Healthcare will continue to take top priority among Americans in 2015.
Trend Tracker

INVENTORY

<table>
<thead>
<tr>
<th></th>
<th>Equipment</th>
<th>Supplies</th>
<th>Wholesale Pharmaceuticals and Nutritional Supplements</th>
</tr>
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<tbody>
<tr>
<td><strong>NOLVs</strong></td>
<td>New: Decreasing † Used: Increasing †</td>
<td>Mixed ‡</td>
<td>Mixed ‡</td>
</tr>
<tr>
<td><strong>Sales Trends</strong></td>
<td>Mixed ‡</td>
<td>Mixed ‡</td>
<td>Mixed ‡</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>Decreasing †</td>
<td>Mixed ‡</td>
<td>Mixed ‡</td>
</tr>
<tr>
<td><strong>Inventory</strong></td>
<td>Mixed ‡</td>
<td>Increasing †</td>
<td>Mixed ‡</td>
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<tr>
<th></th>
<th>Pharmacy</th>
<th>Front-End</th>
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<tbody>
<tr>
<td><strong>NOLVs</strong></td>
<td>Consistent</td>
<td>Consistent</td>
</tr>
<tr>
<td><strong>Sales Trends</strong></td>
<td>Increasing †</td>
<td>Increasing †</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>Mixed ‡</td>
<td>Mixed ‡</td>
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<tr>
<td><strong>Scripts</strong></td>
<td>Consistent</td>
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</table>

NOLVS

- NOLVs for new medical equipment have been **decreasing** over the past six months due to declining gross margins. Recovery values were negatively impacted by increases in payback periods and declines in utilization rates. However, NOLVs have been **increasing** for used equipment due to revenue growth for rental goods as a result of improved market conditions. NOLVs were **mixed** for supplies, with values positively impacted by new business opportunities and negatively impacted by lost competitive bids. Performance in the wholesale pharmaceuticals and nutritional supplements segment was **mixed**, with NOLVs adversely impacted by negative shifts in inventory mix towards lower-margin raw materials and positively impacted by increased sales for certain companies. Most NOLVs for retail inventory and scripts have remained relatively **consistent**.

SALES TRENDS

- Sales trends were **mixed** across the board for all segments, with the exception of pharmacy, which experienced **increasing** sales trends due to the penetration of higher-priced specialty drugs, as well as rising prices of certain generic drugs. Front-end also had **increasing** sales trends, depending on the company, type of product, and sales region.

GROSS MARGIN

- Gross margins for medical equipment have been **decreasing** over the past six months due to the Medicare competitive bidding program. Gross margins were **mixed** for supplies, wholesale pharmaceuticals and nutritional supplements, as well as for pharmacy and front-end. While many retailers in the industry have experienced improving gross margins due to the transition to lower-cost generic drugs, others have noted that generic drug prices have increased, which has pressured gross margin. In addition, reimbursement rates continue to be pressured.

INVENTORY

- Inventory levels were **mixed** for medical equipment but have been **increasing** for supplies due to excess backorders and the build-up of inventory as a result of supply shortages from vendors. Inventory levels were **mixed** for wholesale pharmaceuticals and nutritional supplements.

SCRIPTS

- Scripts values have remained relatively **consistent**.
Overview

Concerns regarding healthcare will continue to take top priority among Americans in 2015 as more provisions of the Affordable Care Act (“ACA” or “Obamacare”) take effect. Pay increases under “Obamacare” for primary care doctors treating Medicaid patients have expired, which means that those physicians will take a 42% pay cut in 2015. Mandates requiring large companies to provide health insurance for their employees are scheduled to take effect this year, and Americans without insurance who do not qualify for an exemption will pay the healthcare penalty for the first time in 2015 (for a lack of coverage in 2014). The U.S. will continue to outrank other countries in terms of healthcare spending. According to the Centers for Medicare and Medicaid Services (“CMS”), U.S. healthcare spending is on track to hit $10,000 per person in 2015. The CMS indicates that our National Healthcare Expenditure is projected to hit $3.21 trillion in 2015.

Meanwhile, various new healthcare regulations will be rolled out in 2015. The Drug Supply Chain Security Act (“DQSA”), which was signed into law by President Obama on November 27, 2013, will be rolled out in various stages in 2015. The new law requires that all drug manufacturers, repackers, wholesale distributors, dispensers, and third-party logistics providers implement a new drug-tracking system that utilizes serial numbers.

Effective January 1, 2015, drugs making their way through the supply chain are required to have new information, including lot numbers, names and addresses of buyers and sellers, and a transaction history. The law also sets out new requirements for compounding pharmacies. The DQSA is intended to increase security and ease concerns over counterfeit and substandard drugs ending up in the supply chain. Key provisions of the law will be implemented over the next 10 years, including product identification, tracing, and verification; detection and response; wholesaler licensing; and third-party logistics provider licensing.
Recent Appraisal and Liquidation Trends

MEDICAL EQUIPMENT

Recovery values for new medical equipment have decreased over the past six months due to declining gross margins as a result of Medicare’s competitive bidding program, which has lowered prices for industry products. Recovery values were further negatively impacted by increases in payback periods and declines in utilization rates. The decrease in values was offset by the improved aging mix of equipment. Sales trends were mixed, decreasing for companies that were unable to win competitive bids, while increasing for some companies due to improved market conditions.

Inventory levels were mixed. Recovery values for used medical equipment have increased due to revenue growth for rental goods as a result of improved market conditions. However, pricing for used equipment has been steady to slightly decreasing due to market-value adjustments for current selling prices of similar used assets.

MEDICAL SUPPLIES

Recovery values for medical supplies have been mixed during the past two quarters. Values for certain companies were positively impacted by new business opportunities and negatively impacted by lost competitive bids for other companies. Sales trends were mixed, declining due to lost bids and growing as a result of price increases, as well as changes in product mix. Inventory levels have increased due to excess backorders and the build up of inventory due to supply shortages from vendors.

WHOLESALE PHARMACEUTICALS AND NUTRITIONAL SUPPLEMENTS

Performance by wholesale pharmaceutical and nutritional supplement companies has been mixed over the past six months, including mixed sales trends and gross margins.

Recovery values were positively impacted by increased sales for certain companies due to new product releases and strong industry trends.

Lower-margin business and negative shifts in inventory towards lower-margin raw materials negatively impacted recovery values for some companies.

