| TIMELINESS $\mathbf{4}$ Lowered 5/24/19 <br> SAFETY $\mathbf{2}$ Lowered $12 / 19 / 14$ <br> TECHNICAL $\mathbf{4}$ Raised $126 / 19$ <br> BETA .95 ( $1.00=$ Market) |  |  |  | High: Low: | $\begin{array}{r} \hline 39.0 \\ 21.3 \\ \hline \end{array}$ | $\begin{aligned} & \hline 40.7 \\ & 21.4 \\ & \hline \end{aligned}$ | 40.2 26.3 | $\begin{aligned} & 47.1 \\ & 30.3 \end{aligned}$ | $\begin{aligned} & 37.8 \\ & 28.5 \end{aligned}$ | $\begin{aligned} & 60.9 \\ & 37.1 \end{aligned}$ | $\begin{aligned} & 78.0 \\ & 55.3 \end{aligned}$ | $\begin{aligned} & \hline 97.3 \\ & 73.0 \end{aligned}$ | $\begin{array}{r} 102.8 \\ 71.5 \end{array}$ | $\begin{aligned} & 88.0 \\ & 63.8 \end{aligned}$ | $\begin{aligned} & 86.3 \\ & 59.1 \end{aligned}$ | $\begin{aligned} & 74.9 \\ & 49.0 \end{aligned}$ |  |  | Target Pric $2022 \mid 202$ | Zange $2024$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | ```LEGENDS - \(10.0 \times\) "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession``` |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $-160$ |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 120 |
| 18-Month Target Price Range Low-High Midpoint (\% to Mid) \$49-\$97 \$73 (25\%) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \|l, ||1| |  |  |  |  |  |  |  | 80 |
|  |  |  |  |  |  |  |  |  |  |  | $1\left\\|^{11^{\prime}}\right\\|_{1}$ |  |  |  |  |  |  |  |  | 60 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\left.\right\|_{\text {IIIII }}$ |  |  |  | 50 |
|  |  |  |  |  |  |  |  |  |  | $1{ }^{1}$ |  |  |  |  |  |  |  |  |  | 40 |
| 2022-24 PROJECTIONS   <br> Price Gain Ann'। Total <br> Return   <br> 110 $(+85 \%)$ $19 \%$ <br> 80 $(+35 \%)$ $11 \%$ |  |  |  |  |  |  |  | $\Pi_{1,1} \mid m_{1}\left\\|_{1}\right\\|^{\prime \prime \prime}$ |  |  |  |  |  |  |  |  |  |  |  | 30 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -20 |
|  |  |  |  |  |  |  |  |  | . |  |  |  |  |  |  |  |  |  |  | -20 |
| Institutional Decisions |  |  |  |  |  |  |  | Percen shares traded |  |  |  |  |  |  |  |  |  |  |  | * $\because$, $0+$ |  |  | RETURN 11/19 <br> THIS VLARITH. |  |
|  | 102019 617 | 202019 517 7 | 302019 | $\frac{w\|\|\|\|\|\|\|\|\|\|\|\|\|\mid}{}$ |  |  |  |  |  |  |  |  |  |  |  |  |  | 1 yr . | $\begin{array}{ll}\text { STOCK } & \text { INDEX } \\ -27.4 & 6.5\end{array}$ |  |
| to Sell Held Hldoo) | 649 569145 | 732 549741 | 635 540789 |  |  | \|1/ |  |  |  |  |  |  |  |  | 1 |  |  | $\begin{aligned} & 3 \mathrm{yr} . \\ & 5 \mathrm{yr} . \end{aligned}$ | $\begin{array}{rr}-24.3 & 24.6 \\ -3.2 & 38.9\end{array}$ |  |
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 20 | 201 | 201 |  |  |  |  | 2017 | 2018 | 2019 | 2020 |  | B. | -2 |
