

| Cash Assets | 3301 | 785 | 818 |
| :---: | :---: | :---: | :---: |
| Receivables | 6528 | 6573 | 7828 |
| Inventory (LIFO) | 8899 | 9565 | 10188 |
| Other | 1025 | 923 | 10176 |
| Current Assets | 19753 | 17846 | 19851 |
| Accts Payable | 12594 | 13566 | 14348 |
| Debt Due | 251 | 1966 | 5356 |
| Other | 5802 | 6135 | 5599 |
| Current Liab. | 18547 | 21667 | 25303 |


| ANNUAL RATES | Past | Past |  |
| :--- | :---: | :---: | :---: |
| Est'd '15'-17 |  |  |  |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to'22.24 |
| Sales | $8.5 \%$ | $7.0 \%$ | $9.0 \%$ |
| "Cash Flow" | $10.0 \%$ | $11.0 \%$ | $10.0 \%$ |
| Earnings | $10.0 \%$ | $13.0 \%$ | $11.0 \%$ |
| Dividends | $18.0 \%$ | $13.0 \%$ | $7.0 \%$ |
| Book Value | $10.5 \%$ | $10.0 \%$ | $7.5 \%$ |


| Fiscal Year Ends | QUARTERLY SALES (\$ mill.) A Nov. 30 Feb. 28 May 31 Aug. 31 |  |  |  | Full <br> Fiscal <br> Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 2016 | 29033 | 30184 | 29498 | 28636 | 117351 |
| 2017 | 28501 | 29446 | 30118 | 30149 | 118214 |
| 2018 | 30740 | 33021 | 34334 | 33442 | 131537 |
| 2019 | 33793 | 34528 | 34775 | 33804 | 136900 |
| 2020 | 34500 | 35250 | 35750 | 34750 | 140250 |
| Fiscal Year Ends | EARNINGS PER SHARE AB |  |  |  | Full Fiscal Year |
| 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 | 1.53 | 1.48 | 6.02 |
| 2019 | 1.46 | 1.64 | 1.45 | 1.45 | 6.00 |
| 2020 | 1.55 | 1.75 | 1.55 | 1.55 | 6.40 |
| Cal- | QUARTERLY DIVIDENDS PAID C. |  |  |  | Il |
| endar | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 | Year |
| 2015 | . 3375 | . 3375 | . 360 | . 360 | 1.40 |
| 2016 | . 360 | . 360 | . 375 | . 375 | 1.46 |
| 2017 | . 375 | . 375 | . 400 | . 400 | 1.53 |
| 2018 | . 40 | . 40 | . 44 | . 44 | 1.68 |
| 2019 | . 44 | . 44 |  |  |  |

[^0]BUSINESS: Walgreens Boots Alliance, Inc. is the world's premiere drug distributor, anchored by its network of drugstores in North America and Europe. As of $8 / 31 / 18$, it operated 14,327 stores across the globe, including 9,560 locations in 50 states and Puerto Rico. In 2018, pharmacy contributed $72 \%$ of sales (3rd party, $98.3 \%$ of Rx); Other general merchandise, $28.0 \%$. Stores average
Walgreens Boots Alliance stock has continued to slide since our March review. Indeed, it is down another roughly $20 \%$ in value over the past three months and is now trading some $50 \%$ off its alltime high set a few years back. While fears of a changing operating landscape have been a concern for some time now, the most recent pullback followed the release of the company's disappointing secondquarter financial results and guidance. (Fiscal years end August 31st.)
Sales and earnings both missed the mark in the February period. The top line advanced $4.6 \%$, about 50 basis points off our estimate and well off the doubledigit gains enjoyed for all of fiscal 2018 and in the preceding November quarter. Management described the February quarter as the most difficult since the formation of the company as it is today, pointing to market challenges and unfavorable macroeconomic trends, such as reimbursement pressures, generic deflation, and tough market conditions in the United States and the United Kingdom. The Retail Pharmacy International busi-
ness was the worst performer, reporting a
$\$ 10.3$ million in annual sales. Has approximately 354,000 employees. Acquired 2,186 Rite Aid stores in September, 2017. Officers \& directors own $15.7 \%$ of common stock. Vanguard, $7.4 \%$; BlackRock, Inc., 5.7\% (12/18 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.

7\% sales decline. Overall earnings, meanwhile, tumbled nearly $12 \%$, year over year, as costs of goods sold were up $7 \%$.
Guidance was not encouraging. Management said that it now looks for flattish share earnings, down from its earlier 7\%$12 \%$ growth forecast. While it has implemented several initiatives to help offset some the above-mentioned headwinds, it was admittedly late to the game, and most of the benefits are not likely to be realized until fiscal 2020. That said, leadership did up the expected fiscal 2020 savings from the ongoing transformational cost management program from $\$ 1$ billion, to $\$ 1.5$ billion. This should enable Walgreens' earnings growth to get back on track.
These shares have fallen two notches in our ranking system and are now unfavorable (4, Below Average) for Timeliness. They are likely to remain market laggards over the coming six to 12 months due to the aforementioned pressures as well as concerns of additional changes to the healthcare landscape. That said, we still think that long-term totalreturn potential is solid.
AndreJ. Costanza
J une 14, 2019


[^0]:    A) Fiscal year ends August 31st.
    (B) Based on diluted shares. Excludes nonrecurring gains (losses): '02, 14; '03, 2¢; '04 1¢; '10, (4¢); '11, 30¢;' '12, (11¢); '13, (5¢); '14

    | (90¢); '15, 12¢; '16, (77¢); '17, (\$1.32); '18, | $\begin{array}{l}\text { Direct stock purchase plan avail. (includes divi- } \\ \text { (674). May not add due to rounding. Next earn- } \\ \text { dend reinvest.). } \\ \text { ings report due June 27th. (C) Dividends histor- } \\ \text { (D) In millions. }\end{array}$ |
    | :--- | :--- | ings report due June 27th. (C) Dividends histor- (D) In millions.