Inventory levels have been mixed due to fluctuations in fill rates.

THIRD-PARTY PAYERS

Over the past year, GA has seen an increase in appraisals in which companies sell directly to patients and are becoming increasingly dependent upon payment from third-party payers, usually consisting of Medicare or insurance companies. This trend will likely increase as the ACA continues to roll out various reforms. Recent appraisals featuring this trend have included all healthcare inventory types: equipment, supplies, and pharmaceuticals.

Recovery values in these situations are entirely dependent on companies preparing the necessary forms, as well as doctor authorizations and other paperwork being submitted to the payers for processing and payment. Unlike most other appraisals, which assume cash payment in exchange for goods, these appraisals rely on credit terms being extended to the payers, with payments typically following 15 to 60 days later.

For such appraisals, should a liquidation be conducted without credit terms to payers such as Medicare, or should the related companies be dropped from the Medicare program, these companies would have to rely on sales to either cash-paying customers or competitors or other licensed alternative channels, which would negatively impact recovery values.
Recent Appraisal and Liquidation Trends

PHARMACIES AND DRUG STORES

Pharmacy and drug store performance has been mixed, with major companies, such as Walgreens, CVS, and Rite Aid, leveraging their economies of scale and partnerships with major healthcare and pharmaceuticals providers to implement enhanced services and offer a wide variety of both pharmacy and front-end products. However, smaller, regional players, including supermarkets or mass merchants that maintain pharmacies within, have experienced sales pressure due to the shift of branded drugs to low-cost generics, in some cases offset by the rise of high-cost specialty drugs.

While some retailers continue to experience sales declines as a result of the increased penetration of generic drugs, other pharmacy retailers appraised by GA have worked to offset these declines by focusing on specialty drugs, which typically maintain higher price points, as well as immunization programs and medication therapy management. Additionally, several retailers appraised by GA have noted that generic drug prices have increased, positively impacting sales.

Pharmacy and drug store sales are expected to continue to increase in 2015, particularly as many retailers invest in specialty drug offerings. Furthermore, GA expects most retailers to benefit from greater consumer access to healthcare as a result of the implementation of the ACA, as more insured Americans may translate to increased demand for prescription drugs.

Gross margin trends for both major and regional players have been mixed. Most retailers in the industry have experienced improving gross margin due to the continued transition to lower-priced generics, albeit at a slower pace. However, some retailers have noted that generic drug prices have increased, which has pressured gross margin. The performance of most companies appraised by GA has been relatively consistent with industry trends, with sales generally increasing and gross margin trends mixed due to the region in which they operate, inventory mix, and other factors. Retailers appraised by GA have experienced mixed gross margin results. Consistent with overall industry trends, for most retailers, gross margin has benefitted from increased use of generic drugs. However, as mentioned, several retailers have noted that gross margin increases have slowed, particularly due to reduced reimbursement rates, as well as from higher acquisition costs of some generic drugs. Additionally, gross margins have been pressured by the transition from 30-day to 90-day prescription refills.

GA expects gross margin levels for pharmacy and drug stores to remain mixed in the first half of 2015. Gross margins will continue to benefit from the release of new generic versions of popular drugs. However, trends witnessed throughout 2014, including higher acquisition costs of generic drugs and lower reimbursement rates, may offset these gains.

Going forward, GA expects recovery values for most pharmacy and drug store retailers to remain relatively consistent with recent trends.

SCRIPTS

Script values have increased in recent years, primarily due to aggressive bidding among major drug store operators such as Walgreens and CVS, as well as large grocery chains and mass merchants that maintain in-store pharmacies, in order to drive customer traffic in their stores. Consistent with industry trends, script values of companies appraised by GA have been impacted by competition and auction activity in the surrounding area, as well as prescription gross margins. In the last several months, script values for companies appraised by GA have remained consistent to slightly up.
Industry Trends

OVERVIEW

The outcome of King vs. Burwell, a lawsuit challenging the U.S. Treasury regulation under the ACA, will play a crucial role in the continued rollout of the ACA and its subsequent impact on the healthcare industry. The lawsuit claims that the ACA only allows for subsidies on state-run healthcare exchanges, and that the regulation implemented by the Internal Revenue Service (“IRS”) providing for subsidies on state-run exchanges, as well as federal exchanges, exceeded the authority Congress granted to it.

The case will go to the Supreme Court in March 2015, with a ruling expected in June. If the lawsuit is successful, those who purchased healthcare coverage through federal exchanges could lose their tax credits, and up to 6.8 million U.S. residents who have received subsidies may be required to pay back the IRS. Industry analysts predict that the loss of these subsidies would most likely result in 10 million fewer Americans enrolled in health insurance, primarily due to the fact that they would no longer be able to afford coverage.

“The disruption would cause significant instability and threaten the viability of the individual health insurance market in the states involved,” said Christine Eibner, senior economist at global policy think-tank RAND Corporation. “Our analysis confirms just how much the subsidies are an essential component to the functioning of the ACA-compliant individual market,” stated Eibner.

MEDICAL EQUIPMENT

The five-year outlook for the medical equipment wholesaling industry is positive, with revenue projected to increase at an average annual rate of 4.8% to $195.9 billion in 2019, according to market research firm IBISWorld, Inc. (“IBISWorld”). The increase in revenue will largely stem from increased activity in the medical sector as a result of the ACA making healthcare coverage accessible to millions of previously uninsured Americans.

However, growth will be challenged by changing consumer preferences, increasingly aggressive internal competition as a result of the competitive bidding program, a fluctuating network of suppliers, and stricter government policies.

Sales of industry products will continue to fluctuate substantially from year to year, primarily as providers replace aging equipment with newer technologies. However, newly developed, high-technology electro-medical, interventional cardiology and orthopedic products will continue to consistently boost growth in medical device shipments. The orthopedic device segment’s share of total industry revenue has grown over the five years to 2014, particularly as companies have begun to develop generic orthopedic implants, which cost less than patented orthopedic implants. Market research firm Freedonia Group, Inc. (“Freedonia”) estimates that U.S. demand for orthopedic implants will rise 8.8% annually through 2015, primarily due to technological improvements and safety enhancements.

MEDICAL SUPPLIES

According to Freedonia, U.S. demand for disposable medical supplies will grow 6.6% annually to reach approximately $245 billion in 2018. Stricter infection prevention protocols by hospitals and other healthcare facilities throughout the world will be the primary growth driver. Additionally, an increased volume of hospital, surgical, and outpatient clinic activity will increase demand for disposable supplies.