| 31.72 | 36.65 | 41.16 | 47.04 | 54.24 | 59.68 | 64.07 | 71.83 | 81.17 | 75.88 | 76.29 | 80.38 | 94.91 | 108.36 | 115.46 | 138.15 | 152.86 | 164.70 | Sales | rsh ${ }^{\text {A }}$ | 193.55 |
| 1.47 | 1.72 | 1.99 | 2.30 | 2.74 | 3.03 | 3.02 | 3.37 | 3.93 | 3.59 | 3.99 | 4.33 | 5.35 | 6.21 | 6.99 | 8.15 | 8.45 | 8.80 | "Cash | ow"per sh | 10.60 |
| 1.12 | 1.32 | 1.52 | 1.72 | 2.03 | 2.17 | 2.02 | 2.16 | 2.64 | 2.53 | 2.61 | 2.90 | 3.88 | 4.59 | 5.10 | 6.02 | 5.99 | 6.00 | Earnin | per sh AB | 8.75 |
| . 16 | . 18 | . 22 | . 27 | . 33 | . 40 | . 48 | . 59 | . 80 | . 95 | 1.14 | 1.28 | 1.37 | 1.46 | 1.53 | 1.64 | 1.78 | 1.88 | Div'ds | ecl'd per sh ${ }^{\text {Cm}}$ | 2.35 |
| 7.02 | 8.04 | 8.67 | 10.04 | 11.20 | 13.01 | 14.54 | 15.34 | 16.70 | 19.32 | 20.55 | 21.63 | 28.32 | 27.59 | 26.83 | 27.31 | 26.97 | 29.70 | Book | lue per sh | 45.80 |
| 1024.9 | 1023.3 | 1025.4 | 1007.9 | 991.14 | 989.18 | 988.56 | 938.61 | 889.29 | 944.06 | 946.60 | 950.39 | 1089.9 | 1083.0 | 1023.8 | 952.13 | 892.54 | 850.00 | Comm | Shs Outst'g D | 775.00 |
| 27.7 | 26.3 | 27.9 | 26.0 | 22.2 | 17.1 | 13.9 | 15.9 | 14.8 | 13.2 | 16.3 | 21.8 | 20.2 | 18.0 | 16.1 | 11.5 | 10.8 |  | Avg | 'IP/E Ratio | 11.0 |
| 1.58 | 1.39 | 1.49 | 1.40 | 1.18 | 1.03 | . 93 | 1.01 | . 93 | . 84 | . 92 | 1.15 | 1.02 | . 94 | . 81 | . 62 | . 61 |  | Relativ | P/E Ratio | . 60 |
| .5\% | .5\% | .5\% | .6\% | .7\% | 1.1\% | 1.7\% | 1.7\% | 2.1\% | 2.8\% | 2.7\% | 2.0\% | 1.8\% | 1.8\% | 1.9\% | 2.4\% | 2.8\% |  | Avg | Div'd Yield | 2.5\% |
| CAPITAL STRUCTURE as of $8 / 31 / 19$ <br> Total Debt $\$ 16836$ mill. Due in 5 Yrs. $\$ 8654$ mill. LT Debt $\$ 11098$ mill LT Interest $\$ 464.1$ mill. (31\% of Cap'l) Leases., Uncap. Annual rentals $\$ 3.5$ bill. |  |  |  |  |  | 63335 | 67420 | 72184 | 71633 | 72217 | 76392 | 103444 | 117351 | 118214 | 131537 | 136866 | 140000 | Sales | mill) ${ }^{\text {A }}$ | 150000 |
|  |  |  |  |  |  | 29.3\% | 29.7\% | 29.9\% | 30.0\% | 31.0\% | 31.3\% | 27.7\% | 27.9\% | 27.7\% | 24.8\% | 23.6\% | 23.5\% | Gross | argin | 26.0\% |
|  |  |  |  |  |  | 6.7\% | 6.7\% | 7.0\% | 6.7\% | 6.8\% | 7.8\% | 5.7\% | 7.6\% | 7.7\% | 7.1\% | 6.6\% | 6.5\% | Operat | g Margin | 8.0\% |
|  |  |  |  |  |  | 7496 | 7562 | 8210 | 8385 | 8582 | 8309 | 13100 | 12848 | 12822 | 14327 | 13882 | 14175 | Numbe | of Stores | 15250 |
|  |  |  |  |  |  | 2006.0 | 2134.0 | 2411.1 | 2223.8 | 2497.0 | 2798.0 | 4085.0 | 5009.0 | 5503.0 | 5989.2 | 5529.0 | 5275 | Net Pro | it (\$mill) | 6850 |
| Pension Assets-8/19 \$9131 mill. Oblig. \$8834 mill. |  |  |  |  |  | 36.6\% | 36.7\% | 37.5\% | 37.0\% | 37.1\% | 36.9\% | 19.9\% | 21.5\% | 22.1\% | 17.8\% | 13.5\% | 17.5\% | Income | Tax Rate | 20.0\% |
