

FLASH REPORT

WALGREENS CONTINUES TO BELIEVE RITE AID ACQUISITION WILL CLOSE; PLANS TO DIVEST INCREMENTAL STORES



- 1) Walgreens expects to divest more than 500, but less than 1,000 stores in order to address antitrust concerns raised in conversations with the Federal Trade Commission (FTC) regarding the Ride Aid acquisition.
- 2) Walgreens continues to believe the deal will close in the second half of 2016. Conversations with the FTC appear to be ongoing.
- 3) Management expects the acquisition of Ride Aid will add to company's adjusted earnings per share in the first full year after the transaction closes. Synergies will be more than \$1 billion primarily from operational activities such as procurement and cost savings.

Walgreen Boots Alliance provided an update on its pending acquisition of Rite Aid on Thursday, September 8. The company now expects to divest more than 500, but less than 1,000 stores in order to address antitrust concerns raised in conversations with the Federal Trade Commission (FTC) regarding the Ride Aid acquisition.

The number of stores they expect to divest is more than the previously estimated 500. Walgreens continues to believe the deal will close in the second half of 2016.

Management said they expect the acquisition will add to the company's adjusted earnings per share (EPS) in the first full year after the transaction closes. They also said the synergies will be more than \$1 billion primarily operational activities such as procurement and cost savings.



FLASH REPORT

Walgreens currently operates about 8,200 stores and Rite Aid runs about 4,500. The combined entity will significantly outnumber CVS's 9,686 stores, even with the most conservative estimate of 1,000 divested retail locations.

The Acquisition Background

On October 27, 2015, Walgreens Boots Alliance announced it would acquire Rite Aid for about \$9.4 billion (\$17.2 billion including debt) in an all-cash transaction, which represented a 48% premium of Rite Aid's closing price per share the day before the announcement. The acquisition allowed Walgreens to enter the drug benefits management business for insurers and employers where its competitor, CVS, currently leads.

Walgreens has been in talks with the FTC. There have been speculations that the FTC might not approve the deal after they rejected the Staples and Office Depot merger based on similar antitrust concerns. Walgreens officials said they remain confident about the prospect for approval.



FLASH REPORT

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