Global sales of consumer medical disposables, such as adhesive bandages, home test kits, and incontinence garments, will grow due to the impact of changing demographic and epidemiological patterns, as well as trends that favor the regular practice of preventative medicine and self-treatment. Drug delivery will remain the top revenue-generating segment in the industry, with prefilled and hypodermic syringes and intravenous catheters contributing largely to revenue growth due to their reduced risk of accidents by staff and patients before and after medication injections.
Industry Trends

WHOLESALE PHARMACEUTICALS

The global pharmaceuticals wholesale and distribution market is estimated to grow at a compound annual growth rate of 6.8% over the period between 2014 and 2019, according to IBISWorld. New models of pharmaceutical delivery will be one of the key trends emerging in the industry.

With the introduction of new drugs, companies are also seeking new ways to deliver these drugs. Like other sectors in the healthcare industry, the wholesale pharmaceuticals segment will benefit from an increase in the number of people with access to health insurance.

The industry will be challenged by wholesale bypass, as third-party logistics providers begin to find ways to accommodate pharmaceutical regulations. However, according to IBISWorld, complete wholesale bypass by drug manufacturers and retailers will likely be limited by strict regulations surrounding pharmaceutical distribution and the increasing supply-chain power exhibited by major players.

NUTRITIONAL SUPPLEMENTS

The U.S. Drug and Food Administration (“FDA”) has proposed revisions to the industry guidance “Toxicological Principles for the Safety Assessment of Food Ingredients” (the CFSAN Redbook) to include dietary supplement ingredients, and therefore regulate them as food additives. While this move has caused concerns among industry participants, the FDA has yet to announce a firm date for finalizing the revised guidance draft.

Meanwhile, the nutritional supplements industry continues to grow steadily, with revenue anticipated to increase in the next five years. As the population continues to age, demand for age-specific products that help with memory loss, physical performance, muscle retention, and skin care, is anticipated to increase.

The U.S. nutritional supplements market is poised to maintain its average growth rate of just over 6% per year through 2018, hitting sales of $16.4 billion in that year.
Industry Trends

MAJOR INDUSTRY PLAYERS

Brand Name Drug Manufacturers

While the brand name drug manufacturing industry has largely benefited from healthcare reform stemming from the ACA, not all effects will be positive over the next five years. For example, as a result of a deal between the federal government and the Pharmaceutical Research and Manufacturers of America, pharmaceutical manufacturers will incur $84.8 billion in taxes and costs related to providing pharmaceutical discounts to state governments for individuals who receive Medicaid over the 10 years to 2021, in order to fill the Medicare coverage gap.

In exchange, the federal administration has agreed to refrain from bargaining with the industry for lower drug prices, importing drugs from Canada, pursuing Medicare rebates, or shifting some drugs from Medicare Part B or Medicare Part D, all of which have been considerably costly for the industry in the past. Pfizer, Inc. (“Pfizer”), Merck and Co., Inc. (“Merck”), and Amgen are the brand-name drug manufacturing industry’s top three players.

Pfizer’s key product lines continued to perform well in the third quarter of 2014, despite the continued negative impact from patent expirations and the termination of certain co-promotion collaborations. The company’s most recent product launches exhibited further momentum during the year. Pfizer has several new drugs in its development pipeline, including Palbociclib, a new breast cancer drug. Pfizer announced in October 2014 that the FDA accepted its New Drug Application for Palbociclib, and that the drug has received priority-review status from the FDA.

In October 2013, Merck launched a multi-year initiative to transform the company, which entailed divesting non-core assets, reducing expenses, and investing in promising new product launches and pipelines. As a result, Merck delivered solid results in the third quarter of 2014, despite a decrease in revenue versus 2013.

Amgen’s performance was strong in the third quarter of 2014, with total revenue increasing 6%, including a 4% increase in product sales. The company’s growth in product sales was largely driven by strong performance across its product portfolio, particularly for its Kyprolis®, Prolia®, Neulasta®, and XGEVA® products.

<table>
<thead>
<tr>
<th>Top Brand Name Drug Manufacturers</th>
<th>Third-Quarter 2014 Revenue</th>
<th>Projected % Change from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pfizer</td>
<td>$12.4 billion</td>
<td>(2.0%)</td>
</tr>
<tr>
<td>Merck</td>
<td>$10.6 billion</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Amgen</td>
<td>$5.0 billion</td>
<td>6.0%</td>
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</table>


Generic Drug Manufacturers

Generic drug manufacturers will continue to benefit from the consumer preference for generic drugs in the five years to 2019, particularly due to some significant patent expirations of many branded pharmaceuticals in 2015. Many popular drugs, including Abilify (schizophrenia and bipolar disorders), Copaxone (multiple sclerosis), and Gleevec (chronic myeloid leukemia), will all lose patent protection in 2015. As a result, industry revenue is expected to grow 4.2%, as these patent expirations provide additional opportunities for generic drug producers.

A favorable regulatory environment will be another factor that will contribute to healthy growth for generic drug manufacturers. ACA-implemented changes in generic drug approval, Medicare Part D discounts, and a 12-year patent protection period on biological drugs will all favor generic drug manufacturers. Teva Pharmaceutical Industries, Ltd. (“Teva”), Actavis plc (“Actavis”), and Mylan, Inc. (“Mylan”) represent the industry’s top three players.

According to Bloomberg analysts, Teva is likely to increase its acquisition activity in 2015 in the wake of increasing generic competition and expiring patents. The company’s initiative to strengthen its foundation as a generic drug company, as well as the successful launch of its multiple sclerosis drug Copaxone, helped Teva achieve a strong cash flow in 2014.
MAJOR INDUSTRY PLAYERS (cont’d)

However, with the patent on Copaxone set to expire in September 2015, the company will face competition from possible generic versions of the drug.

Actavis exhibited strong performance in 2014, aided by new product approvals and increased acquisition activity. In addition to strong sales growth in the U.S. and key international markets, the company announced the FDA approval of Namzaric, its drug for the treatment of Alzheimer’s disease. The company completed the acquisition of Durata Therapeutics in the year, which added the antibiotic drug Dalvance to its product portfolio. Additionally, Actavis announced the proposed acquisition of Allergan, Inc. towards the end of 2014, with the deal anticipated to close in the first quarter, or early in the second quarter, of 2015.

