



## Q1-2011 PHARMACY SERVICES INDUSTRY UPDATE

### MARKET UPDATE

The pharmacy services industry continued its high level of mergers and acquisition activity in the first quarter of 2011. Walgreens was particularly active during the month of March, announcing the sale of its PBM division to Catalyst Health Solutions for \$525 million, as well as the acquisition of drugstore.com for \$409 million. Private equity groups were also very active within the market, with The Riverside Co., Monitor Clipper Partners, and Waud Capital's CarePoint Partners all completing acquisitions. In addition to the transactions detailed below, Provident represented an undisclosed East Coast-based specialty pharmacy in their sale to a publicly-traded company. Transaction multiples continue to remain strong throughout the pharmacy services industry, particularly for specialty pharmacy and infusion therapy providers.

### PUBLIC COMPANY PERFORMANCE

Data as of April 1, 2011 (in millions)			Operating Statistics		Valuation Statistics	
Company	Ticker	EV	LTM Rev.	LTM EBITDA	EV/Rev.	EV/EBITDA
Catalyst Health	CHSI	2,460	3,760	151.71	0.65x	16.20x
CVS Caremark	CVS	54,870	96,410	7,630	0.57x	7.19x
Express Scripts	ESRX	30,230	44,970	2,420	0.67x	12.52x
Omnicare	OCR	5,080	6,150	641.95	0.83x	7.92x
PharMerica	PMC	563.94	1,850	78.50	0.31x	7.18x
Walgreens	WAG	39,020	68,400	4,730	0.57x	8.24x

### NOTEWORTHY TRANSACTIONS

Month	Acquirer	Company Acquired	Details
March 2011	Walgreens	Drugstore.com	Walgreens has announced plans to buy the online pharmacy drugstore.com, in a transaction valued at \$409 million. Investors in the company will receive \$3.80 per share in cash, which is approximately 113% above the closing price on the day before the announcement. The transaction is set to close by June and will help Walgreens expand its online reach. It plans to maintain the separate branding for all of drugstore.com's sites.
March 2011	InfuSystem Holdings	Star Infusion and Compression Therapies	InfuSystem Holdings, a national provider of infusion pumps and related services, has acquired Star Infusion and Compression Therapies in a cash transaction. Star Infusion provides ambulatory infusion pumps and related services to oncologists in Michigan and Ohio. The transaction enhances InfuSystem's leading national position in the ambulatory infusion market. Terms of the transaction were not disclosed.
March 2011	Catalyst Health Solutions	Walgreens Health Initiatives	Catalyst Health Solutions has entered into a definitive agreement to acquire Walgreens' PBM subsidiary, Walgreens Health Initiatives, for \$525 million in cash. The transaction combines two of the leading national PBMs and will increase Catalyst's PBM membership to over 18 million members with an annual prescription volume of over 165 million. The companies expect the transaction to close in the first half of 2011.
February 2011	HealthWarehouse.com	Online Division of Hock Pharmacy	HealthWarehouse.com, a leading retail mail-order pharmacy, has completed two separate transactions to acquire all of the online assets of Hock Pharmacy. Hock Pharmacy is based in Vandalia, Ohio and is an online reseller of OTC medications, diabetic supplies, and medical equipment. For the time being, the acquired will operate as Hocks.com until it transitions to the HealthWarehouse.com domain. With the acquisition the combined company's customer base will exceed 160,000.
February 2011	Monitor Clipper Partners	ScriptSave	Monitor Clipper Partners, a Massachusetts-based private equity firm, has acquired a minority interest in ScriptSave. The Company is a Tucson, Arizona-based pharmacy benefit administrator for a specific array of prescription drug benefit solutions for retail pharmacies, health insurance companies, PBMs, and individual consumers. Terms of the transaction were not disclosed.
January 2011	CarePoint Partners	ivA Lifetec	CarePoint Partners, a provider of specialty pharmacy and home infusion services that is backed by Waud Capital, has acquired ivA Lifetec, a pediatric focused home infusion pharmacy and nursing service provider. IvA Lifetec is based in Houston, Texas and will make CarePoint a leader in the Texas market. This also represents CarePoint's tenth acquisition since December 2007. Financial details of the transaction were not disclosed.
January 2011	The Riverside Co.	Physicians Pharmacy Alliance	The Riverside Co. has acquired Physicians Pharmacy Alliance, which is based in Cary, North Carolina and provides specialized medication management pharmacy services. The Company was founded in 2002 and provides services to chronically-ill individuals who have extensive and complex prescription needs, including those with MS, diabetes, and HIV.
January 2011	PharMerica Corporation	Lone Star Pharmacy	PharMerica Corporation, a nationwide provider of institutional pharmacy and hospital pharmacy management services, has acquired substantially all of the assets of Lone Star Pharmacy. Based in Garland, Texas, Lone Star Pharmacy is a full service pharmacy to long term care and assisted living facilities in the Dallas and Houston markets. The transaction closed on December 31 <sup>st</sup> , 2010 but was announced in early January. The transaction was financed with existing cash and utilizing the Company's revolving line of credit.