

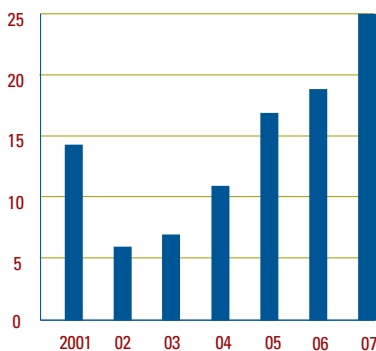


MarketWATCH

Home Infusion Therapy and Specialty Pharmacy Services

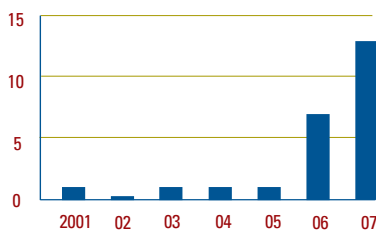
2008

CHART A:
Home Infusion Therapy
M&A Transaction Volume



Source: The Braff Group

CHART B:
Private Equity Sponsored
Home Infusion Therapy M&A
Transaction Volume



Source: The Braff Group

From a merger and acquisition perspective, the home infusion therapy sector is in the midst of an extraordinary run-up in transaction activity, valuation, and overall market enthusiasm and optimism. The signs are everywhere.

Transaction Volume Trends: As we can see from **Chart A**, after falling-off from 2001 to 2002, the sector has posted five consecutive years of transaction volume growth, ending 2007 with a record 25 deals.

Private Equity Investment: While the initial growth in volume was fueled pre-dominately by increased acquisition interest from Option Care, as **Chart B** indicates, the recent surge over the past two years is largely due to aggressive investment strategies sponsored by private equity groups – a segment of the investment community that paid scant attention to the sector through 2005. Today, by the Braff Group’s count, there are currently eight private equity groups with infusion therapy holdings, and more interested in entering the fray.

Transaction Size: Not only have we seen a spike in deal volume, but the size of the deals being completed in the sector have grown substantially. As evidenced in **Chart C**, while there were no infusion therapy transactions among the Top 10 largest deals completed in 2006, five such transactions made the list in 2007, led by Walgreens \$850 million of Option Care. Additionally, in early February, MBF Acquisition Corp., a special purpose acquisition company (SPAC) announced that it would be acquiring Critical Homecare Solutions (CHS) for \$420M. The deal is not only notable due to its size, but also because as a SPAC transaction, the deal effectively transforms CHS into a publicly traded company.

CHART C:
TOP 10 Deals of 2007

Includes only deals for which purchase prices have been made public.

SELLER	BUYER	PRICE (M)	SECTOR
PolyMedical	Medco	1,500.0	Supplies
Option Care	Walgreen	850.0	Infusion
Oncology Therapeutics	McKesson	575.0	Specialty Rx
Coram	Apria	350.0	Infusion
Critical Care Systems	Medco	218.0	Infusion
Deaconess	Critical Homecare Sol	171.3	Infusion
PSA	Portfolio Logic	121.9	Home Health
InteliStaf	Medical Staffing	92.0	Staffing
IntegriCare	Amedisys	68.0	Staffing
HomeChoice Partners	DaVita	65.0	Infusion

Source: The Braff Group

the braff group

Chuck Gaetano
Atlanta
888-723-9263

Reggie Blackburn
Atlanta
866-455-9198

Gary Baum
Detroit
888-922-1835

Bob Leonard
Ft. Lauderdale
888-922-1836

Joel Williams
Park City
888-922-1837

Steven Braff
San Diego
888-922-1833



*No other Intermediary
has closed more
Home Infusion
Therapy & Specialty
Pharmacy deals than
The Braff Group.*

Breadth of Buyers: In addition to the surge in acquisition interest in infusion therapy from private equity groups, we are beginning to see interest from buyers coming from ancillary health care service providers seeking to leverage their sales and operating infrastructures and provide for new avenues of growth – notably home medical equipment provider Apria’s acquisition of Coram pharmacy benefit management focused Medco’s acquisition of Critical Care Systems and dialysis provider DaVita’s acquisition of HomeChoice Partners (each of which also qualified for the 10 largest deals of 2007). We expect to see more of this type of complimentary acquisition interest, particularly from the home medical equipment sector that continues to struggle with an extraordinarily hostile, and unsettled, reimbursement climate.

Fueling the Growth There are several factors that have come together to fuel the extra-ordinary run-up in interest in the infusion therapy sector:

Relatively stable reimbursement climate: Especially in contrast to **(a)** the home medical equipment sector, which is in the midst of a near uninterrupted string of bad news regarding reimbursement, and **(b)** even the home health sector – the hottest in terms of M&A activity among all the home care and related service sectors – which took a meaningful hit in 2007 with reimbursement cuts of 11% to be phased in over the next four years, the reimbursement climate for infusion therapy has been relatively benign. Although margins are always under pressure, with its many and varied legions of payers – predominately private insurance – there is little fear of widespread and substantial erosion of pricing.

