

Diplomat's Acquisition of
LDI Integrated Pharmacy Services



Nov. 15, 2017

DIPLOMAT® 

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We define Adjusted EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization, share-based compensation, change in fair value of contingent consideration and other merger and acquisition-related expenses, restructuring and impairment charges, and certain other items that we do not consider indicative of our ongoing operating performance. Adjusted EBITDA is not in accordance with, or an alternative to, accounting principles generally accepted in the United States ("GAAP"). In addition, this non-GAAP measure is not based on any comprehensive set of accounting rules or principles. You should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in the presentation, and we do not infer that our future results will be unaffected by unusual or non-recurring items.

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Certain information in this presentation concerning our industry and the markets in which we operate is derived from publicly available information released by third-party sources, including independent industry and research organizations, and management estimates. Management estimates are derived from publicly available information released by independent industry and research analysts and other third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. We believe the data from these third-party sources is reliable. In addition, projections, assumptions, and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, as discussed in Diplomat's reports filed with the Securities and Exchange Commission. These and other factors could cause results to differ materially from those expressed in the estimates made by these third-party sources.



A COMPELLING COMBINATION



LDI supports Diplomat's long-term strategic priorities:

- ✓ Enables our payor partners to more effectively manage pharmacy cost trends
- ✓ Pharmacy benefit management is a natural extension of our core capabilities
- ✓ Addresses needs of growing middle-market segments
- ✓ Creates new earnings stream and further diversifies our business
- ✓ Combined companies accelerate our growth

We believe this combination enables us to better support emerging trends in health care.



LDI TRANSACTION SUMMARY

Target	<ul style="list-style-type: none">• LDI Integrated Pharmacy Services (“LDI”)• Full-service PBM with 2017E revenue of \$388 million and 2017E adjusted EBITDA of \$41 million
Purchase Price	<ul style="list-style-type: none">• \$595 million gross purchase price<ul style="list-style-type: none">- Represents ~14.5x on gross purchase price• \$540 million adjusted purchase price<ul style="list-style-type: none">- ~\$94 million tax shield (NPV ~\$55 million)- Represents ~13.2x post tax shield benefit• \$4-6 million of synergies in Year 1<ul style="list-style-type: none">- Represents ~11.7x post synergies and post tax shield
Consideration	<ul style="list-style-type: none">• \$515 million in cash<ul style="list-style-type: none">- Committed cash financing from a new \$795 million credit facility provided by JPMorgan and Capital One• ~\$80 million in common stock, representing ~4.15 million shares• Pro forma total leverage of ~4.6x LTM adjusted 2017 EBITDA; Expected to be between 2.0x-3.0x by mid 2019• Expected to be accretive to adjusted EPS in 2018
Anticipated Closing	<ul style="list-style-type: none">• Expected to close in 30–60 days• Subject to regulatory approval and other customary closing conditions



LDI VALUE PROPOSITION

1	Leading full-service middle-market PBM with 380,000 member lives
2	Founded and run by pharmacists since 1967 (recapitalized by Nautic Partners in 2016)
3	Dedicated book of commercial business primarily focused on self-funded employers and unions
4	Highly-diversified base of 300-plus clients, with no single client representing >4% of gross profits
5	Long track record of high client retention and robust financial growth
6	Full-service mail-order pharmacy, retail network, and specialty pharmacy
7	Seasoned management team with decades of PBM industry experience



STRONG RATIONALE FOR DIPLOMAT TO EXPAND IN THE PBM SECTOR

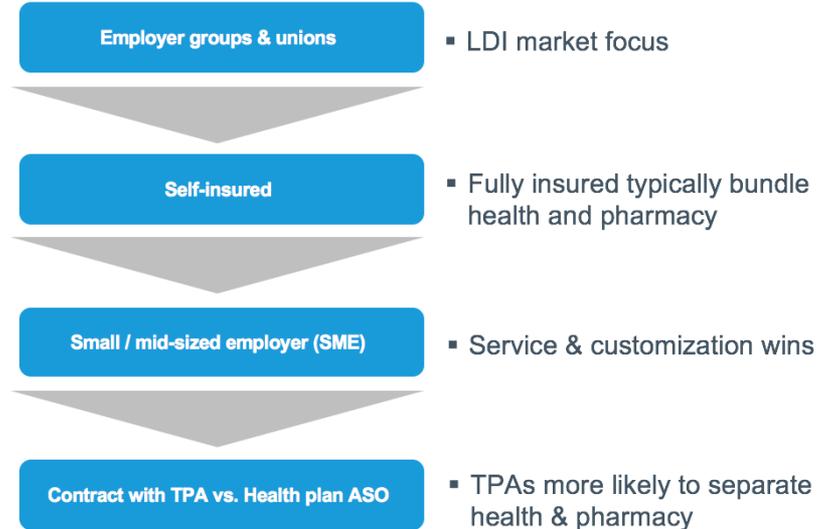
- ✓ Allows Diplomat to expand its specialty product offering using PBM levers
- ✓ Well-positioned with multiple service lines for evolving market needs in the middle-market space
- ✓ Strengthens Diplomat's financial profile and substantially diversifies Diplomat's EBITDA
- ✓ LDI and NPS combine to create a robust full-service middle-market PBM offering
- ✓ Complementary products, services, and solutions offer full platform for future scale and growth
- ✓ Well-defined integration strategy with early synergies

Expanded capabilities accelerate growth and drive shareholder value.



