	n/a
Feb-14	Amber Pharmacy	Hy-Vee, Inc.	n/a	10.0x
Apr-13	AxelaCare Health Solutions	Harvest Partners	\$234	12.0x
Jan-13	AcariaHealth, Inc.	Centene Corp.	\$143	15.0x
			<b>Median</b>	<b>12.0x</b>
			<b>Mean</b>	<b>10.9x</b>



# Institutional Pharmacy

## Background

Institutional pharmacies provide prescription medications and other consultative services to residents of nursing homes, hospitals and hospice environments that do not have an on-site pharmacy. Institutional pharmacies purchase, repackage and dispense prescription pharmaceuticals in accordance with physician orders and deliver the medication to healthcare facilities for administration.

Institutional pharmacies service healthcare facilities typically within a radius of 120-miles or less of a specific pharmacy location at least once each day. They provide 24-hour, seven-day per week on-call pharmacist services for emergency dispensing, delivery and/or

consultation with the facility's staff or the resident's attending physician.

According to PharMerica, the institutional pharmacy market is approximately \$12-\$15 billion and growing at 4%-6% per annum. Omnicare Inc. and PharMerica Corporation account for 47% of industry revenue, while the rest of the industry is highly fragmented, with over 1,000 other independent long-term-care (LTC) pharmacies operating in the U.S. According to IBIS Institutional Pharmacy Report, approximately, 48.9% of industry revenue is generated through federal Medicare, 41.9% through private payers and 9.2% through state Medicaid.

## Key Institutional Pharmacy Trends

- **Favorable Demographic Trends for Institutional Pharmacies** – The aging population is increasing the demand for geriatric care and LTC pharmacy services. According to the U.S. Census Bureau, in 2015, 47.8 million adults are aged 65 and older in the U.S.; by 2035, that number is expected to rise to 79.2 million (an increase of 66 percent). Elderly patients are more likely to be in poor health and require more medications than younger patients. Nearly 92% of older adults have at least one chronic condition and 77% have at least two. According to a 2015 study by a Group Purchasing Organization (GPO), LTC pharmacy members dispensed an average of 12 prescriptions per month per resident.
- **Reimbursement Pricing Pressure** – Due to greater horizontal and vertical integration among health plans, prescription drug plans (PDPs) and PBMs, independent LTC pharmacies have increasingly experienced reduced reimbursement levels.
- **Searching for Additional Revenue Streams** – Institutional pharmacies are expected to increasingly focus on nontraditional revenue streams as the industry continues to consolidate and operators encounter profit pressures. These streams include monthly patient drug therapy evaluations, regulation compliance assistance and clinical and health management programs using outcomes-based algorithm technology. The industry has also expanded into intravenous medications, respiratory therapy and infusion therapy products and services.
- **Greater Emphasis on Delivering Quality Outcomes** – CMS is in the process of transitioning much of fee-for-service Medicare to new payment and delivery models, including accountable care organizations (ACOs) and bundled payments. This transition to value-based care is transforming relationships between acute and post-acute providers, including skilled nursing facilities (SNFs). Institutional pharmacies serve a critical role in facilitating efficient, high-quality outcomes in the SNF. Some of these services include patient counseling and engagement, medication management, drug regimen review, generic substitution, provider education and regulatory compliance.

## Select Institutional Pharmacy Transactions



## U.S. Mergers & Acquisitions

Omnicare has continued to be a driver of industry consolidation having acquired more than a dozen different businesses since 2010. In 2011, Omnicare attempted a hostile takeover of its principal rival PharMerica, but the FDC blocked the transaction over concerns about bargaining power with Part D

Medicare sponsors. In August 2015, CVS Health completed the acquisition of Omnicare for approximately \$11 billion. Meanwhile, PharMerica remains active on the acquisition trail, seeking to achieve \$100 million in acquired annual revenue – a goal achieved in 2015.

