Walgreens Boots Alliance Ecosystem

Walgreens Boots Alliance
108 Wilmont Road
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Outside Relationships

Regulators

U.S. Business Regulators

- U.S. Customs & Border Protection (CPB) (Regulation of Imports of Finished Goods, Raw Materials and Supplies; Customs Duties Administration)
- U.S. Dept of Commerce Bureau of Industry and Security / Export Administration (Regulation of Export of Finished Goods, Raw Materials and Supplies, and Information Handling; Export Licenses)
- Environmental Protection Agency (EPA) (Regulation of Discharges, Leaks, Emissions, Disposals, Storage of Particulate Matter, Hazardous Waste, Toxic Substances in Water, Air and Soil; Superfund Clean-Up Requirement for Contamination
- U.S. Securities and Exchange Commission (SEC) (Securities Disclosure and Financial Reporting Requirements; Anti-Bribery Requirements)
- Federal Trade Commission (FTC) (Consumer Protection and Anti-Trust Regulation)
- Department of Justice (DOJ) (Enforcement Powers for Compliance with cGMPs and Drug Laws)
- U.S. and Foreign Patent and Trademark Offices (Patent, Copyright, Trademark, Service Mark, and Domain Name Registrations)

U.S. Health Regulators

- The Drug Enforcement Agency (DEA) (Wholesaler Registrations, Security and Operating Standards for Sale, Packaging, Storage and Distribution of Controlled Substances)
- The Food & Drug Administration (FDA) (Drug and Medical Device Regulation Covering Design, Testing, Quality, Safety, Labeling, Good Manufacturing Practices/cGMPs, Promotion, Distribution, Importation and Post-Market Surveillance)
- U.S. Dept. of Health and Human Services (HHS) Centers for Medicare & Medicaid Services (Privacy of Patient-Identifiable Health and Personal Information under Health Insurance Portability and Accountability Act of 1996)
- Centers for Medicare & Medicaid Services (Medicare Supplier Standards, Anti-Kickbacks, Anti-Fraud, Claims, and Billing Requirements)

U.S. State and Local Regulators

- Multiple Legal Jurisdictions (Liquor and Cigarette Distribution Licenses)
- State Health Departments (No Payments to Physicians for Patient Referral and No Self-Referrals)
- State Insurance Departments
- State Medicaid Departments
- State Boards of Pharmacy (Regulation of Marketing, Purchase, Storage, and Distribution of Pharmaceuticals)
- Controlled Substance Authorities (Drug Tracing, Tracking, and Supply Chain Integrity Requirements)

Capital

- Public Debt Holders
- Commercial Banks (as Lenders and Derivatives/Hedge Counterparties)

Suppliers

Health, Beauty, Medical Device, & Drug Suppliers (for Retail)

- Amerisource Bergen (Prescription Drugs and Medical Devices)
- Selected Beauty, Health & Other Products Manufacturers
  - The Procter & Gamble Company (Beauty, Personal Care, Family, Feminine, Home, and Grooming Products)
  - Unilever (Beauty, Personal Care, Family, Feminine, Home, and Grooming Products)
  - Hallmark Cards (Greeting Cards)
  - Pfizer (Over-the-Counter Medicines)
  - L'Oreal (Cosmetics)
  - Coca-Cola (Soft Drinks)
  - Hasbro (Toys)
  - Mattel (Toys)
  - Johnson & Johnson (Over-the-Counter Medicines)
  - General Mills (Cereal)
  - Pepsi (Soft Drinks)
  - Avon Products (Cosmetics)
  - Revlon (Cosmetics)
  - Colgate Palmolive (Toothpaste)
  - Est e Lauder (Cosmetics)

Contract Manufacturing

- BCM Limited (Contract Manufacturing of Own-Brand Medicines, Walgreens-Branded Cosmetics)
- BCM Specials (Contract Manufacturing of Bespoke Non-Licensed Medicines for UK Hospital and Retail Pharmacies

Customers

- Individual Shoppers

Third Party Payers; Pharmacy Reimbursement Based Business (97% of Sales)

