



Third-Quarter Operating Results

November 6, 2018

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Bethany, Diplomat Patient & Photographer

NON-GAAP INFORMATION

We define Adjusted EBITDA as net income (loss) attributable to Diplomat 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 (which are itemized below in the reconciliation to net income (loss) attributable to Diplomat). 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.

We consider Adjusted EBITDA to be a supplemental measures of our operating performance. We present Adjusted EBITDA because it is used by our Board of Directors and management to evaluate our operating performance. Adjusted EBITDA is also used as a factor in determining incentive compensation, for budgetary planning and forecasting overall financial and operational expectations, for identifying underlying trends, and for evaluating the effectiveness of our business strategies. Further, we believe it assists us, as well as investors, in comparing performance from period-to-period on a consistent basis. Other companies in our industry may calculate Adjusted EBITDA differently than we do and these calculations may not be comparable to our Adjusted EBITDA. A reconciliation of Adjusted EBITDA, a non-GAAP measure, to net income (loss) attributable to Diplomat as prepared in accordance with GAAP can be found in the Appendix to this presentation.

INDUSTRY AND MARKET DATA

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.

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance, and include Diplomat's expectations regarding revenues, net (loss) income attributable to Diplomat, Adjusted EBITDA, EPS, market share, the expected benefits and performance of acquisitions and growth strategies. The forward-looking statements contained in this presentation are based on management's good-faith belief and reasonable judgment based on current information. These statements are qualified by important risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those forecasted or indicated by such forward-looking statements. These risks and uncertainties include: our ability to adapt to changes or trends within the specialty pharmacy industry; complying with complex and evolving requirements and changes in state and federal government regulations, including Medicare and Medicaid; current or proposed legislative and regulatory policies designed to manage healthcare costs or alter healthcare financing practices; significant and increasing pricing pressure from third-party payors; the amount of direct and indirect remuneration fees, as well as the timing of assessing such fees and the methodology used to calculate such fees; the outcome of material legal proceedings; our relationships with wholesalers and key pharmaceutical manufacturers; bad publicity about, or market withdrawal of, specialty drugs we dispense; a significant increase in competition from a variety of companies in the health care industry; our ability to expand the number of specialty drugs we dispense and related services; maintaining existing patients; revenue concentration of the top specialty drugs we dispense; increasing consolidation in the healthcare industry; managing our growth effectively; our ability to drive volume through a refreshed marketing strategy in traditional specialty pharmacy; our capability to penetrate the fragmented infusion market; the success of our strategy in the PBM space; our ability to effectively execute our acquisition strategy or successfully integrate acquired businesses, including any delays or difficulties in integrating the combined businesses, and the ability to achieve cost savings and operating synergies and the timing thereof; the dependence on our senior management and key employees and managing recent turnover among key employees; and the additional factors set forth in "Risk Factors" in Diplomat's Annual Report on Form 10-K for the year ended December 31, 2017 and in subsequent reports filed with or furnished to the Securities and Exchange Commission. Except as may be required by any applicable laws, Diplomat assumes no obligation to publicly update such forward-looking statements, which are made as of the date hereof or the earlier date specified herein, whether as a result of new information, future developments, or otherwise.



Opening Remarks

Brian Griffin, Chairman and CEO

\$1.4B (+22%)

Revenue

- Solid growth in specialty and infusion
- 2 additional LDDs added in the quarter
- Contribution from acquired PBM businesses

\$42M (+81%)

Adjusted EBITDA¹

- Strong revenue growth
- Continued strong PBM performance
- Investments to support future growth
 - Specialty and PBM sales force
 - Chandler state-of-the-art distribution and contact center
 - ScriptMed specialty platform

¹ A reconciliation of Adjusted EBITDA, a non-GAAP measure, to net income (loss) attributable to Diplomat, as prepared in accordance with GAAP can be found in the Appendix to this presentation.



3Q 2018

- Integration expected to be complete by year-end
- 3Q synergies similar to 2Q run-rate, YTD total of \$7M
- Continue to expect \$8–10M in synergies in 2018
- Winning in both the commercial and Medicare Part D market but still in the midst of selling season

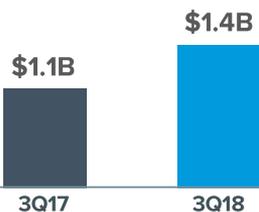


Financial Results

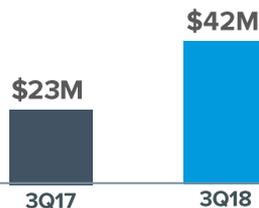
Atul Kavthekar, CFO

3Q 2018 Financial Results Summary

Revenue



Adj. EBITDA¹



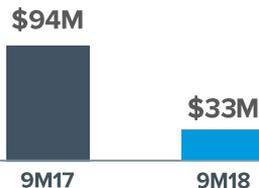
GAAP Net Income



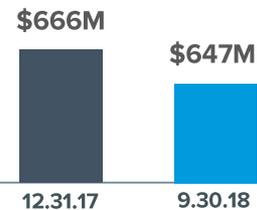
GAAP EPS



Cash Flow from Operations



Net Debt



¹ A reconciliation of Adjusted EBITDA, a non-GAAP measure, to net income (loss) attributable to Diplomat, as prepared in accordance with GAAP can be found in the Appendix to this presentation.