### Select Institutional Pharmacy U.S. Mergers & Acquisitions

Date	Target	Acquirer	Enterprise Value (\$mil)	EV / EBITDA
Aug-16	Premier Rx Health Solutions	PharMerica Corporation	n/a	n/a
Nov-15	Luker Pharmacy Management, Inc.	PharMerica Corporation	n/a	n/a
Oct-15	McGuire Group Pharmacy, Inc.	PharMerica Corporation	n/a	n/a
Sep-15	PharmaSync, LLC	Geneva Woods Pharmacy, Inc.	n/a	n/a
Sep-15	Boomer Solutions LLC	Guardian Pharmacy, LLC	n/a	n/a
Aug-15	Omnicare Inc.	CVS Pharmacy, Inc.	\$11,309	15.0x
Jul-15	West Bend Assisted Living Pharmacy	Genoa, a QoL Healthcare Company, LLC	n/a	n/a
May-15	Preferred Care Pharmaceutical Services, Inc.	Guardian Pharmacy, LLC	n/a	n/a
Sep-14	Millennium Pharmacy Systems, Inc.	PharMerica Corporation	n/a	n/a
Dec-13	BGS Pharmacy Partners, Inc.	PharMerica Corporation	n/a	n/a
Aug-13	Pharmed Corporation, Institutional Pharmacy Business	Principled Dynamics, Inc.	n/a	n/a



## Home Infusion Therapy

### Background

Home infusion therapy refers to intravenous at-home administration of medicines into the patient's body through a needle and catheter. Administered by trained healthcare professionals, home infusion therapy proves effective for the treatment of certain diseases where oral medications fail. Home infusion treats a wide range of acute and chronic conditions, such as infections, nutritional deficiencies, various immunologic and neurologic disorders, cancer, pain and palliative care.

Infusion services are typically provided in the patient's home, but may also be provided at

outpatient clinics, skilled nursing facilities, the physician's office and/or ambulatory infusion centers.

According to PharMerica, the home infusion market is approximately \$10 billion and growing 10% per annum. Competitors within the home infusion market include Option Care, Coram / CVS specialty infusion services (a division of CVS Health), AxelaCare (a subsidiary of OptumRx / UnitedHealthcare Group), PharMerica, BioScrip and various regional and local providers of alternate site healthcare services such as hospitals and physician practices.

### Selected Leaders in U.S. Home Infusion





## Select Home Infusion Transactions



## Key Home Infusion Trends

- **Highly Fragmented Market** – No individual provider comprises more than 10% market share, and there are only a handful of larger, national providers that offer home and alternate site infusion as part of a larger product and service offering. There are approximately 800 to 1,000 small, independently-owned providers.
- **Significant Growth Drivers** – The home infusion market continues to expand due to growth in the geriatric population, an increasing number of chronic diseases worldwide, increasing application of infusion devices for relieving pain and technological advancements in infusion devices. Moreover, the increasing demand for home healthcare by disabled patients and patients suffering from chronic conditions, such as arthritis that decreases the patient mobility profile, is a key growth contributing driver for this market.
- **Shift to Lower Cost Site Providers** – Penetration of home and alternative site infusion therapy services is increasing as industry constituents better understand the cost savings and preference over outpatient treatment.

## U.S. Mergers & Acquisitions

The industry has experienced consolidation of individual or smaller networks by larger, more established alternate site infusion companies. Local participants struggle with the complex operational and regulatory requirements of the industry and most lack sufficient infrastructure or capital for continued regional expansion.

Several years of consolidation have created a market with just a few large-sized companies: Coram, which CVS Caremark acquired in 2013; BioScrip, which sold its home health

business in 2014 so that it could focus on home infusion; and Walgreens, which sold a 51% stake in its home infusion business, Option Care, to the private equity firm Madison Dearborn in 2015. Additionally, AxelaCare was acquired by UnitedHealth Group's OptumRx in 2015. Previously, AxelaCare was backed by the private equity firm Excellere Partners and completed a number of acquisitions, including Ambient Healthcare, Advanced Care, ARC Infusion and SCP Specialty Infusion.