Mylan’s pending acquisition of Abbott Laboratories’ (“ABT”) specialty and branded generics business for non-U.S. developed markets is expected to close in the first quarter of 2015. The acquisition would not only give Mylan a multi-billion dollar drug portfolio, but would also allow the company to re-incorporate itself in Switzerland. The company’s revenue increased in 2014, aided by strong performance in its injectables and anti-retroviral product portfolios, as well as growth in sales for its EpiPen® Auto-Injector product.

<table>
<thead>
<tr>
<th>Top Generic Drug Manufacturers</th>
<th>2014 Projected U.S. Revenue</th>
<th>Projected % Change from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teva</td>
<td>$4.3 billion</td>
<td>1.7%</td>
</tr>
<tr>
<td>Actavis</td>
<td>$4.0 billion</td>
<td>5.3%</td>
</tr>
<tr>
<td>Mylan</td>
<td>$3.7 billion</td>
<td>9.4%</td>
</tr>
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Source: IBISWorld

Drug Distributors

A rise in the number of people with access to health insurance will be one of the several trends positively impacting drug distributors in the five years to 2019. The effects of various newly-introduced regulations and changes in the supply of generic and branded pharmaceuticals will greatly determine the outlook for drug distributing companies. McKesson Corporation (“McKesson”), AmerisourceBergen Corporation (“AmerisourceBergen”), and Cardinal Health, Inc. (“Cardinal Health”), also known as the “Big Three,” accounted for 44.8% of industry revenue in 2014.

McKesson’s U.S. distribution revenue is projected to grow over the five years to fiscal 2015 primarily due to increased drug use and price increases. The company performed well in 2014 mostly due to its entrance into the biologics distribution market, which helped diversify its core pharmaceutical product portfolio.

AmerisourceBergen’s generics business continues to perform well, with the company benefiting from the fast growth of generic drugs in the U.S. market. Its strong performance in 2014 largely stemmed from its long-term contract to supply Walgreen Company (“Walgreens”), as well as its significant presence in the biologics and specialty pharmaceutical distribution market. However, several of the company’s branded products are scheduled to lose exclusivity over the next five years, which will threaten its operating margin.

Revenue for Cardinal Health’s U.S. distribution segment is projected to fall over the five years to fiscal 2015 due to the loss of the Express Script and Walgreens contracts. However, strong performance in its generic drugs segment will help the company sustain its profit margin.

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<tbody>
<tr>
<td>McKesson</td>
<td>$140.2 billion</td>
<td>35.7%</td>
</tr>
<tr>
<td>AmerisourceBergen</td>
<td>$93.4 billion</td>
<td>9.7%</td>
</tr>
<tr>
<td>Cardinal Health</td>
<td>$78.6 billion</td>
<td>(1.8%)</td>
</tr>
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Source: IBISWorld
Industry Trends

MAJOR INDUSTRY PLAYERS (cont’d)

Medical Device Manufacturers

The five-year outlook for medical device manufacturers will be determined by healthcare reform, technological advancements, outsourcing, regulations, and an aging population. Recent healthcare legislation has created an uncertain operating environment for medical device companies by tightening pricing guidelines for these companies.

The ACA’s 2.3% excise tax is expected to maintain its negative impact on medical device producers. Industry players will also experience increased costs and decreased revenue as a result of the Physician Payment Sunshine Act (“PPSA”). The PPSA requires medical product manufacturers to disclose to the CMS any payments or other transfers of value made to physicians or teaching hospitals. Medtronic, Inc. (“Medtronic”), General Electric Company (“GE”), and Johnson & Johnson represent the industry’s top three players.

Medtronic has performed well over the past five years largely due to low revenue volatility as a result of a diversified product portfolio. The company’s profit and revenue outlook will be significantly impacted in fiscal 2015 if the proposed merger with rival Covidien is approved and completed. GE performed strongly in 2014 largely due to the company outspending multi-industry peers in research and development.

Johnson & Johnson’s industry-relevant profit has been negatively impacted during the past five years by litigation, acquisition, and regulation activity. The ACA’s 2.3% medical device excise tax will continue to reduce the company’s profit margin through 2015 and beyond.

Medical Equipment and Supplies Distributors

Companies in the medical equipment and supplies distribution industry will benefit from increased activity in the medical sector, with industry revenue projected to increase in the next five years. Much of this growth will stem from the ACA, which has extended healthcare coverage to millions of previously uninsured Americans and increased demand for industry products. However, equipment and supplies distributors will be dealing with changing consumer preferences, increasingly aggressive internal competition as a result of the CMS’ competitive bidding program, and a more stringent regulatory environment. Cardinal Health and Owens & Minor, Inc. (“Owens & Minor”) represent the top two players in the industry.

Cardinal Health’s strong performance in 2014 was largely attributed to growth in its existing customer base, including growth in strategic hospital network accounts and acquisitions.

Increased demand from the company’s larger customers accounted for much of Owens & Minor’s revenue growth in 2014. The company will continue to expand through organic growth and acquisitions.

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**Top Medical Device Manufacturers**

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<tbody>
<tr>
<td>Medtronic</td>
<td>$9.7 billion</td>
<td>5.8%</td>
</tr>
<tr>
<td>GE</td>
<td>$8.2 billion</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>$2.7 billion</td>
<td>(12.7%)</td>
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</tbody>
</table>

Source: IBISWorld

**Top Medical Equipment and Supplies Distributors**

<table>
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<tbody>
<tr>
<td>Cardinal Health</td>
<td>$11.1 billion</td>
<td>5.2%</td>
</tr>
<tr>
<td>Owens &amp; Minor</td>
<td>$8.9 billion</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: IBISWorld
Industry Trends

PHARMACY

Specialty Drugs and Biosimilars

Many pharmacies are offering an increased assortment of biologic specialty drugs in order to offset sales declines due to the increased use of generics. Specialty drugs are typically used to treat a variety of diseases and rare conditions, including cancer, HIV, hepatitis, and multiple sclerosis. Due to their high cost, specialty drugs represent one-fourth of all prescription drug costs, as a single prescription can cost upwards of several hundred thousand dollars over the course of a year. Specialty drugs are expected to account for 50% of drug industry revenues by 2018.

