

CASE STUDY

Retail pharmacy

Commercial diligence

Context

A large Canadian PE fund was bidding on a chain of independent pharmacies

The fund engaged SATOV to conduct a comprehensive commercial due diligence

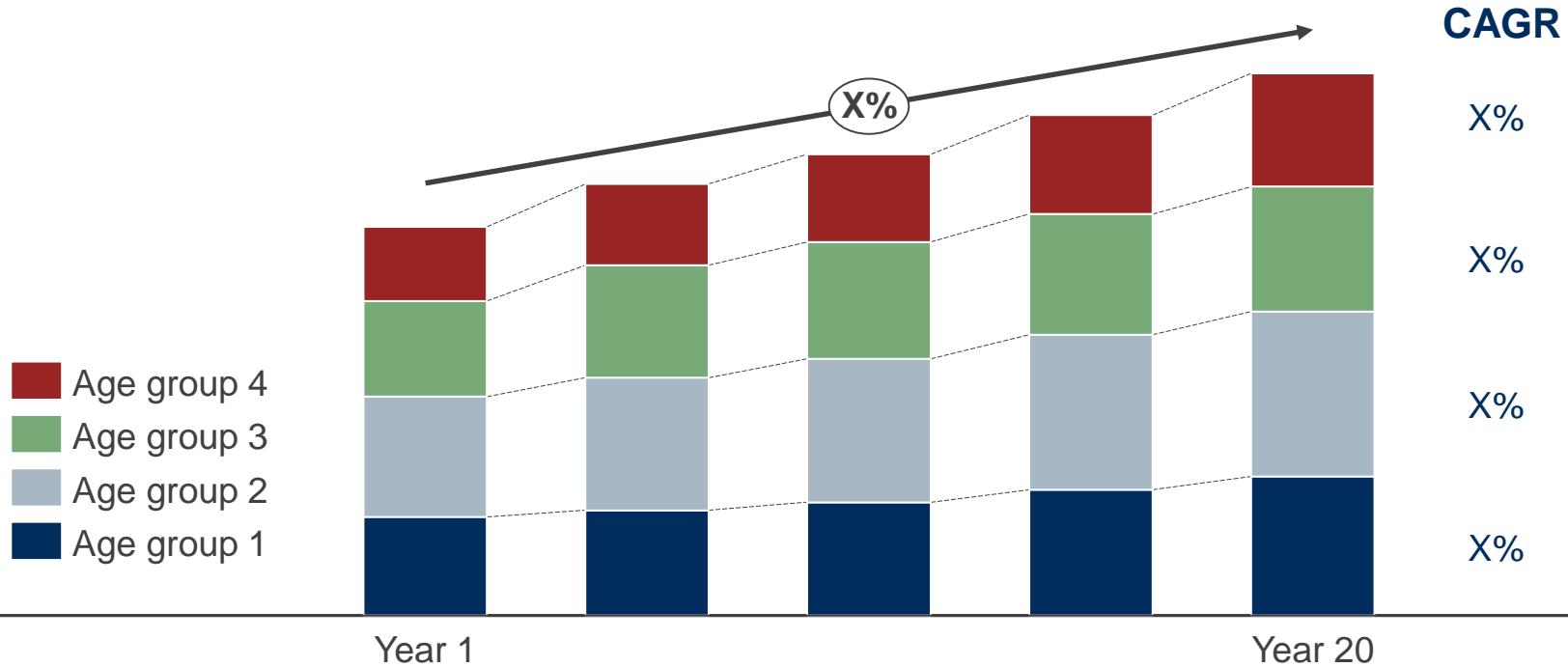
- Store level customer research at all the most important locations
- Store level operational assessments including value creation opportunities (pharmacy and front-store)
- Comprehensive sector evaluation
- Territory-level pharmacy demand model based on underlying demographic and prescribing trends
- Telephone interviews with owners of potential future targets