### Select Home Infusion U.S. Mergers & Acquisitions

Date	Target	Acquirer	Enterprise Value (\$mil)	EV / EBITDA
Jun-16	Home Solutions Inc.	HomeChoice Partners (BioScrip)	\$75	n/a
Feb-16	Boston Home Infusion, Inc.	PromptCare, Inc.	n/a	n/a
Dec-15	Alternacare Infusion Pharmacy / The Apothecary Shoppe Pharmacies	Amerita, Inc.; PharMerica Corporation	n/a	n/a
Nov-15	AxelaCare Health Solutions, LLC	OptumRx, Inc.	n/a	n/a
Jul-15	Infusion Therapy of Texas, LLC	ModernHEALTH, Inc.	n/a	n/a
Apr-15	Walgreens Infusion Services, Inc. (nka:Option Care, Inc.)	Madison Dearborn Partners	n/a	n/a
Apr-15	BioRx, LLC	Diplomat Pharmacy, Inc.	\$348	15.1x
Feb-15	Clinical Holdings, Inc.	OptionCare Enterprises Inc.	n/a	n/a
Jan-15	Coastal Pharmaceutical Services Corporation	Amerita, Inc.	\$28	n/a
Jan-15	Ambient Healthcare, Inc.	AxelaCare Health Solutions, LLC	n/a	n/a
Oct-14	Advanced Care Inc.	AxelaCare Health Solutions, LLC	n/a	n/a
Sep-14	KabaFusion	BBH Capital	n/a	n/a
Jul-14	Altius Healthcare	Pharmerica Corporation	n/a	n/a
Jun-14	Altius Healthcare	Amerita, Inc.	n/a	n/a
Feb-14	ARC Infusion Corp. Inc.	AxelaCare Health Solutions, LLC	n/a	n/a

## International Market Spotlight – Germany and France Home Infusion Therapy

The U.S. home infusion services market is not the only one that demonstrates strong fundamentals and trends. Other countries, particularly developed (but also developing) markets, are showing significant development and maturation of home-based infusion services.

### European Home Health Overview

The European home healthcare market generated €45 billion in 2015 and is estimated to grow at a CAGR of 7% until 2020. Germany represents the largest region within the European home healthcare market, followed by France and the UK. European home health is characterized by high fragmentation of service providers and homecare device manufacturers. IV-infusion and medical nutrition offer the highest growth rates growing between 6%-9% within the different homecare subsectors.

### German Market

There were more than 6 million patients that received homecare services in Germany in 2015. The number of ambulatory care providers in Germany is steadily rising as ambulatory treatment has gained importance and political support. Homecare services are focused on medical products and patient education for self-administration of these products but do not include nursing services delivered by outpatient care organizations or by stationary nursing home.

Pharmaceutical homecare is focused on the supply and delivery of individualized pharmaceutical products, including patient education services, to homecare patients. Two major growth drivers include: (1) lower home IV costs vs institutional care and (2) increasing early discharge and case management to pharmaceutical homecare in light of hospital acquired infection concerns.

The market size for pharmaceutical home care in Germany is estimated to be approximately €1.0 billion. Example services include home infusion therapy, parenteral nutrition, enteral nutrition and cytostatics.

Patients receiving infusion therapy and nutrition therapies at home have grown 15%-20% annually over the past three years. When including home medical equipment and supplies, the market size is €2.6 billion.

### French Market

The current market size in France for home IV, including traditional infusion, enteral nutrition and insulin therapy, is estimated to be €550 million. When also including home respiratory and medical equipment services, the market size totals an estimated €2.7 billion. These home care product markets are estimated to be growing nearly 6% annually. Growth drivers, similar to those in the U.S., include:

- **Aging population** – 17.5% of its population was 65+ in 2012 (expected to go to 21.5% by 2025).
- **Rise in chronic diseases** – chronically ill patients grew by 90% in France from 1995 to 2014.
- **Growing capacity and preferences for Homecare** – 1.2 million patients received home health services and products in France in 2014, driven in part by the lower-cost nature of homecare services.
- **Established reimbursement** – Ninety percent of home care services and medical products are reimbursed by the public healthcare insurance system in France under its LPPR reimbursement system.
- **Fragmented market** – The market for home infusion services is highly fragmented in France and has experienced significant M&A activity. Several strategic acquirers, including Air Liquide, have been active, as well as private equity firms. Notable market participants in Home IV include Air Liquide, Orkyn, Isis Medical, IPS, Bastide and Homeperf (sold in 2015, with Lincoln International serving as sell-side advisor).