- Managed Care Organizations
- Governmental Agencies
- Pharmacy Benefit Management Companies
- Private or Employer Insurance
- Health Maintenance Organizations
- Commercial Third-Party Payers (Access to Pharmacy Provider Networks)

Bond Financing
Working Capital Financing
Foreign Currency and Interest Rate Swaps
10-Year Pharmaceutical Distribution Agreement (Including Walgreen's Right to Purchase Minority Equity Position in AmerisourceBergen; Expires 2026)
Supplies of Generic, Branded and Specialty Pharmaceutical Products
US Drug and Health Regulation
Sales of Beauty, Health and Home Products and Limited Grocery Items
Reimbursement/Payment for Prescriptions Drugs Delivered to Patients Covered by insurance
Medical Plan Reimbursement Arrangements
Direct and Wholesale Supplies of Non-Pharmaceutical Merchandise
Market Access Arrangements via Participation in Pharmacy Provider Networks
State Health and Controlled Substances Regulation
Contract Manufacturing of Walgreens Boot Alliance-Branded Medicines and Cosmetics

Walgreens Boots Alliance (Delaware Corporation)

Debt Structure

Debt ($15.74 Billion, includes $3.54 B of Short-Term Debt) | **Operating Lease Obligations ($24.4 Billion)** | **Credit Ratings (Long-Term): Moody's (Baa2), S&P (BBB), Fitch (BBB-)**

- $1.0 Billion Term Loan: Fully Drawn
- $2 Billion Revolver: $100 Million Drawn
- $8.575 Billion Available Under Five Revolving Credit Facilities: No Borrowings
- Other Short Term Debt $418M
- $2.5 Billion of Commercial Paper
- **Unsecured Notes**
  - 2.125% Notes Due 2026 $891M
  - 2.875% Senior Unsecured Notes $533M
  - 3.45% Notes Due 2026 $1,891M
  - 3.20% Notes Due 2030 $497M
  - 3.30% Notes Due 2031 $1,248M
  - 3.10% Notes Due 2032 $1,198M
  - 4.50% Notes Due 2034 $498M
  - 3.80% Notes Due 2034 $1,993M
  - 3.60% Notes Due 2035 $398M
  - 4.40% Notes Due 2042 $493M
  - 4.80% Notes Due 2044 $1,493M
  - 4.65% Notes Due 2046 $591M
  - 4.10% Notes Due 2050 $990M
- Other Fixed and Variable Rate Long-Term Debt $24M
- Operating Lease Obligations: $24.4 Billion (Includes $2.43 Billion in Current and $21.97 Billion in Non-Current Lease Obligations)

Equity Structure

Equity

- Stock Repurchase Program *Authorized*: $10 Billion *Expiration Date*: None, But Currently Suspended
- Common Stock *Authorized: Outstanding*; 879,000: *Record Holders*: 50,600

Securities Regulation and Nasdaq Stock Market Quotation Rules
Dividends and Common Stock Repurchases
Equity Capital

Governance

Board of Directors

- José E. Almeida (C, N)
- Janice M. Babiak (A, C)
- David J. Brailer, MD (A, F)
- William C. Foote (C, N)
- Ginger L. Graham (A, N)
- Valerie Jarrett (A, C)
- John A. Lederer (C, F)
- Dominic Murphy (F, N)
- Stefano Pessina (Vice Chairman)
- Nancy M. Schlichting (A, C)
- James A. Skinner (Chair)
- Board Committees: Audit (A), Compensation & Leadership Performance (C), Finance (F), Nominating & Governance (N)

Executive Officers

- James A. Skinner (Executive Chairman)
- Stefano Pessina (Executive Vice Chairman and CEO) (Rosalind Brewer commencing 3.15.21)
- James Kehoe (EVP and Global CFO)
- Alexander W. Gourlay (Co-Chief Operating Officer)
- Ornella Barra (Co-Chief Operating Officer)
- Kathleen Wilson-Thompson (EVP & Global Chief HR Officer)
- Marco Pagni (EVP & Global CAO and General Counsel)
- Heather Dixon (SVP and Global Controller and Chief Accounting Officer)

