



PHARMACY SERVICES INDUSTRY UPDATE

Q2-2009

EXPRESS SCRIPTS ACQUIRES WELLPOINT'S NEXTRX

On April 13, 2009, Express Scripts, a publicly traded pharmacy benefits management company, signed a definitive agreement with Well Point, Inc. (CHS) for \$4.675 billion to acquire WellPoint's NextRx subsidiaries. The acquisition is expected to close in the second half of 2009.

Founded in 1993, WellPoint NextRx is a premier provider of pharmacy benefit management services nationally. WellPoint recently built new facilities for their mail and specialty pharmacy segments. Additionally, Express Scripts now takes over WellPoint's 250,000 chronic patients that are on biologics therapy. This number alone could potentially represent \$5 billion in specialty spending. WellPoint NextRx is a division of WellPoint, Inc.

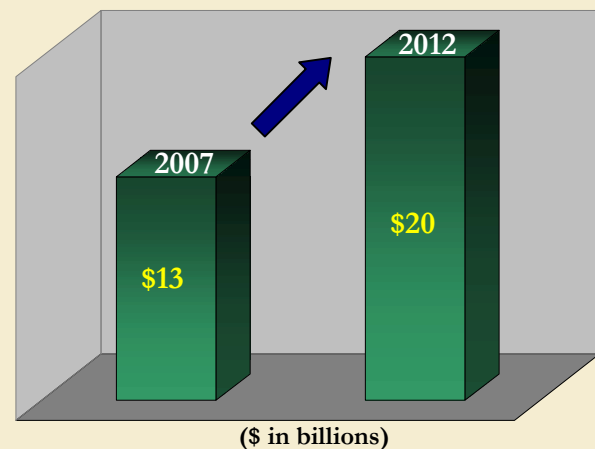
With this transaction Express Scripts' PBM operations will greatly increase, and that size should translate into better pricing for existing customers and more aggressive pricing for prospective ones. Express Scripts prescription growth is predicted to grow from about 500 million annual prescriptions filled to as many as 750 million. The transaction is expected produce \$1 billion in annual earnings before interest, taxes, depreciation and amortization.

Data at Market Close July. 1, 2009 (in millions)			Operating Statistics		Valuation Statistics	
Company	Ticker	EV	LTM Rev.	LTM EBITDA	EV/Rev.	EV/EBITDA
America Service Group	ASGR	115.9	504.7	19.6	.23x	6.08x
CVS Caremark	CVS	56000.7	89000.5	7000.4	.63x	7.66x
Express Scripts Inc.	ESRX	17000.9	21000.9	1000.4	.82x	12.5x
Omnicare Inc.	OCR	5000.1	6000.3	686.7	.81x	7.46x
PharMerica Corp.	PMC	786.3	1000.9	96.6	.41x	8.14x
Walgreens Co.	WAG	29000.1	62000.2	4000.2	.47x	6.92x

TOP STRATEGIC PLAYERS TO WATCH

- America Service Group (NasdaqGS: ASGR)
- CVS Caremark (NYSE: CVS)
- Express Scripts, Inc. (NasdaqGS: ESRX)
- Omnicare (NYSE: OCR)
- PharMerica Corp. (NYSE: PMC)
- Walgreens/Option Care (NYSE: WAG)

Institutional Pharmacy Market Growth



Source: Knowledge Source, Inc.; Institutional Pharmacy Market Overview, Nov. 2007

NOTEWORTHY TRANSACTIONS

Month	Acquirer	Company Acquired	Details
June 2009	AmeriSourceBergen Corp.	Innomar Strategies, Inc.	AmerisourceBergen Corp, a specialty pharmaceutical services company, has acquired Innomar Strategies for \$13.8 million in cash. Innomar is a leading service provider offering high quality services to pharmaceutical and biotech manufacturers, as well as to the healthcare community. With AmerisourceBergen Specialty Group, Canada, the company now believes it has the largest and broadest commercialization service offerings to pharmaceutical and biotechnology manufacturers in Canada.
May 2009	Walgreens Co.	Air Products U.S. home infusion therapy business	Walgreens subsidiary OptionCare Enterprises has acquired all of Air Products U.S. home infusion therapy business. Terms of the deal were not disclosed. The transaction includes Air Products' interests in the home infusion therapy business of American Homecare Supply (Atlanta and northern Georgia); Ultra Care and Dependicare (Chicago); Rx Pharmacy Services and Mosso's Medical Supply Company (western Pennsylvania and Pittsburgh); Collins I.V. Care (Connecticut); and Air Products Healthcare Pharmacy (Lehigh Valley, Philadelphia and southern New Jersey).
April 2009	Express Scripts, Inc.	WellPoint's NextRX subsidiaries	Express Scripts has signed a definitive agreement to acquire WellPoint's NextRX subsidiaries for \$4.675 billion. WellPoint will receive at least \$3.28 billion in cash and the balance in Express Scripts stock. The insurer will use about \$2 billion of that to buy back shares. This transaction will likely move Express Scripts from the third-largest pharmacy benefits manager, to the second, over CVS Caremark, based on prescriptions managed. The acquisition is expected to close in the second half of 2009.