The promise of a Medicare Part D benefit: For the most part, there is little argument that in its current incarnation, the Medicare Part D benefit for infusion therapy (which provides reimbursement for the drugs, but does not cover essential – and costly – pharmacy, clinical, delivery, and administrative services) is inadequate, forcing patients who could otherwise be infused at home, to seek treatment in substantially more costly physician and hospital settings. Unfortunately, with infusion therapy accounting for such a small portion of the total Medicare spend, industry advocates are finding it difficult to gain traction in Congress to fix this apparent coverage gap. That said, H.R. 2567, the Medicare Home Infusion Therapy Act of 2007, which would amend the benefit, currently has 42 co-sponsors. Moreover, the promise of increased utilization of home IV continues to be a source of optimism for the industry and the investment community.

Growing pipeline of complex therapies: In addition to the market expansion that could result from improving the Medicare Part D benefit, there is a growing pipeline of complex pharmaceutical therapies being developed that are well-suited to be provided by infusion therapy firms that have the pharmacy and clinical skills necessary to safely handle and administer these drugs in the least costly settings – at home, or in ambulatory infusion suites.

Infusion is an attractive entry-point into home care: With home care gaining traction as a key component of the solution to the rising costs of health care, the investment community is extremely interested in the space. Furthermore, with the home medical equipment arena under reimbursement assault and the home nursing sector in the midst of a near acquisition frenzy – sending purchase prices soaring to levels arguably greater than the risk-return fundamentals of the market would

suggest – home infusion therapy is increasingly being seen as an attractive entry-point into home care services. That pricing “gap”, however, is beginning to shrink as the value of infusion therapy company’s rise with the demand for attractive acquisition candidates.

Health care is counter-cyclical: While not specific to the infusion therapy industry, it is important to note that with demand being (a) “non-elastic” and (b) expanding based on demographics, the health care industry has historically been an attractive refuge for investment in unpredictable and/or down markets. With today’s uncertain economy, we expect more dollars to flow into health care opportunities.

Momentum begets momentum: While the market and economic fundamentals discussed started – and continue – to move infusion therapy toward center stage in terms of M&A activity, one should not underestimate the role of surging interest in the sector, the kind of investment “momentum” that builds upon itself, drawing more buyers – and sellers – to the market.

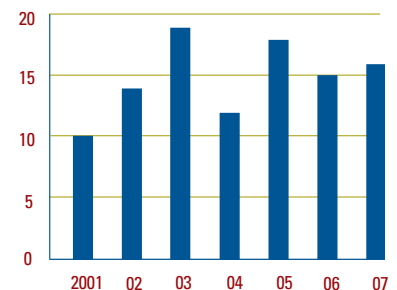
Valuation and M&A Outlook Given all of the above – reimbursement stability, market growth opportunities, attractive investment fundamentals, and sheer momentum – it should come as no surprise that valuations for home infusion therapy providers have surged in near lock-step with growth in transaction volume. With IV in the limelight, we anticipate both an increase in acquisition demand – and supply – as sellers seek to capture current investment value premiums and perhaps take advantage of favorable capital gains tax rates which many observers suggest may rise should the Democrats win the presidency. As such, we anticipate another robust year of infusion therapy merger and acquisition activity at continued strong valuations.

Specialty Pharmacy Services The interest in infusion therapy, has, to a certain extent, diverted attention from the specialty pharmacy services (SPS) sector which enjoyed the merger and acquisition spotlight during the run-up in activity from 2001 to 2003. As **Chart D** indicates, while buyers remain interested in the sector and transactions continue to be completed, the once unbridled enthusiasm for SPS has been somewhat tempered by, among other things, substantial margin pressure on previously high-flying and lucrative specialty therapies, and the less than hoped-for returns, to-date, from the blockbuster potential of Tysabri. The buying market continues to be interested in oral oncology medications, which, despite thin margins, show enormous potential for sustained growth. And interestingly, while buyers have been talking about – and considering – consolidation opportunities in nuclear medicine for several years, an aggressive acquirer finally emerged in 2007. Financed by private equity group Parthenon Capital, Triad Isotopes was formed in early 2007 through the merger of leading providers Diversified Pharmacy Group, Cox Nuclear Pharmacies and Coastal Nuclear Pharmacies. Since then, Triad, led by Don Meffe, who previously presided over GTCR-backed specialty pharmacy consolidator CuraScript and its eventual sale to Express Scripts, has completed six more acquisitions – nine in all for the year, accounting for more than half the transactions in the SPS arena. Accordingly, we expect continued acquisition activity in nuclear pharmacy, with more buyers potentially being drawn to the segment in 2008.

The Braff Group is a leading middle market merger and acquisition firm that specializes in the home health care, hospice, infusion therapy, specialty pharmacy, home medical equipment, and staffing market sectors.

We provide merger and acquisition representation, strategic planning, and valuation services.

CHART D:
*Specialty Pharmacy Services
M&A Transaction Volume*



Source: The Braff Group

The UNDISPUTED LEADER
in Home Infusion Therapy & Specialty Pharmacy M&A

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