|  |  |  |  |  |  | 3.2\% | 3.2\% | 3.3\% | 3.1\% | 3.5\% | 3.7\% | 3.9\% | 4.3\% | 4.7\% | 4.6\% | 4.0\% | 3.8\% | Net Pro | it Margin | 4.6\% |
| Pfd Stock None |  |  |  |  |  | 5280.0 | 4489.0 | 4239.0 | 2038.0 | 2991.0 | 3347.0 | 3100.0 | 8870.0 | 1206.0 | d3821 | d7069 | d6500 | Work | Cap'I (\$mill) | d2750 |
|  |  |  |  |  |  | 2336.0 | 2389.0 | 2396.0 | 4073.0 | 4477.0 | 3736.0 | 13315 | 18705 | 12684 | 12431 | 11098 | 10000 | Long-T | rm Debt (\$mill) | 7000 |
| Common Stock 892,541,146 shares as of $9 / 30 / 19$ |  |  |  |  |  | 14376 | 14400 | 14847 | 18236 | 19454 | 20561 | 30861 | 29880 | 27466 | 26007 | 24152 | 25250 | Shr. Eq | uity (\$mill) | 35500 |
|  |  |  |  |  |  | 12.2\% | 13.0\% | 14.2\% | 10.2\% | 10.7\% | 11.8\% | 9.9\% | 10.9\% | 14.3\% | 16.3\% | 16.5\% | 16.0\% | Return | n Total Cap'l | 16.5\% |
| MARKET CAP: $\$ 52.7$ billion (Large Cap) |  |  |  |  |  | 14.0\% | 14.8\% | 16.2\% | 12.2\% | 12.8\% | 13.6\% | 13.2\% | 16.8\% | 20.0\% | 23.0\% | 22.9\% | 21.0\% | Return | o Shr. Equity | 19.5\% |
| CURRENT POSITION (\$MILL.) <br> Cash Assets |  |  | 2017 | 2018 | 8/31/19 | 10.9\% | 11.1\% | 11.9\% | 7.9\% | 7.5\% | 7.8\% | 8.8\% | 11.5\% | 13.8\% | 16.3\% | 16.1\% | 14.5\% |  | to Com Eq | 14.0\% |
|  |  |  |  |  |  | 22\% | 25\% | 27\% | 35\% | 42\% | 43\% | 34\% | 31\% | 31\% | 29\% | 30\% | 31\% | All Di | s to Net Prof | 27\% |


| Cash Assets | 3301 | 785 | 23 |
| :---: | :---: | :---: | :---: |
| Receivables | 6528 | 6573 | 7226 |
| Inventory (LIFO) | 8899 | 9565 | 9333 |
| Other | 1025 | 923 | 1118 |
| Current Assets | 19753 | 17846 | 18700 |
| Accts Payable | 12594 | 13566 | 14341 |
| Debt Due | 251 | 1966 | 5738 |
| Other | 6135 | 5448 | 5690 |
| Current Liab. | 18547 | 21667 | 2576 |


| ANNUAL RATES | Past | Past | Est'd '16-'18 |
| :--- | :---: | :---: | :---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to '22'24 |
| Sales | $8.5 \%$ | $7.0 \%$ | $8.0 \%$ |
| "Cash Flow" | $10.0 \%$ | $11.0 \%$ | $10.0 \%$ |
| Earnings | $10.0 \%$ | $13.0 \%$ | $9.0 \%$ |
| Dividends | $18.0 \%$ | $13.0 \%$ | $7.5 \%$ |
| Book Value | $10.5 \%$ | $10.0 \%$ | $9.0 \%$ |


$\left.$| 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 $8 / 31 / 19$, it operated 13,882 stores across the globe, including 9,277 locations in 50 states, Puerto Rico, and the U.S. Virgin Islands. In 2019, pharmacy contributed $74 \%$ of sales (3rd party, $97.1 \%$ of Rx); Other general merchandise,
Walgreens Boots Alliance stock is up about 20\% in value since our September review, thanks in large part to speculation of a possible takeover bid. Although details are scarce, rumors are swirling that private equity firm KKR has made a bid to take the healthcare giant private with an offer believed to be in the neighborhood of $\$ 70$ billion.