# Capital Markets

## Public Trading Multiples (\$000's)

Company	Stock Price	% of High 52-week	Market Cap	Enterprise Value	EV / Revenue		EV / EBITDA		1-Yr Rev Growth	EBITDA Margin
					2016E	2017E	2016E	2017E		
<b>PBM</b>										
Express Scripts (NYSE: ESRX)	\$ 75.88	85%	\$ 46,789	\$ 60,571	0.60x	0.58x	8.4x	8.2x	(1.0%)	6.7%
CVS Health (NYSE: CVS)	\$ 76.89	72%	\$ 81,999	\$ 106,335	0.60x	0.56x	8.2x	8.3x	14.5%	7.4%
<b>Specialty Pharmacy</b>										
Diplomat Pharmacy, Inc. (NYSE: DPLO)	\$ 14.16	36%	\$ 934	\$ 1,071	0.24x	0.20x	10.0x	9.6x	52.2%	2.6%
<b>Home Infusion</b>										
BioScrip (NASDAQ: BIOS)	\$ 1.14	33%	\$ 134	\$ 634	0.68x	0.66x	<i>nmf</i>	12.4x	(5.9%)	2.8%
<b>Institutional Pharmacy</b>										
PharMerica Corporation (NYSE: PMC)	\$ 24.05	68%	\$ 740	\$ 1,127	0.54x	0.50x	8.8x	7.7x	3.0%	6.3%
<b>Retail Pharmacy / Other</b>										
Walgreens Boots (NASDAQ: WBA)	\$ 84.73	97%	\$ 91,787	\$ 100,824	0.80x	0.74x	10.5x	9.6x	24.7%	7.1%
<b>Overall Mean</b>					<b>0.58x</b>	<b>0.54x</b>	<b>9.2x</b>	<b>9.3x</b>	<b>14.6%</b>	<b>5.5%</b>
<b>Overall Median</b>					<b>0.60x</b>	<b>0.57x</b>	<b>8.8x</b>	<b>9.0x</b>	<b>8.8%</b>	<b>6.5%</b>

Source: Capital IQ as of 11/30/2016

## Select Private Equity Investment in Pharmacy Services

Portfolio Company	Industry Segment	Financial Sponsor
Advanced Infusion Solutions	Home Infusion	Excellere Partners
APOSAN	Home Infusion	IK Investment Partners
Apothecary by Design	Specialty Pharmacy	BelHealth Investment
Avella Specialty Pharmacy	Specialty Pharmacy	Riordan, Lewis & Harden
ContinuumRx, Inc.	Home Infusion	Enhanced Capital Partners / HEP
Enclara Health, Inc.	Hospice Pharmacy	Consonance Capital
ExactCare Pharmacy	Home Delivery	Nautic Partners
Genoa (QoL Healthcare Company)	Behavioral Health Pharmacy	Advent International Corporation
GHD GesundHeits	Compounding	Nordic Capital
HomePerf Group	Home Infusion	Parquest Capital
Injured Workers Pharmacy	Home Delivery	ACON Investments
Intrafusion	In-Office Infusion	Lake Capital
KabaFusion	Specialty Infusion	BBH Capital Partners
Leiter's Pharmacy	Compounding	Frazier Healthcare Partners
Maxor National Pharmacy	PBM / Specialty Pharmacy / Mail Order	Beecken Petty O'Keefe
Option Care	Home Infusion	Madison Dearborn Partners
Patient Care America	Specialty IV	Riordan, Lewis & Harden
Pentec Health	Specialty IV	Norwest Equity Partners
PharmaLogic	Nuclear Pharmacy	Webster Capital
Physicians Pharmacy Alliance, Inc.	Pharmacy Services	Fifth Street Capital
Premiere Kids Care	Specialty Pharmacy	Warwick Group
Principle Pharmacy Group	Specialty Pharmacy	Enhanced Capital / Health Enterprise
PromptCare Inc.	Home Infusion	MidMark Capital
RxBenefits	PBM	Great Hill Partners
Skilled Care Pharmacy, Inc.	Institutional Pharmacy	Link-age Ventures
SoleoHealth	Specialty Infusion	HIG / Falcon Investment
Triad Isotopes	Nuclear Pharmacy	Parthenon Capital
Veridicus Health LLC	PBM	Gauge Capital
WellDyneRx, Inc.	PBM	The Carlyle Group
Wellfount Corp.	Institutional Pharmacy	Amherst Fund / Arboretum Ventures / Deerfield Mgmt.