Many patient and trade groups are concerned about the rapid rise of specialty drug costs, noting that offsetting measures should be taken, such as increased incentives for the development of new drugs and generic biosimilars. Sovaldi, a new drug manufactured by Gilead that has been found to effectively cure Hepatitis C in most patients, has been the most recent example of the skyrocketing prices of specialty drugs. One Sovaldi pill costs $1 thousand; a full 12-week course of the medication costs $84 thousand. The backlash from consumer groups, private insurers, as well as federal agencies such as the U.S. Department of Veterans Affairs and Medicaid, has been swift, with many questioning the reasoning for the high cost, as well as the high cost of other specialty drugs. Most recently, Express Scripts announced it would no longer cover Sovaldi, and instead will cover a cheaper, less effective Hepatitis C treatment, Viekira Pak.

Current laws regarding the development of generics dictate that the generic drug must be identical to its branded counterpart. However, unlike pharmaceutical generic drugs, which are identical to their branded counterparts, generic versions of specialty biologic drugs, or biosimilars, may not be derived from the same stem cell strain as the branded biological drug, making them similar, but not identical. As such, although a few biosimilars exist, no major biosimilars are currently on the market. However, in mid-January 2015, after industry groups voiced concerns over the high costs of specialty drugs, the FDA approved the first major biosimilar drug, Zarxio, which is used to increase white-blood cell counts to reduce the occurrence of infection in cancer patients receiving chemotherapy. Additionally, many industry experts believe a biosimilar for rheumatoid arthritis drug Remicade will win FDA approval in the near future. Biosimilars such as these are expected to save insurers and patients billions of dollars over the next decade.

Branded versus Generic Drugs

Generic drugs can cost between 20% and 80% less than branded drugs. While they generate lower sales volume for retailers, they also achieve much higher margins. Prices for many common generic drugs have been on the rise. According to several reports, over half of all generic drugs have increased in price from the prior year, with some prices rising over 500%. According to the New York Times, some drug prices have increased so much in the past year that they are now more expensive than their branded equivalents in other developed countries, such as Canada.

The rising costs of generics have been blamed on a variety of factors, including higher costs of raw materials, particularly for a key ingredient, increased expenses associated with FDA standards, as well as reduced competitive pressures as a result of other manufacturers exiting the market.
Industry Trends

The sharp rise in price of some generics has put additional pressures on small chain and independent pharmacies, as unlike major national drugstore chains, these businesses do not maintain the purchasing power to negotiate for discounts. As a result, a Senate panel was convened in late November 2014 to investigate the rapid increase in generic drug prices, as well as to explore possible solutions, such as fast-tracking the number of generic approvals by the FDA, as well as allowing foreign drug distributors to sell their products in the U.S.

Affordable Care Act

The ACA is considered a boon to the retail pharmacy industry, as upwards of 32 million Americans will be required to purchase health insurance. Similar to the introduction of the Medicare Part D plan in 1996, increased health insurance coverage is expected to generate significant demand for prescription drugs, to the benefit of pharmacy retail sales. According to a recent Gallop poll, as a result of the ACA, only 12.9% of Americans are currently without insurance, the lowest level since the firm began tracking the statistic in 2008.

Most sections of the law have already taken effect since its initial passage in 2010; however, other mandates, including the requirement that companies with a certain number of employees must provide healthcare insurance to their workers, only recently went into effect.

340b Contract Pharmacies

The 340b drug pricing program was developed in the early 1990s to provide medication discounts to healthcare providers servicing low-income patients. These providers either dispense the discounted drugs through in-house pharmacies, or contract with an outside community pharmacy which receives a fee for the services provided. Specifically, contract pharmacies receive fees on a per-prescription basis. In many instances, these fees exceed the typical gross margin achieved by traditional drug dispensation. As there are significant cost benefits, many national and retail pharmacies have worked to become preferred contract pharmacies to 340b entities. According to Drug Channels, one in four U.S. pharmacies is a registered 340b pharmacy, with major drug store retailers Walgreens, CVS, and Rite Aid, as well as mass merchant Walmart and supermarkets Kroger and Safeway, leading the market.

Participation in the 340b program has swelled in recent years, in part due to recent entity eligibility changes as a result of the passage of the ACA. As there has not been much program oversight in the past, many healthcare industry leaders are calling for increased regulations. The Health Resources and Services Administration is expected to release regulation guidance on the program sometime this year.
Industry Trends

Technology and Omni-Channel Retailing

In order to maximize the number of customers reached as well as to interact with customers in new ways, pharmacy retailers are experimenting with technology, including telepharmacies, mobile applications, and other digital services.

According to Drug Store News, the use of mobile technology and smartphone apps, also referred to as mHealth, is quickly revolutionizing healthcare, as smartphones are easily accessible, engaging, and provide a means of storing and tracking data. Furthermore, a recent survey found that more than half of Americans want to monitor their health via mobile apps or other connected devices, including weight, blood pressure, diabetes, hypertension, sleep apnea, and fertility.

As such, pharmacy retailers are utilizing mobile applications to advertise store promotions and refill prescriptions. CVS’s mobile app allows customers to personalize promotional offers and create digital shopping lists.

In addition to mobile apps, major retailers have unveiled digital programs and telepharmacy services such as Walgreens’ Your Digital Health Advisor, a virtual wellness coaching program, as well as Rite Aid’s VaccineCentral, which tracks flu occurrences and boosts vaccine awareness. CVS recently launched a Digital Innovation Lab, which is testing digital services, such as videoconferencing with doctors in select MinuteClinics, as well as communicating to customer about prescriptions via phone and text messages.

Retail Pharmacy Services

Despite the increase in insured individuals via the ACA, there is a severe shortage of primary care doctors, which has become a boon for pharmacy retailers with walk-in clinics, such as CVS’s MinuteClinic, Walgreen’s Healthcare Clinic, and Rite Aid’s NowClinic. Drug stores and pharmacies are positioning themselves as critical healthcare providers, as many Americans rely on pharmacists for basic healthcare given that an estimated 62 million Americans do not have easy access to a primary care physician, per Drug Store News.

As a result, retail clinics are blurring the lines between retail store and health provider, alleviating the demand on the country’s already strained healthcare system and shortage of doctors. Retail clinics are gaining certifications to offer a wide variety of services, from physical examinations to medication therapy management, as well as specialty services. For example, CVS and Walgreens offer home infusion services, in which licensed practitioners administer medications via needle or catheter.

