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Sent: Wednesday, July 11, 2012 1:31 PM
To: Robert A Stewart
Subject: Anda update July 10 2012.docx
Attachments: Anda update July 10 2012.docx

Bob, just an update on Anda. In the office all day if you want to discuss.

Thanks

Al

Anda July 2012 Update

- Sales
 - Q2
 - Distributed \$240M with \$33M GP (13.7%) and \$10.1M contribution
 - Overall Anda \$303M with \$74M GP (24.5%) and \$43.5M contribution
- Rite Aid
 - Controls
 - Struggling over control limits on Oxy. Hundreds of stores have Oxy 30 and/or 15 as their number one product(s).
 - We have the data on all 4800 stores. Program now being written to parse the data as it has taken a month to review on 25% of the stores.
 - Need to set a limit on the risk we want Anda to take.
 - They have stores that certainly will be visited by DEA soon based on the data.
 - Rite Aid SOP's on controls are very limited.
 - Complain that McKesson has ZERO limits on their Oxy purchases.
 - Current comments are that Anda is too difficult to work with on controls. \$80M of Adderall at risk.
 - McKesson Push
 - Told Rite Aid they want the **entire** business back from Anda. Offered \$10M in incentives to move it all back. 2012 will be \$250M. Without Teva warehouse business, sales still \$195M.
 - Working with Watson, distributed and manufactured sales to Rite Aid could be \$300M+ in 2013.



- Target
 - In the 11th hour with Target and virtual warehouse
 - Currently at \$3.5m per month and full roll out in July 2013 will be 7.5X more (\$350M annual)
 - Target concerns are that the business will be 50% of our total business
 - Based on data, our Mondays will be at full capacity using MS and FL. (RDC would help spread the work if that happens)
 - Consider keeping Ohio open for Target only. Sign 5+ year deal and then hand over warehouse to Target.
- Building E
 - CER completed and approved
 - Starting to create material orders
- Olive Branch
 - DEA license still being reviewed
 - VAWD inspects next week.
 - With VAWD approval we can add 12 more states for non controls bring us to 31 states.
- Intellogics
 - I met with Bill Roth last night for 4 hours. I really pushed back on him concerning the strategy Blue Fin gave us and the reality of the picture they painted of the marketplace.
 - First, he is extremely concerned that we have not had any new sales to date. We argued if it was Paul or the Blue Fin strategy (or both). Of course, he feels their strategy is correct, yet he wants some time to meet with his people. It bothers me that he did not know this project was not going well.
 - He also agrees with my team that Paul should be out there himself finding sales. He worries that Paul is continuing to operate with a brand mentality and not focusing on the immediate needs for sales.
 - Bill also argued that we may be incorrectly selling what we have as the pent up frustration is very real and people will move product to Anda. He will have his team review the products Intellogics have pursued and what message we pitched.
 - Next steps:
 - Bill regroups with his team to get an update
 - BFG then calls a meeting at Anda with Intellogics and the Anda management team to review the project.
- RDC

- Update this Friday with Nik
- Preliminary info:
 - \$830M in sales (\$98M over last year)
 - 3.5% Margin
 - \$14M Ebitda
 - \$38M Debt due October 2013. Will most likely refinance
 - \$16M+ upside in Watson profit they don't experience now
- Still looks like a great deal
- Need to consider quickly if we do this deal to keep Brewster for NYC market.
 - 100K square feet and a 4500 sqft vault already in place.
 - 56 miles from Midtown.
 - Totowa Actavis facility is another option we are looking at.