

13301 3140 6118 22559 Past Est'd '15-'17 to '21-'23 8.5% 10.0% 11.0%

20358

19753

12594 251 5802

18547

5 Yrs.

7.0% 11.0%

13.0%

13.0%

25883

11000 323

5690

17013

Past

10 Yrs.

8.5% 10.0%

10.0%

18.0%

**Current Assets** 

Accts\_Payable Debt Due Other

Current Liab.

of change (per sh)

Sales "Cash Flow"

Earnings Dividends

ANNUAL RATES

Book Value 10.5% 10.0% 8.0% Full Fisca Year Fiscal QUARTERLY SALES (\$ mill.) A Nov.30 Feb.28 May 31 Aug.31 19554 26573 28795 28522 103444 2015 29033 30184 29498 117351 2017 28501 29446 30118 30149 118214 30740 33021 132000 2018 34239 34000 34750 36250 2019 32650 36100 139750 Fiscal Year Ends EARNINGS PER SHARE AB Full Nov.30 Feb.28 May 31 Aug.31 2015 .81 1.02 .88 3.88 2016 1.03 1.31 1.18 1.07 4.59 2017 1.10 1.36 1.33 1.31 5.10 2018 1.28 1.73 1.48 1.51 6.00 2019 1.85 1.60 6.50 1.40 1.65 QUARTERLY DIVIDENDS PAID C = Cal-Full endar Mar.31 Jun.30 Sep.30 Dec.31 Year 2014 .315 .315 .3375 .3375 1.26 2015 .3375 .3375 .360 .360 1.40 2016 .360 .360 .375 .375 1.46 2017 .375 .375 .400 .400 1.53 2018 .40 .40

drug distributor, anchored by its network of drugstores in North America and Europe. As of 8/31/17, it operated 12,822 stores across the globe, including 8,100 locations in 50 states and Puerto Rico. In 2017, pharmacy contributed 69.0% of sales (3rd party, 97.7% of Rx); Other general merchandise, 31.0%. Stores average

Walgreens Boots Alliance reported better-than-expected financial results **for the second quarter.** (Fiscal 2018 ends August 31st.) Specifically, earnings of \$1.73 a share came in 27% higher than the year-earlier mark and \$0.13 ahead of our estimate. Top-line growth also outpaced our forecast, increasing 12%, versus our 9% call, thanks to a like advance at the Retail Pharmacy USA segment. This was owed to the inclusion of acquired Rite Aid stores and increased mail business. The Retail Pharmacy International unit saw sales increase 7%, but decline 2.6% on a constant currency basis. Pharmaceutical Wholesale, meanwhile, posted a 14.4% uptick in sales, though constant-currency-

comp-sales growth was 3.4%.

We look for margins to come under some pressure in the second half, but are maintaining our full-year fiscal 2018 share-net estimate of \$6.00. Management upped its full-year bottom-line guidance to between \$5.85 and \$6.05, but the increase seemed to be based on the February-quarter outperformance more than anything else. All 1,932 Rite Aid stores have now been acquired and the in-

ees. Acquired 2,186 Rite Aid stores in September, 2017. Officers & directors own 14.48% of common stock. Vanguard, 6.5%; Black-Rock, Inc., 5.5% (12/17 Proxy). CEO; Stefano Pessina. Chairman: James A. Skinner. Inc.: IL. Address: 108 Wilmot Road, Deerfield, IL 60015. Telephone: 847-914-2500. Internet: www.walgreens.com

tegration of the assets is likely to boost sales, but pinch margins over the coming 12 to 18 months. That said, management now anticipates that the Tax Cuts and Jobs Act will result in \$350 million in benefits rather than the previously-thought \$200 million. Meanwhile, share repurchases ought to remain on the docket.

We are modeling for earnings of \$6.50 a share for fiscal 2019, \$0.20 below our earlier assumption. Our decision was primarily the result of margin headwinds stemming from the Rite Aid purchase.

These shares have remained on steady downward slope for the better part of the year and have lost 10% in value since our March review. We think that a portion of the most recent slide has to do with the uncertainty surrounding the Pharmaceutical Services industry, specifically the Trump Administration's intent to lower prescription costs, rather than company-specific reasons and that the downturn is overdone. Indeed, the stock is ranked 1 (Highest) for Timeliness and offers above-average risk-adjusted, three- to five-year total return potential. Andre J. Costanza Ĵune 15, 2018

(A) Fiscal year ends August 31st. (B) Based on diluted shares. Excludes non-recurring gains (losses): '02, 1¢; '03, 2¢; '04, 1¢; '10, (4¢); '11, 30¢; '12, (11¢); '13, (5¢); '14,

(90¢); '15, 12¢; '16, (77¢); '17, (\$1.32); '18, (85¢). May not add due to rounding. Next earnings report due June 28th. **(C)** Dividends historically paid in March, June, Sept., and Dec. ■

Direct stock purchase plan avail. (includes dividend reinvest.).

Company's Financial Strength Stock's Price Stability A+ 70 Price Growth Persistence 70 **Earnings Predictability** 85