We provided growth assumptions on existing stores, estimates of the acquisition opportunity for new stores, and a perspective on regulatory trends and risks

We evaluated demographic trends in the target's current regions

Population forecasts in current target markets

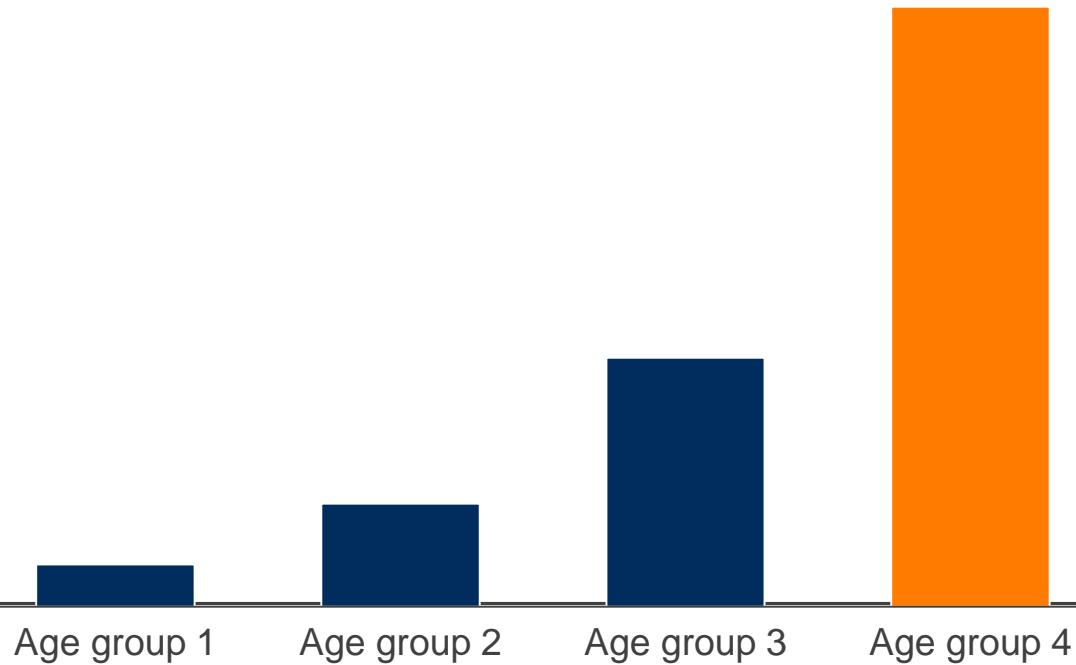
K, CURRENT REGIONS, Year 1-20



We analyzed Rx demand by age cohort

Rx count by age cohort

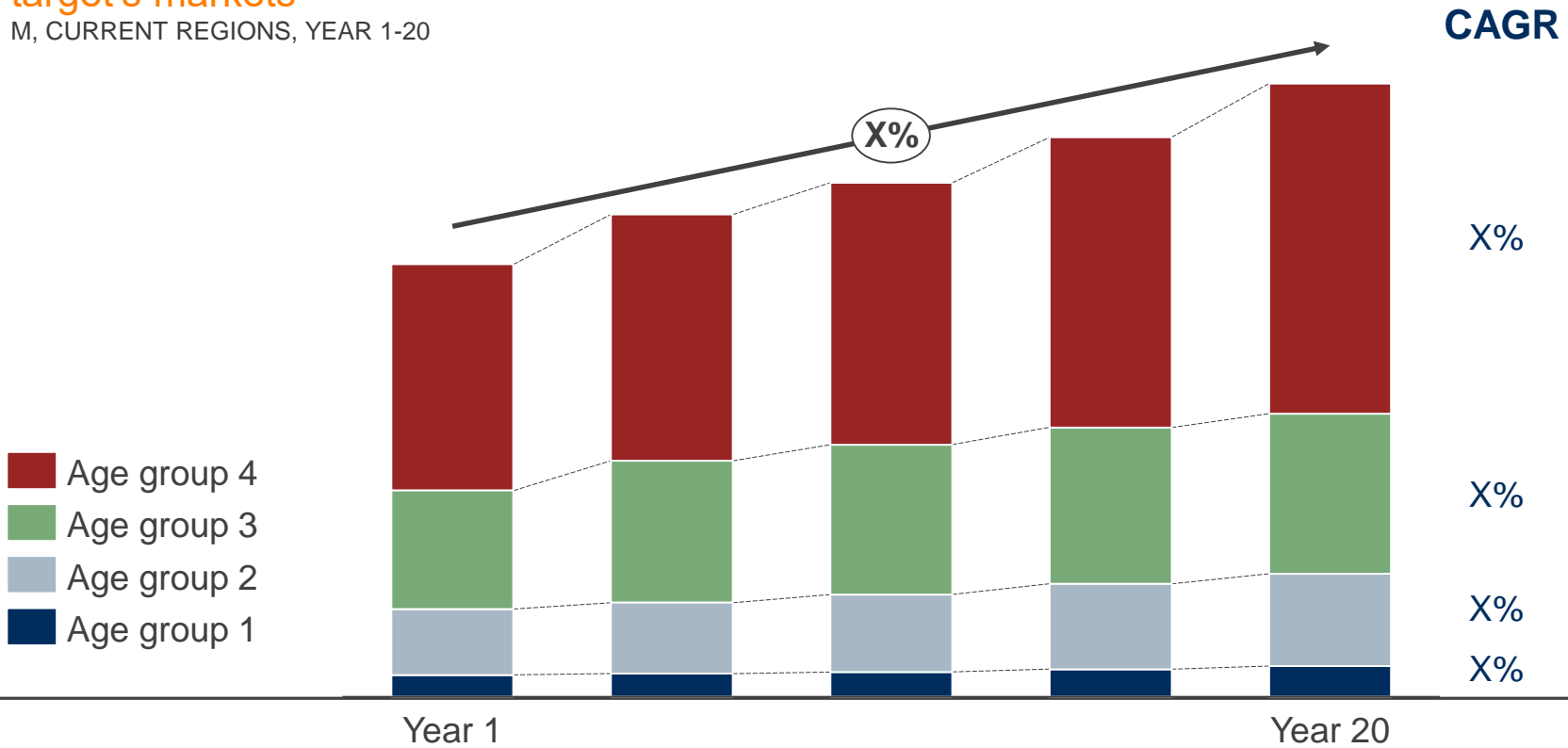
NUMBER OF PRESCRIPTIONS BY AGE GROUP



We projected overall Rx growth in the target's existing markets...