Additionally, national and regional pharmacy chains, as well as supermarkets with pharmacies within, have been working to expand their immunization services, as these services represent additional sales as well as the potential to gain new pharmacy customers. There continues to be growth potential for immunization services, such as for the flu, as well as shingles and hepatitis A and B, among others.

FRONT-END

Seasonal Products

Seasonal products boost customer traffic and front-end sales. While last year’s flu season was relatively minor, the 2014-2015 season is already at epidemic proportions, giving pharmacy retailers a sales boost from flu immunizations, as well as cough, cold, and other front-end items, such as cough drops, facial tissues, and OTC medications. In addition, a recent survey by Drug Store News noted that one in four Americans attempts to boost immunity to avoid getting sick during the cough and cold season.

Front-end products for boosting immunity include zinc and vitamin C supplements, as well as lesser-known items, such as elderberry and garlic supplements and probiotics.

Gifts and related items were also popular during the recent holiday season, with major drug store chains touting unique gifts, decor, and hassle-free shopping.
Industry Trends

CVS, for example, offered a variety of items, from candy and stocking stuffers to high-tech electronics, such as the Jawbone fitness tracker. Additionally, Rite Aid offered a value-priced private-label line of toys, as well as licensed merchandise, such as fragrance and beauty sets.

Consumables

A recent study found that many younger consumers, particularly Millennials, shop consumables at small-format stores, particularly drug stores, dollar stores, and convenience stores, as these retailers typically offer compelling promotions. Drug stores in particular have boosted offerings of healthy food and snacks, as well as enhanced private-label merchandise. In particular, over the past several years, major retailers have worked to improve ingredient quality and add more items, such as CVS’s Gold Emblem and Walgreens’ Nice! branded goods.

MAJOR INDUSTRY PLAYERS

Walgreens, CVS, and Rite Aid are the retail pharmacy industry’s top players, representing upwards of three-quarters of total market share, with the remainder consisting of smaller regional and independent drug store chains. The following table illustrates the monthly and quarterly comparable store sales trends for major pharmacy retailers Walgreens, CVS, and Rite Aid:

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<td>Walgreens</td>
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<tr>
<td>Pharmacy</td>
<td>7.6%</td>
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<td>Pharmacy</td>
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Walgreens

Walgreens is the largest retailer in the pharmacy industry with over 8,200 retail stores. Walgreens achieved solid growth in 2014, particularly in the second half of the year. Although customer traffic was down, basket sizes increased. Additionally, the company recently announced it filled a record 222 million prescriptions in the most recent quarter. Walgreens noted that sales were positively impacted by calendar shifts as well as a strong flu season. In early 2015, the company completed the purchase of European pharmacy retailer Alliance Boots, creating the largest pharmacy retailer in the world.

CVS

The second-largest drug store chain in the U.S. continued to experience mixed results in the third quarter of 2014. While pharmacy sales improved, front-end sales were dampened by reduced customer traffic and the elimination of tobacco products. CVS has built upon its commitment to stop selling tobacco products by expanding its annual free health screening campaign, Project Health, to include a smoking cessation program. Project Health also provides comprehensive health risk assessments for low-income customers, including blood pressure, glucose, and cholesterol screenings.

Rite Aid

Although front-end sales remained relatively flat for the second half of 2014, Rite Aid’s pharmacy sales have steadily improved in tandem with increases in the number of prescriptions filled. The company’s corporate Road to Wellness program, which includes remodeling stores, enhancing its pharmacy offerings, and providing services such as chronic care coaching, has been a success, and has contributed to Rite Aid’s positive sales growth.
Experience

GA has formulated bids and conducted liquidations for several hospitals including Long Beach Medical Center, Peninsula Hospital Center, Harrison Medical Center, Westchester Medical Center, St. Vincent Catholic Medical Center, Mercy Medical Center, and Franciscan Medical Center, as well as retail pharmacies, including Rite Aid and Drug Emporium, and supermarkets that maintain pharmacies within. GA has also worked with and appraised numerous companies within the healthcare industry. While our clients remain confidential, they include market-leading manufacturers and distributors of pharmaceuticals, durable medical equipment, supplies, devices, and other equipment from medical branches including biomedical, surgical, pharmaceutical, and dental. GA has also appraised national and regional retail pharmacies’ inventory and scripts, and maintains a database of scripts sold over the last five years. GA’s extensive list of healthcare-related appraisal experience includes:

- A manufacturer of respiratory medical products for use in institutional and homecare settings, with products including sleep therapy, pulmonary drug delivery, stationary and portable supplemental oxygen, and homecare suction;
- A specialty pharmaceutical and medical device manufacturer that develops and markets technologies focused on acute and surgical applications;
- A developer and distributor of surgical spinal implants and surgical kits including anterior and posterior cervical, lumbar, and interbody spinal implant systems;
- A manufacturer of disposable medical products including operating room supplies, kits and trays for minor procedures, patient bedside products, containment systems for medical waste and laundry, and measurement and collection products;
- A biomedical equipment rental company whose product line includes respiratory therapy equipment (ventilators, oxygen concentrators), general equipment (beds, stretchers), infusion equipment (pumps, defibrillators), patient monitoring equipment (fetal monitors, blood pressure monitors), and newborn care equipment (incubators, infant warmers), with customers including hospitals, EMS transport organizations, veterinary clinics, and alternate-site healthcare providers;
- Distributors of non-surgical medical scrubs, lab coats, nurses’ uniforms, and medical shoes;
- A provider of infusion pumps and related products for sale, consignment, and rental;
- A distributor of dental supplies such as consumables including anesthetics, gloves, and disposable trays; large equipment such as dental chairs and x-ray machines; and small equipment such as sterilizers and hand pieces;
- A leading provider of home medical equipment, supplies, medication, and services to patients insured through Medicare, Medicaid, insurance providers, and managed care organizations;
- A manufacturer of prescription and OTC specialty therapeutic and diagnostic pharmaceuticals in categories including ophthalmic and injectables;
- Producers of generic pharmaceuticals, which supply to a variety of national pharmacy customers including CVS and Rite Aid, as well as pharmaceutical distributors such as McKesson;
- Regional and independent pharmacy retailers, including those specializing in durable medical equipment, specialty drugs, and holistic medicines; and
- Several regional distributors of branded and generic pharmaceuticals.

