

SPECIALTY PHARMACY NEWS

In Their Own Words

‘Perfect Storm’ Fueled Diplomat IPO, But Skies Have Been Calm Since

The following interview is part of an occasional series by Specialty Pharmacy News that examines pertinent issues through the words of the industry’s leading executives. To suggest a topic and commentator, contact Angela Maas at amaas@aishealth.com.

After almost 40 years of going it alone, last year Diplomat Pharmacy, Inc., the country’s largest independent specialty pharmacy, filed a registration statement for a proposed initial public offering (IPO) (SPN 7/14, p. 1). Since it has gone public, the company’s stock has performed consistently well, which some experts have attributed to continued merger-and-acquisition (M&A) interest in the specialty pharmacy space (SPN 5/15, p. 1). As of July 13, Diplomat’s stock had risen 211% since the company went public on Oct. 10. Also new to the specialty pharmacy is its M&A activity. It had not acquired another company until it purchased American Homecare Federation, Inc. (AHF) in December 2013 (SPN 2/14, p. 5), but that deal has been followed by three more: It purchased MedPro Rx, Inc. in June 2014 (SPN 7/14, p. 8), BioRx, LLC in April (SPN 3/15, p. 1) and Burman’s Specialty Pharmacy in June (see story, p. 1). Phil Hagerman, CEO and chairman of Diplomat, talks to SPN about how the company is doing and what its plans are for continued growth.

SPN: *Diplomat was an independent company for almost 40 years before you went public last summer. Could you describe the motivation behind that move?*

Hagerman: We felt that becoming a public company offered us the greatest future potential as the only public specialty pharmacy that is independent of larger company ownership. The expanding biotech drug pipeline, emergence of small biotech as a major player, the increasing cry for more transparent business models and the need for new technology solutions created a perfect storm of opportunities that helped to drive our decision to pursue the IPO.

SPN: *What has changed since you’ve gone public? Have there been any unexpected occurrences, and, if so, what?*

Hagerman: We are excited by how well received Diplomat has been by the industry as a public company. A key part of the decision was to take the Diplomat brand to the next level as a public company and that

decision seems to have been embraced by the industry. We believe the increased visibility of Diplomat as a public company will be an important factor in our continued success.

SPN: *Some SPN sources have pointed to Diplomat’s success as part of the impetus behind other deals in the specialty pharmacy/infusion space. Could you comment on this?*

Hagerman: Diplomat’s visibility as a public company has increased the spotlight on the entire industry. We think that is a benefit to the specialty pharmacy industry as a whole and will continue to accelerate opportunities for Diplomat as well as others.

SPN: *When you acquired American Homecare Federation, that was the first acquisition Diplomat had made in almost 40 years. Since then you’ve made three additional purchases. How would you compare/contrast growing your business organically versus through acquisitions? How have the integrations of those companies gone?*

Hagerman: While organic growth remains our primary driver, Diplomat continues to look for strategic and complementary acquisition opportunities. Our AHF acquisition added more scale in the hemophilia space. MedPro did the same, and also added IVIG [i.e., intravenous immune globulin] as a significant infusion capability. BioRx broadened the disease state capabilities and drug spectrum even further, with the addition of HAE [i.e., hereditary angioedema], alpha-1 and nutrition capabilities. And Burman’s Specialty Pharmacy enhances our targeted clinical management programs and expands our hepatitis C specialty services... Successful integration continues to be a focus for Diplomat. We make certain we have stakeholder alignment, an energized team leading implementation, a rigorous plan and a focus on value creation, all while maintaining a high level of service in our day-to-day business operations.

SPN: *What are your plans for growing the company?*

Hagerman: We will continue to be an organic growth story, and we believe our position and strength in multiple disease states will allow us to continue to provide excellent care to patients. In addition,

Diplomat will continue to be thoughtful and strategic about looking for acquisition opportunities. We believe both of these avenues offer great opportunity with long runways.

SPN: *Looking at the specialty drug pipeline, are there particular therapeutic categories in which you plan to bulk up your capabilities?*

Hagerman: We have expertise across a broad range of high-growth specialty therapeutic categories, including oncology, immunology, hepatitis, multiple sclerosis and specialty infusion therapy. With over 3,000 oncology and immunology drugs in global drug development, we will continue to strengthen our clinical expertise in these key therapeutic categories.

SPN: *You have been providing specialty pharmacy services for Target Corp. pharmacies, but CVS recently agreed to acquire those (SPN 6/14, p. 6). Have you ended your partnership with Target, or is it in place until the CVS deal goes through? Do you have similar deals with other companies, and, if so, with whom?*

Hagerman: Today, specialty pharmacy prescriptions and services remain the same. Our specialty-at-

retail solutions provide specialty services to various retailers in a scalable manner. Diplomat also brings credibility and expertise, which helps bolster a retail pharmacist's ability to market the program to prescribers in their community. We provide specially-at-retail services on a national scale with partners like United Drug, Fred's, Safeway and Kmart.

SPN: *What does Diplomat offer payers that is different from other specialty pharmacies' offerings?*

Hagerman: For our payer partners, our expanded offering improves our ability to take care of patients regardless of benefits. The combined resources of Diplomat and our subsidiaries increase in-network contract opportunities and expand our national sales team, nursing network and locations in various states. Further, Diplomat is currently contracted with retail pharmacies and hospital outpatient pharmacies in back-end specialty programs. This can provide payers with a specialty-at-retail solution, in addition to our home or direct-to-office delivery options.

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