Corporate Matters

Human Resources

- Talent Acquisition
- Talent Development
- Compensation
- Benefits
- Employee Engagement
- Culture
- Diversity and Inclusion
- HR Information Systems
- Succession Planning
- Labor Relations

Public Affairs and Communications

- Public Affairs
- Internal Communications
- External Communications
- Media Relations
- Promotions
- Branding

Supply Chain

- Direct Procurement
- Logistics
- Contract Manufacturing
- Supplier Relations

Finance and Accounting

- Treasury
- Internal Audit
- Accounting
- Financial Reporting
- Tax
- Risk Management
- FP&A
- Insurance
- Investor Relations

Legal

- Corporate Governance
- Regulatory
- Group Mergers & Acquisition
- Corporate Governance
- Indirect Procurement/MRO Supplies
- Litigation Management
- Intellectual Property
- Real Estate

Innovation/Digital/IT

- Trial Drone Delivery Service (Christiansburg, Virginia)
- Horizon Transformation (Three-Phase Project to (1) Change Customer Experience, (2) Modernize WBA's Technology and Insfrastructure, and (3) Further Establish WBA as a Healthcare Company)
- Seamless Customer Experience
- Digital Transformation
- Digital Product Development
- IT Applications and Infrastructure

Operations

Retail Pharmacy USA (FY2020 Sales: $107.7 Billion)

- Operations in 50 States, District of Columbia, Puerto Rico, and U.S. Virgin Islands
- Omni-Channel Platform, Including Online Presence
- 78% of U.S. Population Lives Within Five Miles of Walgreens and Duane Reade Retail Pharmacy

Facilities

- 9,021 Stores
- 17 Retail Distribution Centers
- 1 Prescription Mail Service Facility

Programs

- myWalgreens (Formerly Balance Rewards; 5% Discount on Walgreens-Branded Products; 86 Million Members)
- Walgreens Cash (Cash Benefit Rewards Applied as Customer Chooses; 1% Cash Back, Even Pharmacy Items)
- Walgreens Find Care Platform (Connects Patients and Customers with Access to Affordable Care from Telehealth Providers)
- Mobile Application; E-Commerce Platform (Refill Prescriptions, Notifications When Refill Due, In-Store Pickup, Home, Drive-Thru, or Home Deliver Option)

Pharmacy Business (75% of Segment Sales)
Prescription Drug Sales and Provision of Pharmacy-Related Services

- Branded and Generic Prescription Drug Business (30- and 90-Day)
- Specialty Drug Business (For Patients Requiring Customized Treatments for Complex, Chronic Health Conditions)

Retail Business (25% of Segment Sales)
Sales of Healthcare Products (Non-Prescription Drugs, Health, Wellness) and Retail Products (Beauty, Personal Care, Consumables, General Merchandise

- Beauty (Lipstick, Cosmetics, Nail Polish, Lip Gloss)
- Personal Care (Deodorant, Hand Sanitize, Shampoo, Body Wash, Conditioner, Toothpaste, Mouthwash, Lotion, Incontinence Underwear)
- Household Goods (Laundry Detergent, Cleaning Supplies, Candles, Toilet Paper, Cleaning Wipes, Insect Repellant, Disinfectant Spray, Batteries, Light Bulbs, Paper Towels, Cards and Stationery)
- Vitamins and Supplements (Multivitamins, Zinc Tablets, Mineral Supplements)
- Medicines and Treatments (Aspirin,, Topical Arthritis Pain Relief, Paternity/Fertility Test Kits, Rubbing Alcohol, Vicks Nasal Spray, Face Masks, Ear Wash Systems, Bandages, First Aid)
- Fitness and Nutrition (Weight Loss Supplements, Sports Protein Bars and Drinks, Yoga Mats, Exercise Equipment, Heat Wraps, Pain Relieving Creams and Sprays, Ankle and Knee Braces
- Groceries (Candy, Gum, Ice Cream, Beverages, Frozen Foods, Cookies, Cereal, Snacks)
- Home Health Care Solutions (Supports and Braces, Home Tests, Wheelchairs, Blood Pressure Monitoring Devices, Canes and Crutches, Scooters, Thermometers, Hearing Aids, Lift Chairs)
- Baby, Kids, Toy (Toys, Baby Food, Bath & Hair Products, Diapers, Baby Lotion & Powder)
- Optical Services (UK Only) (Eye Tests, Prescription Glasses, Designer Frames, Contact Lenses)