LARGE AND GROWING MARKET OPPORTUNITY

Market segmentation



Addressable lives

175M

110M

45M

18M

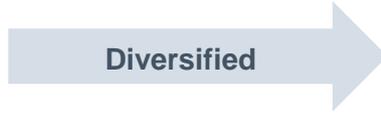
\$20B market opportunity in SME segment alone



DIFFERENTIATED TOTAL PHARMACY SOLUTION

Specialty Pharmacy

- Access to 100+ LDDs
- High-touch, high-services solution in growth category
- Payor partnerships



Full-Service PBM

- Cost-constant capability aligned with broader PBM theme
- Access to rebates and retail network
- PBM / specialty pharmacy cross-sell opportunities



Specialty Infusion

- Expertise across broad range of specialty therapeutic categories
- Specialty infusion market has significant projected growth and higher margins



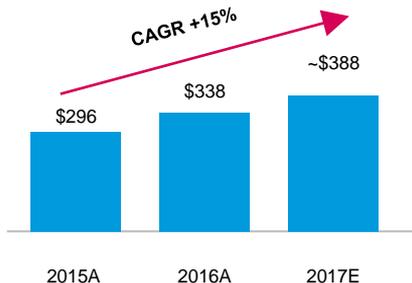
Manufacturer Services

- Proven track record as a partner of choice for biotechnology and pharmaceutical manufacturers
- Superior services driven by unique clinical expertise

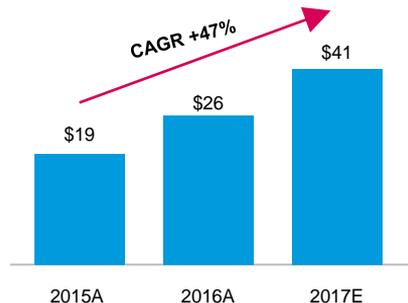


STRONG TRACK RECORD OF GROWTH

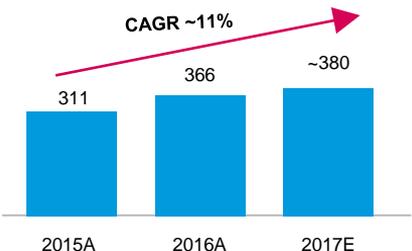
Revenue (\$M)



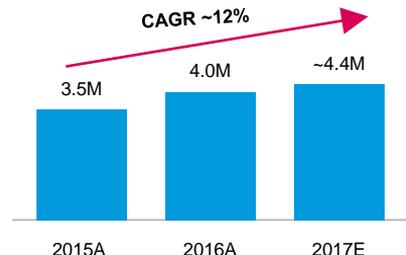
Adj. EBITDA (\$M)



Member Lives (000s)



Adj. Scripts (millions)



DIPLOMAT, NPS, AND LDI GENERATE REAL AND IMMEDIATE COST AND SALES SYNERGIES

Near-term

cost synergies

YR 1 \$4–6M

3 YR COMBINED \$20–25M

NPS proprietary claims-processing platform will reduce ongoing processing fees

Cross-leverage existing infrastructure to improve efficiencies

Drug-purchasing efficiencies

Increased access to LD drugs carried by Diplomat for immediate revenue increase

Diplomat improved ability to deliver new integrated care model

Specialty, mail-order, retail, and PBM services offer plan members more options

Complementary service offerings of the combined business will help drive both specialty pharmacy and PBM customer wins

Substantial long-term revenue synergies



PBM PLATFORM WITH FULL SUITE OF CAPABILITIES

		LDI	NPS	DPLO's PBM Capabilities
CUSTOMER EXPERIENCE	Self-Funded Employers / Unions			✓
	Medicare Part D / Managed Medicaid			✓
	Workers' Comp			✓
KEY CAPABILITIES/ BUSINESS MODEL EXPERTISE	Transparent Pricing			✓
	Traditional Pricing			✓
	Owned Adjudication Platform			✓
	Comprehensive/Competitive Network			✓
	Direct Manufacturer Rebates			✓
	High-Touch Services			✓

Scaled asset in middle market

- Serving all key customer types
- +855k lives
- 700+ customers

Bringing best-in-class specialty pharmacy capabilities to underserved market

Attractive partnership approach to manage formulary and drug costs

High-touch/high-service DNA consistent with Diplomat

Differentiated clinically, leveraging proprietary technology platform



COMBINED NEW DIPLOMAT FINANCIAL SUMMARY

Summary Transaction Value For NPS and LDI

			Diplomat's New PBM
Deal Value	\$47M	\$540M ¹	\$587M ¹
2017E Revenue	\$32M	\$388M	\$420M
2017E Adjusted EBITDA	\$5M	\$41M	\$46M
Deal Multiple / Post Synergies ²	9.4x	13.2 ³ x/11.7 ⁴ x	12.8 ³ x/11.5 ⁴ x

Combined Pro Forma 2017E (excludes synergies)

				New Diplomat
Revenues	\$4.5B ⁵	\$32M	\$388M	\$4.9B
Adjusted EBITDA	\$100.5M ⁵	\$5M	\$41M	\$146.5M

1. Adjusted purchase price for present value of tax shield
2. Assuming \$5 million synergy Year 1
3. Multiple at adjusted price (includes tax shield)

4. Multiple at adjusted price with synergy and present value of tax shield
5. Mid-point of Diplomat 2017 guidance