

CVS to spend \$10.4 B in cash on drug distributor Omnicare

21 May 2015, by Tom Murphy



This March 25, 2014, file photo, shows a CVS store in Philadelphia. CVS Health will buy Omnicare in a deal valued at about \$12.7 billion in move to expand its pharmacy services reach into assisted living and senior care facilities. (AP Photo/Matt Rourke, File)

CVS Health will spend more than \$10 billion to buy pharmacy services provider Omnicare and tap a growing target for prescription drug distribution: care for the elderly.

The [deal](#) announced Thursday will give one of the nation's biggest pharmacy benefits managers national reach in dispensing prescription drugs to assisted living and skilled nursing homes, long-term care facilities, hospitals and other [health care providers](#). Omnicare's long-term care business operates in 47 states and the District of Columbia.

With more people entering assisted-living residences as the U.S. population ages, CVS Health says there is a "substantial growth opportunity" for companies serving those patients.

Cincinnati's Omnicare also provides pharmacy consulting and runs another segment that provides specialty [pharmacy](#) services.

Specialty drugs are complex medications that treat certain forms of cancer or hepatitis C, among other conditions. They often represent treatment breakthroughs but can cost considerably more than other prescriptions. Use of these drugs is climbing, and insurers and employers are looking for help containing that cost.

CVS Health said Thursday that it would spend \$98 in cash for each Omnicare share in a deal that has already been approved by the boards of both companies. That represents a 6.1 percent premium to Omnicare's \$94.63 closing price on Wednesday. The deal's total value is \$12.7 billion counting about \$2.3 billion in debt.

CVS Health said the addition of Omnicare will add about 20 cents to its adjusted earnings next year, excluding deal costs, and it will become more beneficial in subsequent years.

Woonsocket, Rhode Island-based CVS Health Corp., formerly called CVS Caremark, also runs the nation's second-largest drugstore chain with more than 7,800 locations. Omnicare has about 13,000 employees at 160 locations.

Shares of CVS Health climbed \$1.48 to \$102.75 in pre-market trading Thursday, after the deal was announced. Omnicare Inc. shares climbed \$1.08 to \$95.71.

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