

Healthcare *M&A Quarterly Update*

Fourth Quarter 2020

Drug Retail looks to capitalize in 2021 as the industry weathered well during the pandemic relative to other industries

With uncertainty around how the new administration will handle COVID-19 policies and regulation, pharmacies continue to thrive as essential businesses

Pharmacy Market Outlook

Tailwinds in the industry involve the growth in “super center” retailers, largely due to their ability to offer general merchandise that continues to draw customers away from specialty drug stores causing a shift in business model throughout the industry

While COVID testing was a boon for pharmacy foot traffic, administering COVID vaccines will be an even bigger tailwind in 2021 as it provides higher margin than testing

Independent community pharmacies cheered the recent US Supreme Court ruling in *Rutledge v PCMA*, which stated that states can impact levels of reimbursement set by PBM's

Amazon's expanded role in the pharmacy space is more likely to impact large chains than independent pharmacies, which seem to be gaining market share as well

Pharmacy Middle-Market M&A

M&A Activity

14 pharmacy transactions closed in 2020, down from 31 in 2019. We expect overall M&A activity to increase as vaccine distribution begins

Financial Sponsors

Private equity-backed companies continue to deploy capital into the space and represent 86% of the deals done this year

Strategic Buyers

Non-sponsor backed strategies in the industry are eager to continue the trend of roll-ups and become more regional and national brands



“Our clients in the pharmacy space are closely following macro trends in reimbursement and distribution, looking to leverage their unique service-focused models for maximum valuation.”

Gary Grote, Managing Director
Bridgepoint Investment Banking

Notable Recent Pharmacy Transactions

Dispenses Rare Disease Medicine

On December 15, 2020 Centene Corporation announced it acquired PANTHERx, which owns and operates pharmacies that dispense and retail drugs for rare diseases such as HIV/AIDS, mental illness, and transplantation.

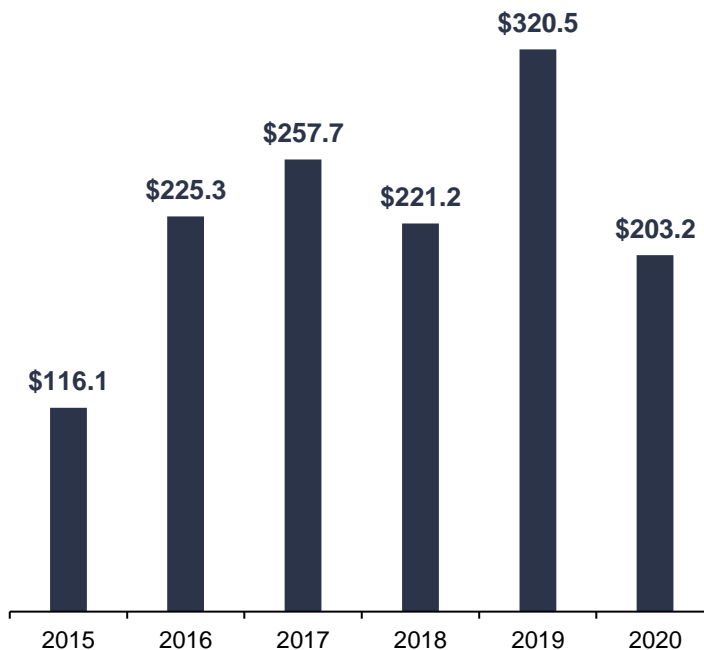
“PANTHERx adds a unique capability to our comprehensive pharmacy portfolio. We share a common goal of helping to remove barriers and reduce the burden for our members living with complex and rare diseases.”
– Michael Neidorff, President, Centene

Chain Drug Store

On November 7, 2020 Rite Aid announced it acquired Bartell Drugs, who own and operate a chain of stores that provide prescriptions.

