Walgreens and Alliance Boots to Combine
Creating the world’s first global pharmacy-led, health and wellbeing enterprise

http://www.globalhealthandwellbeing.com/

Walgreens

Description

As the largest drugstore chain in the U.S., Walgreens vision is to be the first choice in health and daily living for everyone in America, and beyond. Each day, in communities across America, more than 8 million customers interact with Walgreens using the most convenient, multichannel access to consumer goods and services and trusted, cost-effective pharmacy, health and wellness services and advice.

Walgreens scope of pharmacy services includes retail, specialty, infusion, medical facility and mail service, along with online and mobile services.

Fast facts

- Operates approximately 8,200 drugstores in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands
- Filled 821 million prescriptions in fiscal 2013
- 8.5 million vaccines administered in fiscal 2013; #1 retail provider of vaccines
- Nearly two-thirds of Americans live within 3 miles of a Walgreens, and approximately 65% of stores serve medically underserved populations
- 70,000 healthcare service providers, including pharmacists, nurse practitioners, and physician assistants
- 81 million active members of Walgreens Balance Rewards loyalty program

Employees (approximate)
248,000

Fiscal Year 2013 Financial Highlights
Sales: $72.2 billion
Operating Income: $3.94 billion
Net Earnings: $2.45 billion

Alliance Boots

Description

Alliance Boots is a leading international, pharmacy-led health and beauty group delivering a range of products and services to customers. Working in close partnership with manufacturers and pharmacists, we are committed to improving health in the local communities we serve and helping our customers and patients to look and feel their best.

Our focus is on growing our two core business activities:
- Pharmacy-led health and beauty retailing
- Pharmaceutical wholesaling and distribution

Fast facts

- Present in more than 25 countries
- Dispenses over 250 million items each year
- Operates more than 370 pharmaceutical wholesale distribution centers
- Delivers over 4.5 billion units each year - to more than 180,000 pharmacies, doctors, health centers and hospitals
- Operates more than 3,150 health and beauty retail stores of which just under 3,050 have a pharmacy
- Owns around 600 optical practices, of which 180 operate on a franchised basis

Employees (approximate)
108,000

Fiscal Year 2013 Financial Highlights
Revenue: £23.4 billion
Trading Profit: £1.27 billion
Transaction terms

Under the terms of the agreement announced on August 6, 2014, Walgreens will acquire the remaining 55 percent of Alliance Boots in exchange for £3,133 million in cash and 144.3 million shares of common stock of Walgreens.

The new holding company to be formed in connection with the transaction will be named Walgreens Boots Alliance, Inc., and will be headquartered in the Chicago area, while Walgreens operations will remain headquartered in Deerfield, Ill. Boots operations also will remain headquartered at its current location in Nottingham, U.K.

Walgreens Boots Alliance will blend senior management from both companies including Walgreens President, CEO and board member Greg Wasson who will be president and CEO of the combined company, and Stefano Pessina, Alliance Boots executive chairman, who will be executive vice chairman of the combined company responsible for strategy and M&A reporting to Wasson and chairman of a new strategy committee of the board of directors.

Strategic rationale

Combines two great companies with iconic brands, complementary geographic footprints, shared values and a heritage of trusted healthcare services, through pharmaceutical wholesaling and community pharmacy care, dating back over 100 years.

Creates a new international leader in retail pharmacy, domiciled and headquartered in the U.S, with approximately 8,200 Walgreens stores in America and with Boots, more than 11,000* stores in 10* countries.

Creates the first global pharmacy-led, health and wellbeing enterprise that will be positioned to: Lead the evolution of global healthcare. Advance the industry for the future. Make quality healthcare more affordable and accessible to the communities we serve. And deliver benefits for everyone – patients, partners and payers.

Creates the world’s largest purchaser of prescription drugs and many other health and wellbeing products – strengthening our purchasing power and helping to lower the cost of medication while expanding supply and service to healthcare providers.

The combination will enable Walgreens and Alliance Boots to share resources, best practices and products, including Boots No7 and other leading Boots beauty products.