Total Rx demand forecast in target's markets

M, CURRENT REGIONS, YEAR 1-20



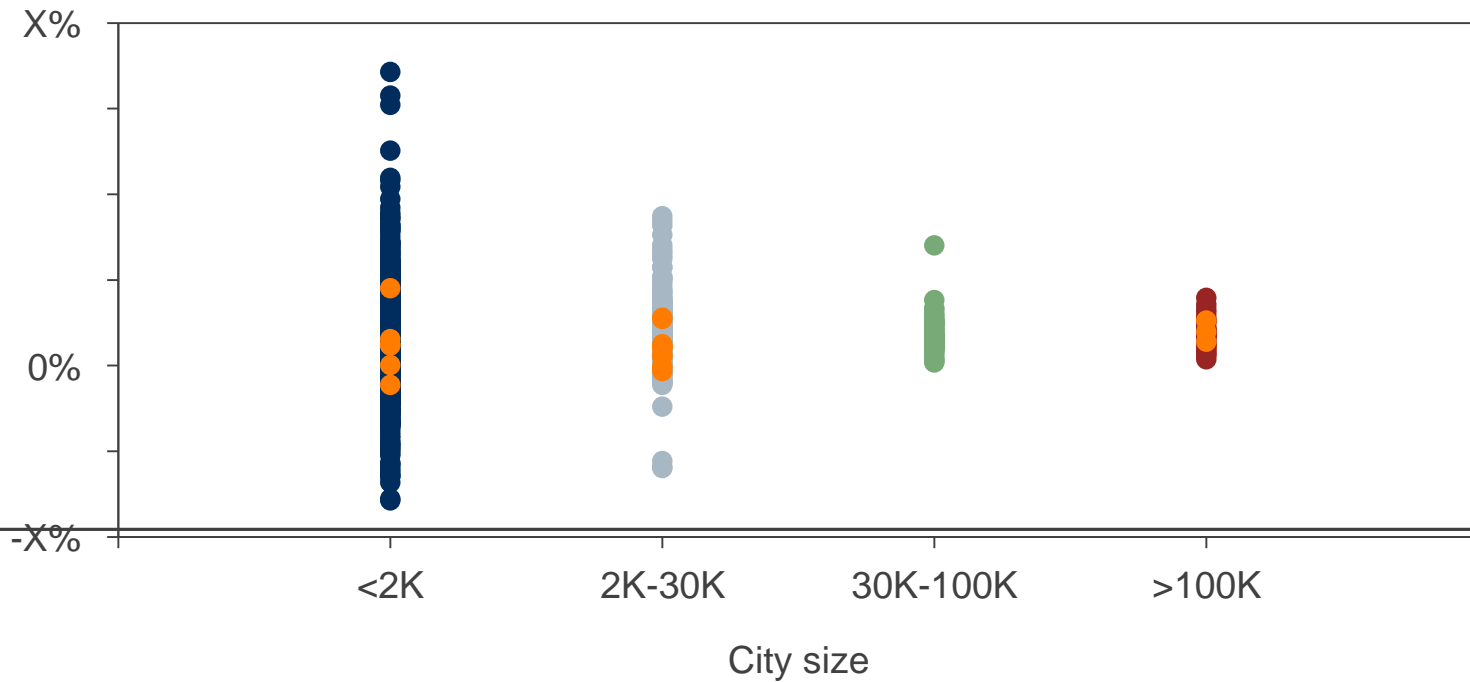
...and all other regions

Projected CAGR by city size

CAGR %, YEAR 1-N

Projected Rx demand CAGR

● Target locations

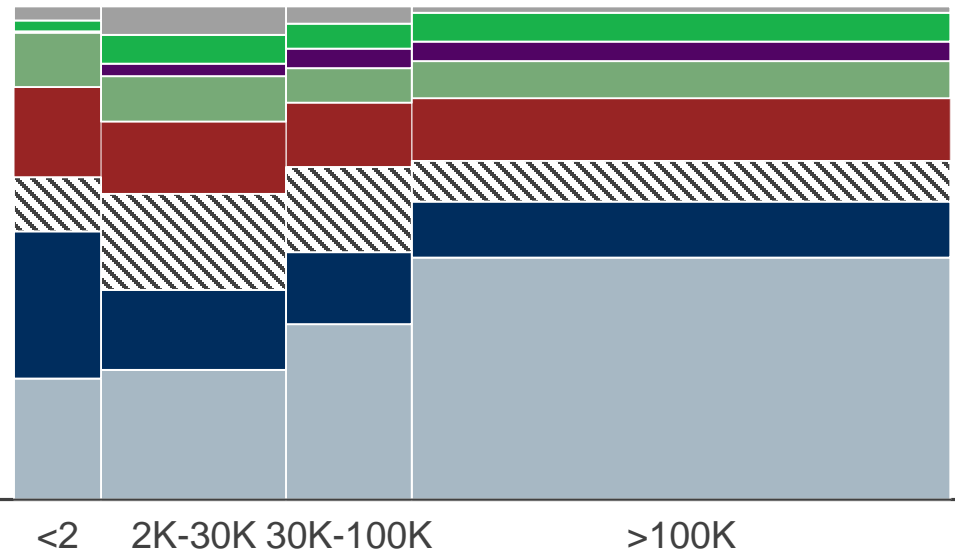


We sized the addressable market for future acquisitions

Number of independent and banner pharmacy locations by city size and banner type

NUMBER OF PHARMACIES, YEAR Y