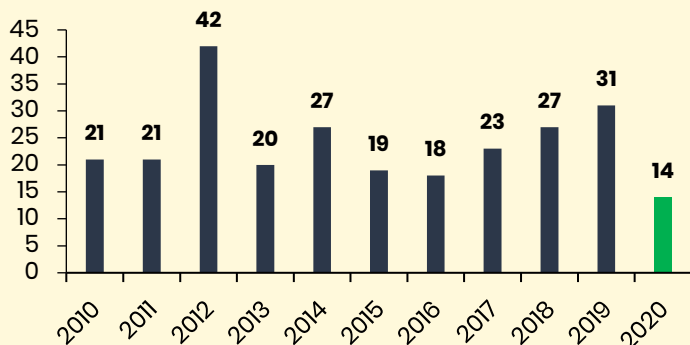
“We are excited about the opportunity to expand upon our mission to be the best neighborhood drug store in the Pacific Northwest. Rite Aid's vision fits well with what we think will best serve the needs of our customers. This is a day to celebrate the 130-year success story of Bartell Drugs, while eagerly anticipating the future.” – George Bartell, Chairman, Bartell Drugs

2015–2020 PE Fundraising Capital Raised (\$bn)

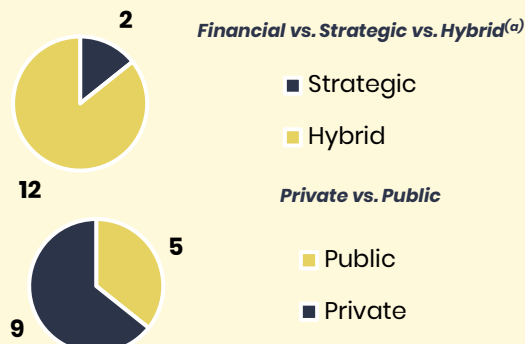


Selected Healthcare M&A Transaction Statistics

Transaction Volume 2010–2020 YTD



Healthcare Transaction Buyer Statistics YTD

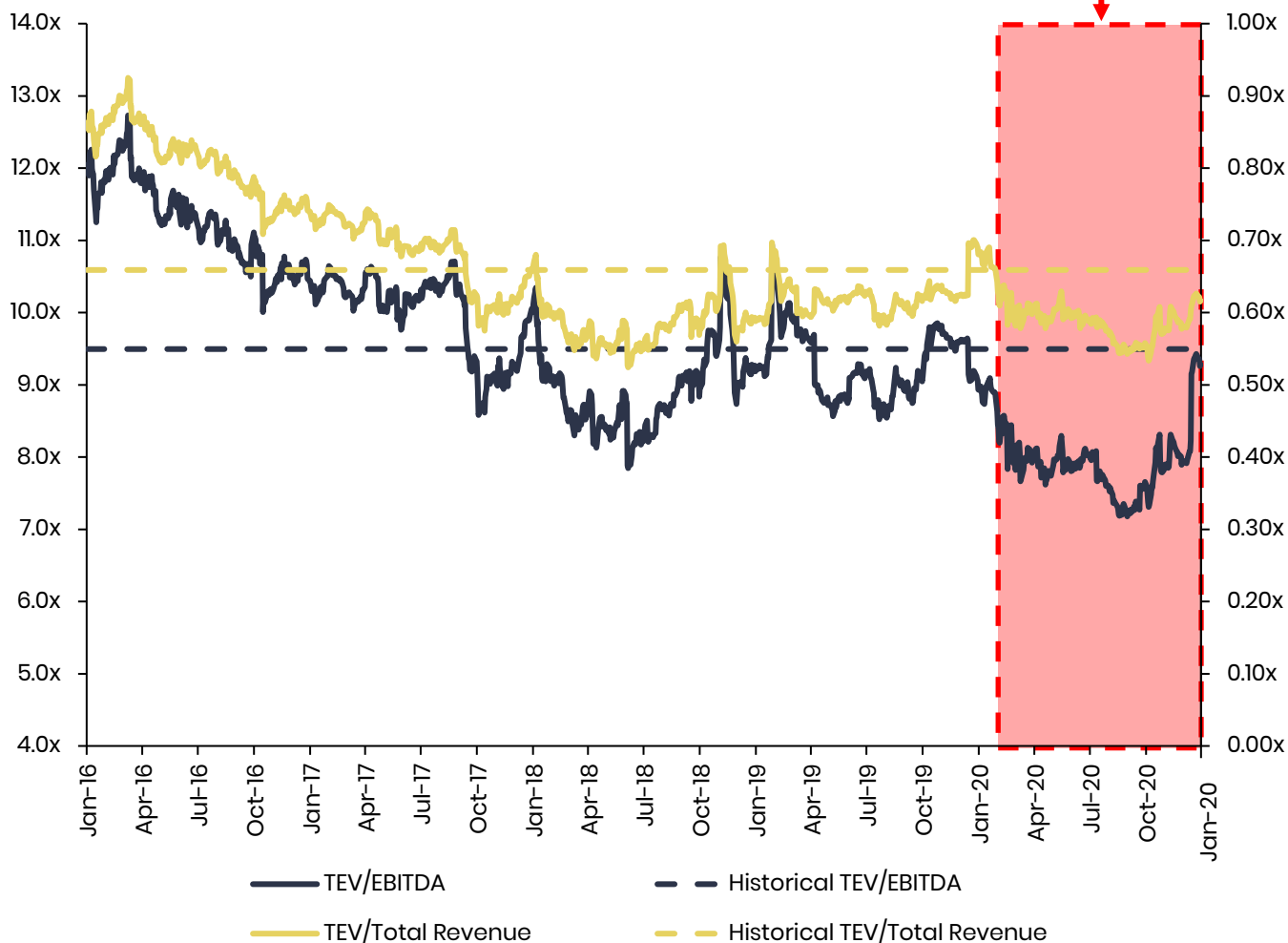


Recent Q4–20 Pharmacy M&A Transactions

| Date | Target | Buyer | Business Description |
|------------|--------------------------|---------------------------------|--|
| 12/15/2020 | PANTHERx Rare | Centene Corporation (NYSE:CNC) | Owns and operates pharmacies that dispense and retail drugs for rare diseases |
| 11/10/2020 | 10062771 Manitoba | CordovaCann Corp. (OTCPK:LVRLF) | Operates a Canada-based retail cannabis store |
| 10/28/2020 | Forewest Holdings | Rx Drug Mart | Operates pharmacies in British Columbia and Alberta |
| 10/19/2020 | Long's Drugs | Tarrytown Expocare | Owns and operates a chain of pharmacy stores in North Carolina, South Carolina and Georgia |
| 10/07/2020 | The Bartell Drug Company | Rite Aid Corporation (NYSE:RAD) | Owns and operates a chain of drug stores in King, Pierce and Snohomish counties |
| 10/01/2020 | Professional Pharmacy | PharMerica Corporation | Provides hospice pharmacy services. Their services include filling prescriptions, creating custom compounds, and providing home deliveries |

TEV / EBITDA Pharmacy January 2016 – January 2021

| | TEV / EBITDA | TEV / Revenue |
|--------------------------|--------------|---------------|
| Current Median | 9.28x | 0.62x |
