

| (\$MILL.) |  |  |  |
| :--- | ---: | ---: | ---: |
| Cash Assets | 3301 | 785 | 839 |
| Receivables | 6528 | 6573 | 7239 |
| Inventory (LIFO) | 8899 | 9565 | 9874 |
| Other | 1025 | 923 | 1069 |
| Current Assets | 19753 | 17846 | 19021 |
| Accts Payable | 12594 | 13566 | 14130 |
| Debt Due | 2511 | 1966 | 5483 |
| Other | 5802 | 6135 | 5448 |
| Current Liab. | 18547 | 21667 | 25060 |


| ANNUAL RATES | Past | Past | Est'd '16-'18 |
| :--- | ---: | :---: | :---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to'22.'24 |
| Sales | $8.5 \%$ | $7.0 \%$ | $9.5 \%$ |
| "Cash Flow" | $10.0 \%$ | $11.0 \%$ | $11.0 \%$ |
| Earnings | $10.0 \%$ | $13.0 \%$ | $9.5 \%$ |
| Dividends | $18.0 \%$ | $13.0 \%$ | $7.5 \%$ |
| Book Value | $10.5 \%$ | $10.0 \%$ | $9.5 \%$ |


$\left.$| Fiscal <br> Year <br> Ynds |  |  |  |  | QUARTERLY SALES(\$ mill.) A |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Nov.30 | Feb.28 | May 31 | Aug. 31 |  |  |  |  |  | | Full |
| :---: |
| Fiscal |
| Year | \right\rvert\,

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 shares remain untimely. The stock has been the worst performing Dow-30 member this year, and the shares are likely to remain market underperformer for the coming six to 12 months until industry and/or company-specific concerns are remedied. However, while the company's fiscal thirdquarter results were better than expected on both the top and bottom lines, there were some items that remained problems, and guidance did little to help matters. As for the latter, gross profit at the U.S. Retail Pharmacy business declined $3.6 \%$, owing to ongoing reimbursement pressures. Meanwhile, the Retail International Pharmacy unit saw sales dip 7.3\% and an even bigger decline in operating income. As for guidance, management reaffirmed its previous earnings outlook, pointing to soft results in the August quarter.
We suspect that August-quarter earnings slipped on a year-over-year basis. There is no evidence suggesting a recovery in either of the above-mentioned businesses, and we look for further declines in profits at both with domestic reimbursement pressures likely to remain
$\$ 10.3$ 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.
the biggest headwind. For similar reasons, we are modeling for a flattish share-net result in fiscal 2020, despite the benefits of share repurchases and the realization of some cost-savings benefits (see below).
This equity may have found a bottom. It appears to have settled in around just above the $\$ 50$-a-share mark. This is near where it traded three months ago, but still down considerably (about 40\%) from its 52 -week high. Momentum investors will want to take a pass, but patient accounts willing to endure some near-term volatility may like what they see here. The company remains a leader in a lucrative space, and cash flow generation provides the financial flexibility for it to continue rewarding shareholders and navigate the changing industry landscape. Meantime, it is in the midst of several optimization and restructuring initiatives expected to deliver more than $\$ 1.5$ billion in annual cost savings over the next few years. We think the current price tag represents a good entry point for buy-and-hold accounts, as WBA shares should produce worthwhile riskadjusted three- to five-year total returns. AndreJ. Costanza

September 13, 2019 report due mid-Oct. (C) Dividends historically
paid in March, June, Sept., and Dec. ■ Direct
stock purchase plan avail. (includes dividend reinvest.).
(D) In millions.

Company's Financial Strength Stock's Price Stability Price Growth Persistence

