

# Walgreens posts strong 4Q earns, but delays Rite Aid deal

October 20 2016, by Tom Murphy

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This Tuesday, July 5, 2016, photo shows a Walgreens store in North Andover, Mass. Walgreens Boots is expected to report financial results Thursday, Oct. 20, 2016. (AP Photo/Elise Amendola)

Walgreens Boots Alliance earnings topped \$1 billion during the fourth quarter, easily surpassing analyst expectations, but also announced a delay in closing its latest megadeal.

The nation's largest drugstore chain said Thursday that it expects to wrap up its \$9.4 billion purchase of rival Rite Aid Corp. early next year, rather than by the end of 2016.

It revealed plans to buy the nation's third-largest drugstore chain nearly a year ago, a deal that could create a chain with more than 12,000 U.S. locations, or several thousand more than its closest competitor, CVS Health Corp. The combination also would give Walgreens beefed-up negotiating muscle with drugmakers and other suppliers and enlarge its presence in the Northeast and in Southern California.

The proposal is still being reviewed by federal regulators who have taken a more aggressive stance on major buyouts and, in some cases, shot them down.

Walgreens said just last month that it still expected to close the deal this year, but that it might have to sell or divest more than 500 stores. The company had previously said it expected to divest that amount or fewer.

The company remains "actively engaged" with the Federal Trade Commission over its review of the buyout, it said Thursday, adding that it expects to finalize deals to divest its stores by the end of the calendar year.

In the most recent quarter, Walgreens earned \$1.03 billion, up from only \$26 million in last year's quarter, when the company took a sizeable hit from a change in the valuation of warrants for AmerisourceBergen stock that it exercised earlier this year.

Adjusted results in the most recent quarter came to \$1.07 per share.

Analysts expected earnings of 99 cents per share, according to Zacks Investment Research.

Revenue came in nearly flat at \$28.64 billion, which was shy of Wall Street forecasts for \$29.17 billion.

The Deerfield, Illinois, company also said Thursday that expects full-year, fiscal 2017 earnings to range between \$4.85 and \$5.20 per share. That forecast assumes a gain from the Rite Aid deal.

That range straddles the average analyst expectation for \$5.03 per share, according to FactSet.

The Rite Aid deal is one of the latest in a string of acquisitions Walgreens Boots Alliance Inc. has announced in the past few years as it has grown to become a global pharmaceutical buying power. Walgreens has more than 13,000 stores around the world and a big presence in the United Kingdom thanks to its acquisition of European health and beauty retailer Alliance Boots. That deal closed about two years ago.

In March, Walgreens said it would spend nearly \$1.2 billion to build its stake in AmerisourceBergen, the pharmaceutical wholesaler that supplies its drugstores, mail order and specialty pharmaceutical businesses.

Walgreen shares climbed nearly 2 percent, or \$1.37, to \$78.55 Thursday morning before markets opened

The stock had declined slightly more than 9 percent since the beginning of the year.

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