

Long Term Investor Interests in Proposed Walgreen Stock Buybacks

The Shareholder Forum has been asked to define issues relating to stock buyback commitments that should be considered in decisions about a proposed merger of Walgreen Co. into Walgreens Boots Alliance. Since addressing the interests of Walgreen shareholders in this case can be expected to establish broadly applicable standards for evaluating stock buyback policies of other companies, with or without related merger transactions, we encourage anyone with corporate or fund management responsibilities to participate.¹

Preliminarily, discussions with Forum participants representing various perspectives have suggested the following framework for an investor's analysis of buybacks in the context of Walgreen's proposed merger, based on the investor's own risk and holding period assumptions:

1. **Calculated equity share of future enterprise** – A basic financial analysis of both the merger transaction and projected buybacks is required to determine the ultimate allocations of equity per share at the end of an investor's expected holding period, using ranges of assumptions about buyback prices.
2. **Risk impact on earnings projections** – Assumptions must be made about the effects of reduced stockholders equity on both (a) credit access and costs and (b) ability of the enterprise to adapt to adversity and opportunity, which can then be reflected in either operating projections or risk discount for the present value of the enterprise at the end of the investor's holding period.
3. **Comparison of committed and opportunistic buybacks** – Assuming publicly reported buyback commitments will generate higher stock purchase prices during the buyback period and consequently lower future values, an investor must estimate the relative benefits of this alternative based on its anticipated holding period.

Please offer your views of how this should be refined, and how it should be applied specifically to the Walgreen situation.² After learning the views of a broad range of long term investor interests, the Forum will present the defined issues for comment by Walgreen management and then invite questions and views of the company's shareholders.

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¹ For a summary of the process, see "[Initiating the Definition of Issues](#)." Participation will be supported by the privacy rules and other policies for open programs stated in the Forum's "[Conditions of Participation](#)."

² Reference information for the Walgreen project, and an online comment form for presenting observations anonymously, can be found at www.shareholderforum.com/wag.