Overall, the partnership will transform Walgreens from a domestic company to a global enterprise to achieve greater value and synergies to serve the entire world.

Financial benefits

- Walgreens and Alliance Boots have strong track records of creating real, sustainable value by focusing on organic growth.
- Together, Walgreens and Alliance Boots already purchase $12 billion a year in generic drugs.
- At present, 35% of combined revenue and 35% of combined profits are generated overseas – 70% of which is retail and 30% of which is wholesale.
- Walgreens and Alliance Boots operate in 20* countries.
- 2014 combined synergy estimates have increased from a previous range of $350-$400 million to a new range of $400-$450 million. Over $1 billion in synergies are expected in FY2016.
- The combination will allow Walgreens to return additional cash to shareholders. The company is authorized to repurchase $3 billion in shares through fiscal 2016 and is targeting a long-term dividend payout ratio of 30-35 percent.

Next steps

- The retail and wholesale businesses of both companies will continue to operate under their well-known and trusted brand names.
- The transaction is subject to shareholder and various regulatory approvals, and is expected to close in the first quarter of calendar 2015.

*Note: Figures include Alliance Boots associates and joint ventures
Cautionary Note Regarding Forward-Looking Statements. Statements in this communication that are not historical are forward-looking statements for purposes of applicable securities laws. Words such as “expect,” “likely,” “outlook,” “forecast,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “target,” “continue,” “sustain,” “synergy,” “on track,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “possible,” “assume,” variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including: the risks that one or more closing conditions to the transactions may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transactions or that the required approvals by Walgreens shareholders may not be obtained; the risk of a material adverse change that Walgreens or Alliance Boots or either of their respective businesses may suffer as a result of disruption or uncertainty relating to the transactions; risks associated with changes in economic and business conditions generally or in the markets in which we or Alliance Boots participate; risks associated with new business areas and activities; risks associated with acquisitions, joint ventures, strategic investments and divestitures, including those associated with cross-border transactions; risks associated with governance and control matters; risks associated with Walgreens ability to timely arrange for and consummate financing for the contemplated transactions on acceptable terms; risks relating to Walgreens and Alliance Boots’ ability to successfully integrate our operations, systems and employees, realize anticipated synergies and achieve anticipated financial results, tax and operating results in the amounts and at the times anticipated; the potential impact of announcement of the transactions or consummation of the transactions on relationships and terms, including with employees, vendors, payers, customers and competitors; the amounts and timing of costs and charges associated with our optimization initiatives; our ability to realize expected savings and benefits in the amounts and at the times anticipated; changes in management’s assumptions; the risks associated with transitions in supply arrangements; risks that legal proceedings may be initiated related to the transactions; the amount of costs, fees, expenses and charges incurred by Walgreens and Alliance Boots related to the transactions; the ability to retain key personnel; changes in financial markets, interest rates and foreign currency exchange rates; the risks associated with international business operations; the risk of unexpected costs, liabilities or delays; changes in network participation and reimbursement and other terms; risks associated with the operation and growth of our customer loyalty program; risks associated with outcomes of legal and regulatory matters, and changes in legislation, regulations or interpretations thereof; and other factors described in Item 1A (Risk Factors) of our most recent Form 10-K and Form 10-Q, each of which is incorporated herein by reference, and in other documents that we file or furnish with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, Walgreens does not undertake, and expressly disclaims, any duty or obligation to update publicly any forward-looking statement after the date of this release, whether as a result of new information, future events, changes in assumptions or otherwise.

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**Participants in the Solicitation**

Walgreens, Alliance Boots, Walgreens Boots Alliance and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from the holders of Walgreens common stock in respect of the proposed transactions. Information regarding the persons who are, under the rules of the SEC, participants in the solicitation of proxies in favor of the proposed transactions will be set forth in the proxy statement/prospectus when it is filed with the SEC. You can find information about Walgreens’ directors and executive officers in Walgreens’ Annual Report on Form 10-K for the year ended August 31, 2013 and definitive proxy statement filed with the SEC on November 25, 2013. You can obtain free copies of these documents, which are filed with the SEC, from Walgreens using the contact information above.