Going private would not be an easy task, though. Wal greens currently sports a $\$ 50$ billion-plus market capitalization. Its privatization would be the largest to date, and the financing surrounding such a scenario would likely be problematic. In keeping with Value Line policy, we will continue to evaluate Walgreens on a stand-alone basis for now.
The company, meanwhile, continues
to struggle from an operational standpoint. Sales increased just 1.5\% in the fourth quarter, and earnings were down a nickel on a year-over-year basis, due to gross margin pressures stemming from a challenging reimbursement environment, among other things. (Fiscal 2019 ended August 31st). We look for earnings to remain relatively flat in fiscal 2020,
$26 \%$. Stores average $\$ 9.86$ million in annual sales. Has approximately 342,000 employees. Acquired 2,186 Rite Aid stores in September, 2017. Off. \& dir. own 15.7\% of stock. Vanguard, 7.4\%; BlackRock, Inc., 5.7\% (12/18 Proxy). CEO; Stefano Pessina. Chairman: James A. Skinner. Inc.: IL. Addr.: 108 Wilmot Road, Deerfield, IL 60015. Tel.: 847-914-2500. Internet: www.walgreens.com.
despite the likelihood of aggressive share repurchases and realization of some benefits from extensive cost-cutting endeavors. Management recently upped its targeted annual savings from the restructuring efforts to $\$ 1.8$ billion by fiscal 2022. However, we don't expect significant contributions to be realized until fiscal 2021. Fiscal 2020 guidance seems to support our position, with management looking for EPS to be flat with last year, plus or minus 3\%. Bottom-line growth should pick up nicely thereafter, however, thanks to an improved cost structure. Too, the company recently signed a partnership agreement that will give it access to Indonesia.
Patient accounts may want to try their hands here. The stock holds wide 18-month growth prospects and offers worthwhile 3- to 5-year total return potential. To wit, Walgreens generates strong cash flow and tends to be shareholder friendly. However, the near-term picture is not overly appealing, and the company must prove that it can deliver on its costcutting goals. These shares are ranked 4 (Below Average) for Timeliness.
AndreJ. Costanza
December 13, 2019

[^0]
[^0]:    A) Fiscal year ends August 31st.
    (B) Based on diluted shares. Excludes nonrecurring gains (losses): '03, 2¢; '04, 1¢; '10
    '15, 124; '16, (77¢); '17, (\$1.32); '18, (67¢); '19, Dec. - Direct stock purch
    cludes dividend reinvest.) (\$1.68). May not add due to rounding. Next
    earnings report due late Dec. (C) Dividends historically paid in March, June, Sept., and
    (D) In millions.