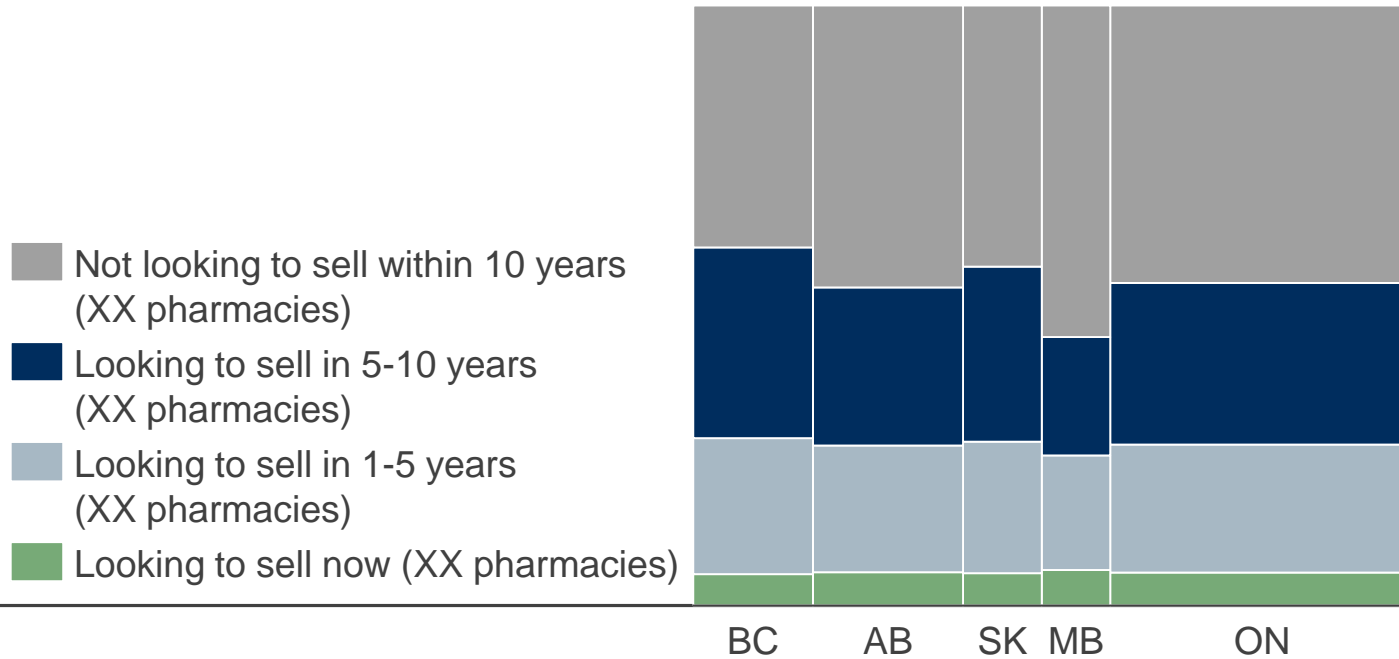
- Other (XX pharmacies)
- Chain #3 (XX pharmacies)
- Chain #2 (XX pharmacies)
- Banner #4 (XX pharmacies)
- Banner #3 (XX pharmacies)
- Banner #2 (XX pharmacies)
- Independents (XX pharmacies)
- Banner #1 (XX pharmacies)



We quantified the targets likely to exit in the next ten years

Estimated number of independent and banner pharmacy locations looking to sell within 10 years