# Sale of APOSAN to the Pan-European Financial Investor IK Investment Partners



## Target Description

APOSAN Dr. Künzer GmbH, headquartered in Cologne, is a unique specialist provider of pharmaceutical homecare products and services. APOSAN is the clear leader in antibiotic home pump-sets for the treatment of serious infections and chronic diseases.

APOSAN serves over 10,000 homecare patients per year through the compounding of individualized, sterile infusible and injectable medication for outpatient treatment.

The company is an integrated full-range pharmaceutical homecare supplier with its own GMP manufacturing capacities and a dedicated key account management and homecare nurses team to generate and support its growing nationwide patient base.

Furthermore the company also offers the production of patient-individual parenteral nutrition as well as individualized injectable prescription drugs using its Apozyt brand drugs in sterile ready-to-use syringes used for ophthalmic surgeries, mainly VEGF antagonists.

## Key Deal Facts

- Founder owned business sold to pan-European PE fund.
- Market leader in outpatient antibiotic infusion sets.
- Competitive international process involving potential strategic and financial investors.
- Attractive valuation for a unique business model with attractive growth potential.

## The Transaction

Lincoln International acted as the exclusive financial advisor to the sole owner, Dr. Clemens Künzer, and supported Dr. Künzer and the management team throughout the process. This included providing advisory expertise and managing the preparatory, marketing, due diligence and negotiation phase of the transaction.

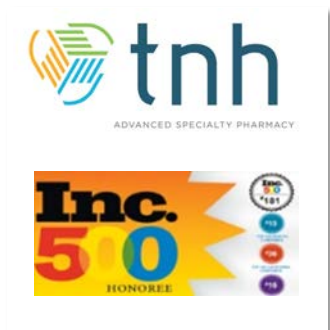
A clear communication of the target's specific strengths and opportunities was paramount in order to identify the most suited buyers and sustain competition until the very end of the process. Lincoln International's competitive M&A process led to a transaction with a high profile buyer realizing a top result for the seller and ensuring total confidentiality at all stages of the process.

For more information regarding this transaction, please contact:

### Kai Ingo Seidel

Managing Director, Head of Healthcare  
[ki.seidel@lincolninternational.de](mailto:ki.seidel@lincolninternational.de)  
+49 (0) 69-97-105-437

# TNH Advanced Specialty Pharmacy



## Description

TNH Advanced Specialty Pharmacy (“TNH” or the “Company”), is a leading national specialty pharmacy with access to limited distribution drugs for oncology and other chronic diseases.

- Serves patients and physicians in 34 states and U.S. territories.
- Earned a place on Inc. Magazine's list of 500 fastest-growing private companies in 2013, 2014 and 2015.
- Superior customer service and client satisfaction through comprehensive continuity of care.
- Unprecedented level of data management and transparency between the specialty pharmacy, physicians, patients and manufacturers through TNH Live, its proprietary portal platform.

## Situation

TNH was a privately-owned company founded in 2009

- Wholly-owned by its two founders.

- Experienced rapid growth and became one of the fastest growing specialty pharmacies in the nation.
- Sought a partner to help achieve the Company's next level of growth.
- Owners looked for liquidity and a continued role in the combined entity post-transaction.

Lincoln was engaged as the exclusive financial advisor in an effort to find the appropriate buyer to value the growth prospects of the business and be the optimal partner for management.

## Lincoln Approach

- Identified and approached a broad universe of domestic and international strategic and financial acquirers.
- Prepared marketing materials to convey a compelling, scarce investment opportunity and to highlight the differentiated qualities of TNH Live.
- Demonstrated the Company's strong market position and industry growth characteristics.
- Aggressively negotiated offers received to maximize value and achieve most advantageous terms for the sellers.

