

5483 5448 98.3% of Rx); Other general merchandise, 28.0%. Stores average 25060 Walgreens Past Est'd '16-'18 to '22-'24 9.5% 11.0% 9.5% 7.5% 9.5%

19021

14130

17846

13566 1966 6135

21667

5 Yrs.

7.0% 11.0%

13.0%

13.0%

10.0%

19753

12594

5802

18547

Past

10 Yrs.

8.5% 10.0%

10.0%

18.0%

10.5%

Current Assets

Accts_Payable

Debt Due Other

Current Liab.

of change (per sh)

Sales "Cash Flow

Earnings Dividends

2018

2019

.40

Book Value

ANNUAL RATES

Full Fisca Year Fiscal QUARTERLY SALES (\$ mill.) A Nov.30 Feb.28 May 31 Aug.31 Year Ends 30184 29498 29033 117351 28501 29446 30118 30149 118214 2018 30740 33021 34334 33442 131537 33793 34591 33913 136825 2019 34528 35250 35750 2020 34500 34750 140250 Fiscal Year Ends EARNINGS PER SHARE AB Full Nov.30 Feb.28 May 31 Aug.31 2016 1.03 1.18 1.07 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 1.47 1.43 6.00 2020 1.40 1.65 1.52 1.48 QUARTERLY DIVIDENDS PAID C = Cal-Full Mar.31 Jun.30 Sep.30 endar Dec.31 Year 2015 .3375 .3375 2016 .360 .360 .375 .375 1.46 .375 2017 .375 .400 .400 1.53

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.

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,

Alliance

Boots

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 either the above-mentioned of in and we look for further businesses. declines in profits at both with domestic reimbursement pressures likely to remain

ees. Acquired 2,186 Rite Aid stores in September, 2017. Officers & directors own 15.7% of common stock. Vanguard, 7.4%; Black-Rock, 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. Andre J. Costanza September 13, 2019

(A) Fiscal year ends August 31st.
(B) Based on diluted shares. Excludes nonrecurring gains (losses): '03, 2¢; '04, 1¢; '10 (4¢); '11, 30¢; '12, (11¢); '13, (5¢); '14, (90¢);

.40

.44

44

.4575

.44

1.68

'15, 12¢; '16, (77¢); '17, (\$1.32); '18, (67¢). May not add due to rounding. Next earnings report due mid-Oct. **(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 Price Growth Persistence

A+ 75 55 **Earnings Predictability** 95