Specialty

Revenue:

\$1.2B

Net Sales/Rx:

\$5,256

Gross margin:

5.5%

Gross profit/Rx:

\$287

Rx volume:

230,000

PBM

Revenue:

\$0.2B

Rx volume*:

1,931,000

Gross margin:

15.5%

Gross profit/Rx:

\$14

* Adjusted to 30-day equivalent, where a 90-day prescription is counted as three 30-day prescriptions filled.

Investing for long-term growth and operational efficiency

Stable margins with potential upside

Deleveraging to 2-3x adjusted EBITDA in 2019

TOTAL REVENUE**\$5.5–\$5.7B****GAAP EPS****(\$0.10)–\$0.03****TOTAL ADJUSTED EBITDA¹****\$164–\$170M****CASH FLOW FROM OPERATIONS****\$50–\$70M**

¹ A reconciliation of Adjusted EBITDA, a non-GAAP measure, to net income (loss) attributable to Diplomat, as prepared in accordance with GAAP can be found in the Appendix to this presentation.

Headwinds

Potentially Moderating Brand Inflation

Payer Reimbursement Pressure

PBM Contract Renewal Repricing

PBM Contract Losses

Near-Term Cost of Growth Investments

Tailwinds

Uptake of New and Existing Generics and Biosimilars

New Indications for Existing Products

New Branded Product Launches

Access to Limited-Distribution Drugs

New PBM Business

Benefit from Enterprise-Level Growth Investments
(Chandler, ScriptMed, etc.)

Operational Efficiency Improvements



BETHANY
DIPLOMAT PATIENT



Appendix

Supplemental Financial Information

Reconciliation of Net Income (Loss) Attributable to Diplomat to Adjusted EBITDA

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	(dollars in thousands) (unaudited)			
Net income (loss) attributable to Diplomat Pharmacy, Inc.	\$ 169	\$ 1,016	\$ (4,244)	\$ 8,974
Depreciation and amortization	24,377	16,877	72,547	48,813
Interest expense	10,179	2,054	30,998	6,034
Income tax (benefit) expense	(121)	(662)	750	1,101
EBITDA	<u>\$ 34,604</u>	<u>\$ 19,285</u>	<u>\$ 100,051</u>	<u>\$ 64,922</u>
Contingent consideration and other merger and acquisition expense	\$ 577	\$ 3,016	\$ 5,700	\$ 4,133
Share-based compensation expense	5,649	1,688	15,771	5,487
Employer payroll taxes - option repurchases and exercises	52	33	193	218
Restructuring and impairment charges	286		329	
Severance and related fees	779	78	2,729	781
Other items	-	(915)	(483)	(372)
Adjusted EBITDA	<u>\$ 41,947</u>	<u>\$ 23,185</u>	<u>\$ 124,290</u>	<u>\$ 75,169</u>

	Range	
	Low	High
(dollars in thousands) (unaudited)		
Net (loss) income attributable to Diplomat Pharmacy, Inc.	\$ (7,511)	\$ 2,593
Depreciation and amortization	98,000	97,000
Interest expense	43,000	41,000
Income tax expense ¹	683	1,729
EBITDA	\$ 134,172	\$ 142,322
Contingent consideration and other merger and acquisition expense	\$ 7,000	\$ 6,000
Share-based compensation expense	19,000	\$ 18,500
Employer payroll taxes - option repurchases and exercises	500	\$ 300
Restructuring and impairment charges	329	\$ 329
Severance and related fees	3,500	\$ 3,000
Other items	(500)	\$ (450)
Adjusted EBITDA	\$ 164,000	\$ 170,000

1. Assumes a tax rate of -10 and 40 percent, for the low- and high-end, respectively.

Third Quarter 2018 Supplemental Information¹For the Three Months
Ended Sept. 30, 2018

(dollars in millions) (unaudited)

Amortization of acquisition-related intangible assets, including capitalized software	\$	19.4
Contingent consideration and other merger and acquisition expense	\$	0.6

Full Year 2018 Supplemental Information¹

Range

	Low	High
	(dollars in millions) (unaudited)	
Amortization of acquisition-related intangible assets, including capitalized software	\$ 77.4	\$ 77.4
Contingent consideration and other merger and acquisition expense	\$ 7.0	\$ 6.0

1. The statutory tax rate for these items is or is expected to be 27%, which approximates our incremental federal and state tax rates on those items. Actual rate could differ materially.