## Results

- Received double-digit IOIs, including both strategic and financial buyers.
- Sold to Diplomat Pharmacy, Inc. (NYSE: DPLO), the nation's largest independent specialty pharmacy.
- Resulted in an optimal outcome for TNH, its shareholders and its employees.

### Nick Konstantinou

Co-Head, U.S. Healthcare  
nkonstantinou@lincolninternational.com  
+1-312-506-2706

## Global Industry Groups

Aerospace & Defense  
Automotive & Truck  
Building & Infrastructure  
Business Services  
Chemicals  
Consumer  
Distribution  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology & Media

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
Munich  
New York  
Paris  
São Paulo  
Tokyo  
Vienna  
Zurich

## Advisory Services

Mergers & Acquisitions  
Debt Advisory  
Special Situations  
JV & Partnering  
Valuations & Opinions

# About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and pension advisory services on a wide range of transaction sizes. With sixteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com).

## Lincoln's Global Healthcare Group

### North America

**Shahab Fatheazam**

Vice Chairman (Chicago)  
[sfatheazam@lincolninternational.com](mailto:sfatheazam@lincolninternational.com)  
+1-312-506-2770

**Nick Konstantinou**

Co-Head, U.S. Healthcare (Chicago)  
[nkonstantinou@lincolninternational.com](mailto:nkonstantinou@lincolninternational.com)  
+1-312-506-2706

**Ross Gordon**

Managing Director (Chicago)  
[rgordon@lincolninternational.com](mailto:rgordon@lincolninternational.com)  
+1-312-506-2772

**James Gilmore**

Director (Chicago)  
[jgilmore@lincolninternational.com](mailto:jgilmore@lincolninternational.com)  
+1-312-506-2713

**Jeff Carsello**

Vice President (Chicago)  
[jcarsello@lincolninternational.com](mailto:jcarsello@lincolninternational.com)  
+1-312-506-2794

**Matt Veal**

Vice President (Chicago)  
[mveal@lincolninternational.com](mailto:mveal@lincolninternational.com)  
+1-312-506-1985

**Barry Freeman**

Co-Head, U.S. Healthcare (Chicago)  
[bfreeman@lincolninternational.com](mailto:bfreeman@lincolninternational.com)  
+1-312-506-2775

**Tony Crisman**

Managing Director (Chicago)  
[tcrisman@lincolninternational.com](mailto:tcrisman@lincolninternational.com)  
+1-312-506-2771

**Michael Weber**

Managing Director (Chicago)  
[mjweber@lincolninternational.com](mailto:mjweber@lincolninternational.com)  
+1-312-506-2763

**Phillip Knotts**

Director (Chicago)  
[pknotts@lincolninternational.com](mailto:pknotts@lincolninternational.com)  
+1-312-506-2759

**Cynthia Goulet**

Vice President (Chicago)  
[cgoulet@lincolninternational.com](mailto:cgoulet@lincolninternational.com)  
+1-312-506-2736

### Asia

**Gaurav Marathe**

Managing Director (Mumbai)  
[gmarathe@lincolninternational.com](mailto:gmarathe@lincolninternational.com)  
+91-22-4067-0300

**Keiji Miyakawa**

Managing Director, Chairman (Tokyo)  
[kmiyakawa@lincolninternational.com](mailto:kmiyakawa@lincolninternational.com)  
+813-5549-7690

### Europe

**Kai Ingo Seidel**

Managing Director (Frankfurt)  
[ki.seidel@lincolninternational.com](mailto:ki.seidel@lincolninternational.com)  
+49-(0)-69-97-105-437

## Disclaimer

This document contains significant assumptions and has been prepared based on publicly available information, or additional information supplied by the owners and/or managers of the company(ies) described in this document, which has not been independently verified. Accuracy and completeness of the information provided has been presumed and, therefore, its content may or may not be accurate and complete. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information or statements made in this document and Lincoln International, its affiliates, directors, officers, employees and representatives expressly disclaim any and all liability with regards thereto. This document has been prepared for informational purposes only, is not a research report (as such term is defined by applicable law and regulations) and is not to be relied on by any person for any purpose. In addition, it is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form, or redistributed, without the prior written consent of Lincoln International.