In addition to our vast liquidation and appraisal experience, GA maintains contacts within the healthcare industry that we utilize for insight and perspective on recovery values.
Monitor Information

The Healthcare and Pharmacy Monitor relates information covering medical equipment, supplies, pharmaceuticals, nutritional supplements, and scripts including industry trends and demand factors, their relation to our valuation process, as well as current recovery trends. The healthcare industry’s evolving regulatory environment makes accurate and up-to-date information essential. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole. GA welcomes the opportunity to make our expertise available to you in every possible way. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer using the contact information shown in this and all Healthcare and Pharmacy Monitor issues.

GA’s Healthcare and Pharmacy Monitor provides a brief overview highlighting specific sectors of the healthcare industry. The information contained herein is based on a composite of GA’s industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. We do not guarantee the completeness of such information or make any representation as to its accuracy.
Glossary of Terms

Regulatory Terms

- **FDA (Food and Drug Administration):** A federal agency of the U.S. Department of Health and Human Services responsible for protecting and promoting public health via the regulation and supervision of food, tobacco products, dietary supplements, prescription and over-the-counter pharmaceutical drugs, vaccines, biopharmaceuticals, blood transfusions, medical devices, cosmetics, animal feed, and veterinary products.

- **DEA (Drug Enforcement Administration):** A U.S. federal law enforcement agency under the US. Department of Justice that is responsible for combating drug smuggling and use within the U.S. The mission of the DEA is to enforce controlled substance laws and regulations.

- **CDC (Centers for Disease Control and Prevention):** A federal agency operating under the Department of Health and Human Services, the CDC is the national public health institute of the U.S. responsible for protecting the public health and safety through the control and prevention of disease, injury, and disability. The CDC particularly focuses on infectious diseases, food-borne pathogens, environmental health, occupational safety and health, health promotion, injury prevention, and diabetes.

- **Medicare:** A national social insurance program that has been administered by the U.S. federal government since 1966 and currently utilizes approximately 30 private insurance companies across the U.S. Medicare provides health insurance for Americans aged 65 or older who have worked and paid into the system, as well as for younger people with disabilities, end-stage renal disease, and amyotrophic lateral sclerosis.

- **Medicaid:** A U.S. social healthcare program for families and individuals with low income and limited resources. Medicaid is jointly funded by the state and federal governments and is managed by the states, with each state currently maintaining broad leeway to determine program eligibility and implementation.

- **Medicare Part A (“Hospital Coverage”):** Covers hospital care, skilled nursing facility care, nursing home care (as long as custodial care is not the only care needed), hospice care, and home health services.

- **Medicare Part B (“Physician Coverage”):** Covers two types of services: medically necessary services, which represent services and supplies that are needed to diagnose or treat medical conditions and that meet accepted standards of medical practice, and preventive services, which represent healthcare to prevent illness (like the flu) or detect it at an early stage when treatment is mostly likely to work best.

- **Medicare Part C (“Medicare Advantage”):** A Medicare-approved private health insurance plan for individuals eligible for or enrolled in Medicare Part A and Part B. Medicare Part C provides all Medicare Part A (hospital coverage) and Medicare Part B (medical insurance) coverage, and generally offers additional benefits, such as vision, dental, and hearing, and may include prescription drug coverage.

- **Medicare Part D (“Prescription Drug Coverage”):** Helps to cover the costs of prescription drugs.

- **DMEPOS (Durable Medical Equipment, Prosthetics, Orthotics, and Supplies) Competitive Bidding:** A competitive bidding program mandated by Congress through the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The program, which Medicare is phasing in for some areas of the country, changes the amount Medicare pays suppliers for certain DMEPOS and changes who can supply these items.

- **NDA (New Drug Application):** The process through which pharmaceutical manufacturers get approval from the FDA for the sale and marketing of a new drug. The application must contain data from specific technical viewpoints for review, including chemistry, pharmacology, medical, biopharmaceutics, and statistics. If the NDA for a new drug is approved, the drug may be marketed in the U.S.
Glossary of Terms

Regulatory Terms (continued)

- **ANDA (Abbreviated New Drug Application):** The application submitted to the FDA for the review and ultimate approval of a new generic drug. Generic drug applications are termed “abbreviated” because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness. Instead, generic drug applicants must scientifically demonstrate that their product is bioequivalent, which means that it performs in the same manner as its branded counterpart.

- **Drug Recall:** An action taken by a firm to remove a pharmaceutical product from the market because the product violates rules and regulations set forth by the FDA. Recalls are classified as Class I, Class II, or Class III. Class I recalls are the most serious and involve situations where there is a reasonable probability that the use of or exposure to the drug in question will cause serious adverse health consequences or death. A drug may be recalled due to factors such as problems with packaging, manufacturing, or contamination.

- **Orange Book:** Refers to the FDA’s publication, *Approved Drug Products with Therapeutic Equivalence Evaluations*, which identifies drug products approved on the basis of safety and effectiveness by the FDA under the Federal Food, Drug, and Cosmetic Act. The publication does not include drugs on the market approved only on the basis of safety review and excludes pre-1938 drugs.

- **Pink Book:** A book published by the CDC to provide physicians, nurses, nurse practitioners, physician assistants, pharmacists, and others with comprehensive information on vaccine-preventable diseases.

- **CFR Title 21 (Code of Federal Regulations Title 21):** The codification of the general and permanent rules published in the Federal Register by the Executive departments and agencies of the Federal Government.

- **PMA (Premarket Approval):** The FDA’s scientific and regulatory review process to evaluate the safety of Class III medical devices, including devices that support or sustain human life, are of substantial importance in preventing impairment of human health, or present a potential, unreasonable risk of illness or injury.

- **510 (k) Clearance:** Also known as Premarket Notification, 510 (k) is part of the Food, Drug, and Cosmetic Act, which requires medical device manufacturers to notify the FDA at least 90 days in advance of their intent to market a medical device.

- **NDC (National Drug Code Directory):** A part of the Drug Listing Act of 1972 requiring registered drug establishments to provide the FDA with a current list of all drugs manufactured, prepared, propagated, compounded, or processed by it for commercial distribution.

- **Class I, II, and III Medical Devices:** Classification is based on the level of risk that the device poses to the patient and/or the user. Class I devices, which include tongue depressors, gloves, crutches, and wheelchairs, pose the lowest level of risk. Class II devices, which include syringes and thermometers, pose a medium-level risk. Class III devices, which include surgical instruments such as scalpels and defibrillators, pose the highest risk level.