| Historical 5-year Median | 9.49x | 0.66x |



SELECT BRIDGEPOINT HEALTHCARE TRANSACTION EXPERIENCE

NVS
Nebraska Vet Services

Has been acquired by
MAINST
CAPITAL CORPORATION

Acquisition and DDTL
facility to support
future growth

Sole Financial Advisor

MILLER
VETERINARY
SUPPLY

NORTH MILL
CAPITAL LLC

Asset-backed facility to
support future growth
and refinancing

Sole Financial Advisor

diabetes
supply

Has been acquired by
adapthealth

Sell-side Advisor on sale
to Adapthealth
(NASDAQ: AHCO)

PrairieCare

Senior & Mezzanine
debt financings for
debt recapitalization

KemPharm INC.

USD 20 Million
Preferred Stock Offering

Sole Bookrunner

Market-leading boutique investment bank providing M&A and capital raising advisory solutions focused on the Healthcare industry

- 274+ years cumulative investment banking experience spanning 216 transactions
- \$121+ billion of M&A, capital raising, corporate finance and M&A transaction advisory service experience
- 96 completed M&A assignments spanning more than \$36 billion
- 120 completed corporate finance transactions, raising more than \$85 billion in capital

Bridgepoint's experience, process, and deep connectivity to real, national funders and buyers provides Healthcare Companies with tailored, value-add capital solutions

Services / Solutions

- ✓ Rescue & Bridge Financing
- ✓ Debt Restructuring
- ✓ Debt & Equity Recapitalization
- ✓ Growth / Acquisition Financing
- ✓ M&A Advisory

Outcomes

- ✓ Increased Cash Flow
- ✓ Debt Service Reduction / Flexibility
- ✓ Shareholder Liquidity
- ✓ Committed Capital Partner
- ✓ Optimal Transaction Result

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BRIDGEPOINT'S SECTORS OF FOCUS



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274

YEARS OF EXPERIENCE

\$121B

IN TRANSACTIONS

216

TOTAL TRANSACTIONS

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