NUMBER OF PHARMACIES, Year Y



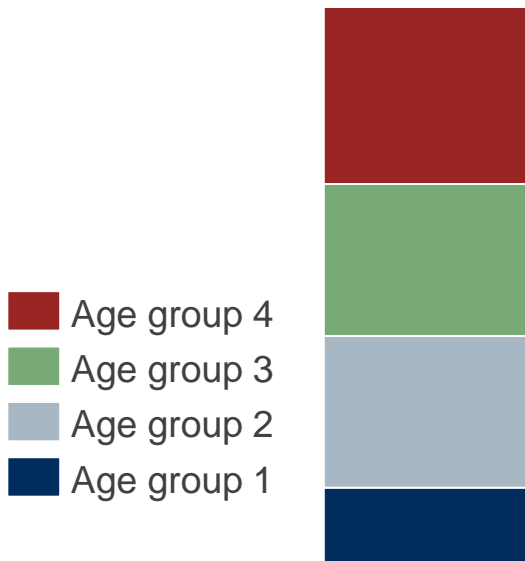
Estimated based off pharmacy owner interviews (N=XXX)

Projections are likely understated given the nature of the interviewing process

We assessed key-man risks

Age of pharmacists

AGE OF CURRENT PHARMACISTS, YEAR Y



Approximate time until pharmacists are considering leaving

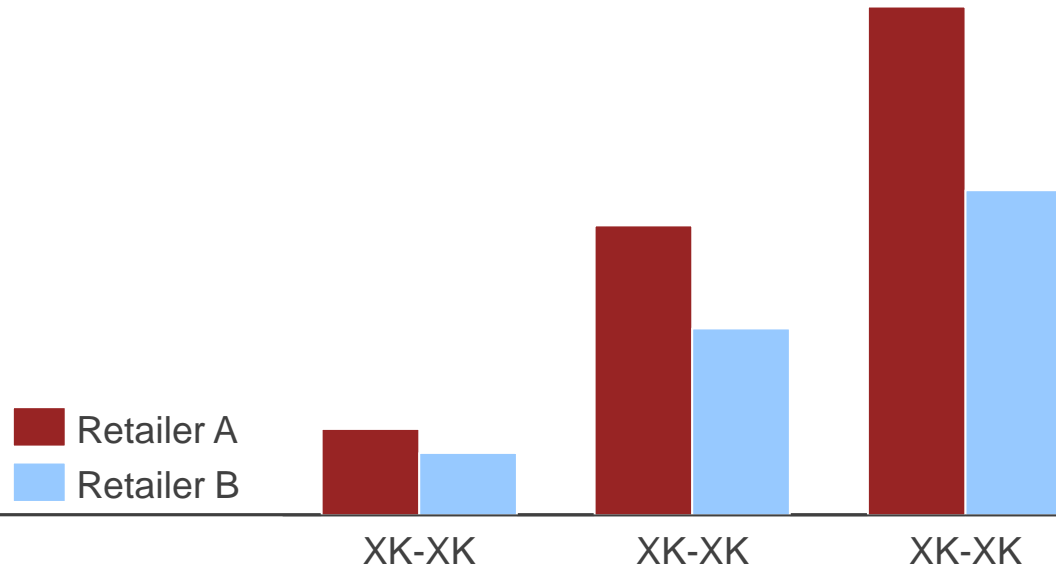
Q: HOW LONG DO YOU EXPECT TO CONTINUE WORKING AT THIS PHARMACY?



We evaluated competitive threats

Percentage of Canadian cities with a Rexall or Shoppers by city size

%, 2017



“[Retailer A] ultimately evaluates locations based on”

Past CEO XYZ Organization

Target regions with no Retailer A or B presence:

City Size	Target regions with no Retailer A or B presence:
XK-XK	X
XK-XK	X
XK-XK	X

Target regions with a Retailer A or B presence:

City Size	Target regions with a Retailer A or B presence:
XK-XK	Y
XK-XK	Y
XK-XK	Y