- **Payor:** Any legal entity, excluding the patient, that is responsible for handling claims for healthcare services provided to patients that receive a state or federal medical assistance program, such as Medicare or Medicaid.

- **ACA (The Patient Protection and Affordable Care Act):** Commonly called “Obamacare,” the ACA is a U.S. federal statute signed into law by President Obama on March 23, 2010. The law requires all insurance companies to cover all applicants within new minimum standards and offer the same rates regardless of pre-existing conditions or sex.
Glossary of Terms

Regulatory Terms (continued)

- **DQSA (The Drug Quality and Security Act):** The law, which was signed into law by President Obama on November 27, 2013, will be rolled out in various stages in 2015. The law requires that all drug manufacturers, repackers, wholesaler distributors, dispensers, and third-party logistics providers implement a new drug-tracking system that utilizes serial numbers.

- **PPSA (Physician Payments Sunshine Act):** Requires medical product manufacturers to disclose to the CMS any payments or other transfers of value made to physicians or teaching hospitals.

- **NHA (National Health Expenditure):** An estimate of U.S. healthcare spending over the next decade.

Common Pharmaceutical/Medical Terms, Definitions, and Acronyms

- **API (Active Pharmaceutical Ingredient):** Represents the main ingredient found in a given drug.

- **Excipient:** The inactive ingredient in a drug, which usually represents the substance that is added in a prescription as a diluent, or in order to give form/consistency to a drug when the remedy is given in pill form (i.e. simple syrup, vegetable gums, aromatic powder, honey, and various elixirs).

- **GPO (Group Purchasing Organization):** An entity that aids healthcare providers, such as hospitals, ambulatory care facilities, nursing homes, and home healthcare agencies, in realizing savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors, and other vendors.

- **The “Big 3”:** The three largest pharmaceutical distributors (AmerisourceBergen, McKesson, and Cardinal Health), whose collective revenue accounts for nearly 90% of the wholesale pharmaceutical market.

- **Atomizer/Nebulizer:** An atomizer is a device that is used to convert any liquid substance into vapor mist or aerosol, while a nebulizer is more specifically applicable to converting a pharmaceutical/medication into a breathable mist for patients.

- **Infusion:** An electronically or mechanically-powered device used in a healthcare facility to pump fluids into a patient in a controller manner.

- **Efficacy:** The ability of an intervention to produce the desired beneficial effect in expert hands and under ideal circumstances; specifically for medical purposes, the ability of a drug to produce the desired outcome.

- **Expiration Date vs. Shelf-Life:** An expiration date is the date up until which a drug manufacturer can guarantee that the medicine is fully potent and safe to take based on product testing. A shelf-life is defined as the time which the average drug characteristic (i.e. potency) actually remains within an approved specification after manufacture. The FDA requires that a shelf-life be indicated on the immediate container label of every drug product.

- **Elixir:** A clear liquid containing water, alcohol, sweeteners, or flavors, primarily used as a vehicle for the oral administration of a drug.

- **Suspension:** A liquid in which small particles of a solid are dispersed, but not dissolved, and in which the dispersal is maintained by stirring or shaking the mixture. If left standing, the solid particles settle at the bottom of the container.
Glossary of Terms

Common Pharmaceutical/Medical Terms, Definitions, and Acronyms (continued)

- **Emulsion**: A fine dispersion of minute droplets of one liquid in another, in which it is not soluble or miscible.

- **Solution**: A homogenous mixture of one or more substances (solute), dispersed molecularly in a sufficient quantity of dissolving medium (solvent).

- **Indication**: A reason to prescribe a medication or administer treatment. For example, a bacterial infection may be an indication for the prescription of a specific antibiotic, while appendicitis is an indication for an appendectomy.

- **Compounding**: Performed at compounding pharmacies, compounding is the creation of a particular pharmaceutical product to fit the unique needs of a patient. To do this, compounding pharmacists combine or process appropriate ingredients using various tools. This may be done for medically necessary reasons, such as to change the form of the medication from a solid pill into a liquid, to avoid a non-essential ingredient that the patient is allergic to, or to obtain the exact dosage.

- **Extract**: A substance, usually a biologically active ingredient, prepared by the use of solvents or evaporation in order to separate the substance from the original material. Extracts may be in liquid or solid form.

- **WAC (Wholesale Acquisition Cost)**: The list price paid by a wholesaler, distributor, or other direct accounts for drugs purchased from the wholesaler’s supplier. The WAC is generally the price issued by the drug manufacturer prior to any rebates, discounts, allowances, or other price concessions that are offered by the supplier of the product.

- **AWP (Average Wholesale Price)**: A benchmark that has been used for over 40 years for the pricing and reimbursement of prescription drugs for both government and private payors. Initially, the AWP was intended to represent the average price that wholesalers used to sell medications to providers, such as physicians, pharmacies, and other customers. However, the AWP is not a true representation of actual market prices for either generic or branded drugs. The AWP has often been compared to the “list price” or “sticker price,” meaning it is an elevated drug price that is rarely what is actually paid. The AWP is not a government-regulated figure, and does not include buyer volume discounts or rebates, which are often involved in prescription drug sales.

- **CPAP (Continuous Positive Airway Pressure)**: A CPAP machine is typically utilized for the treatment of obstructive sleep apnea to help patients breath more easily while sleeping. A CPAP machine increases air pressure in the patient’s throat in order to prevent the airway from collapsing when the patient breathes in.

- **DME (Durable Medical Equipment)**: Refers to any medical equipment that is utilized in the home to aid in a better quality of living for the patient. DME includes iron lungs, oxygen tents, nebulizers, catheters, hospital beds, and wheelchairs.

- **Ostomy**: Refers to the surgically created opening in the body for the disposal of body waste, which is most commonly referred to as colostomy. A colostomy is created when a portion of the colon or the rectum is removed and the remaining colon is brought to the abdominal wall.

- **Enteral**: In general medicine, enteral nutrition, or drug administration, refers to feeding or administering drugs via the gastrointestinal tract and commonly pertains to tube feedings that may be necessary for certain patients.
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About Great American Group

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional services firms. In addition to the Healthcare and Pharmacy Monitor, GA also provides clients with industry expertise in the form of monitors for the metals, building products, food, textiles and apparel, automotive, and chemicals/plastics industries, among many others.

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