

Walgreen Stock Buybacks: Issues to Be Considered by Investors

Walgreen is being asked to provide information supporting investor analyses of the effects of corporate stock buybacks, specifically in the context of the company's proposed merger and notes offerings to create Walgreens Boots Alliance.* The following three issues have been defined for consideration:

1. **Market pricing influence of purchases** – Since announced intentions as well as actual purchasing activity can be expected to stimulate higher trading prices for the company's stock and possibly lower prices for debt securities, investors will want to understand as much as possible about company policies for executing and reporting buybacks.

Relevant period: from the time of announcement until completion of buyback activity

2. **Allocations of earnings** – To calculate the “financial engineering” effects of dividing current and projected earnings among a reduced number of shares, analysts will need to include reasonable estimates of buyback prices as well as changes in other capital costs.

Relevant period: projections of 3 to 5 years, assuming future issuance and purchasing of stock will gradually diminish the effects of current buybacks

3. **Corporate adaptability** – Projections of earnings must include assumptions about the effects of reduced equity capital on the company's ability to develop new business opportunities and respond to threats.

Relevant period: extending to years in which earnings would be significantly influenced by business operations and market conditions that have not yet been identified

The importance of each of these issues will depend on specific investor interests, particularly in relation to the timing of any anticipated buying, selling or portfolio valuation objectives. For example, an investor expecting to sell Walgreen stock within a year or when a price target is reached might be concerned primarily with the first defined issue concerning the market pricing influence of purchases. An indexed fund that expects to own the stock for decades or a buyer of Walgreen's newly issued notes due in 2044, however, might focus attention primarily on the third issue concerning corporate adaptability.

Forum participants are invited to comment on the analysis of these issues, and on the information that Walgreen might reasonably provide to support sound investor decisions. The company's response will be reported early next week.

GL – November 12, 2014

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* For SEC filings, see the Forum's "[Company Reports](#)" references or the [Walgreen Co. Investor Relations](#) website.