Walgreens-Branded General Merchandise

- Finest Nutrition
- No7
- Soap & Glory
- NICE!
- YourGoodSkin
- Liz Earle
- Well at Walgreens

Competition

- Cigna/Express Scripts
- Kroger
- Costco Wholesale Pharmacy
- Rite Aid *(Acquired by WBA)*
- CVS Health
- Safeway
- Giant Eagle Pharmacy
- Supervalu
- H.E.B. Drug Stores
- Target (CVS-Operated)
- Hy-Vee
- UnitedHealth/OptumRx
- Kaiser Permanente (HMO)
- Walmart Pharmacy

Retail Pharmacy International (FY2020 Revenues: $10.0 Billion)

- Operations in 8 Countries (United Kingdom, Thailand, Republic of Ireland, Netherlands, Benavides in Mexico, and Ahumada in Chile)
- 86% of the UK Population Lives Within 10 Minutes of a Boots Store

Facilities

- 4,428 Stores
- 5 Retail Distribution Centers
- 550 Optical Practices In UK (Includes 165 Franchise Operations; 165 In-Store Operations)

Programs

- Boots Advantage Card Loyalty Program (Points for Redemption at a Later Date, 11 Million Members)
- Walgreens Cash (Cash Benefit Rewards Applied as Customer Chooses; 1% Cash Back, Even Pharmacy Items)
- Online Platform (Omni-Channel Platform, Including Boots.com Website, Integrated Mobile Application, Order and Collect Service)

Pharmacy Business (61% of Segment Sales)
Prescription Drug Sales and Provision of Pharmacy-Related Services

- Infusion Therapy (Intravenous Medications for Chronic Pain, Cancer, Heart Failure, and Infections)
- Immunizations and Vaccinations
- Mail Service

Retail Business (39% of Segment Sales)
Sales of Health and Beauty Products (Beauty, Personal Care, Non-Prescription Drugs, Toiletries, Lifestyle) and Optical Services (in UK Only)

Walgreens-Branded General Merchandise

- No7
- Boots Pharmaceuticals!
- Liz Earle
- Sleek MakeUp
- Botanics
- Only at Boots

Competition

- Asda Pharmacy (UK)
- Tesco Pharmacy(UK)
- Gordons Chemist (UK)
- Well Pharmacy(UK)
- Lloyds Pharmacy (UK)
- There Are No Retail Pharmacy Chains in Germany and France; All are Independently Owned by Pharmacists
- Morrisons Pharmacy (UK)
- Superdrug Pharmacy (UK)

Pharmaceutical Wholesale (FY2020 Revenues: $24.0 Billion)

- Alliance Healthcare Pharmaceutical Wholesaling and Distribution Business
- 28% Investment in AmerisourceBergen
- Segment Earns Equal or Better Margins on Generic Drugs than on Branded Drugs

Competitive Factors

- Frequency of Delivery to Pharmacists
- Product Availability
- Competitive Prices
- Delivery Accuracy, Timeliness and Reliability

Facilities

Alliance Healthcare / Alliance Boots

306 Pharmaceutical Distribution Centers in 11 Countries (Includes 117 Owned Centers and Serves 180,000 Customers at 16,000 Delivery Points)

- Germany (via Joint Venture Between McKesson (30%) and Walgreens Boots Alliance 70%))
- United Kingdom
- Poland
- Switzerland
- Spain
- France

Alphega Pharmacy Network (Added-Value Services to Help Pharmacists Develop Their Own Businesses, including the Alphega Pharmacy Pan-European Network of 7,200 Independent Pharmacies)

- Branding
- Professional Training and Patient Care
- Retail Support Services
- Supply Benefits
- Pharmacy Support
- IT Support

Countries Covered

- Czech Republic
- UK
- Netherlands
- France
- Italy
- Portugal
- Germany
- Spain
- Romania
- Turkey

Alcura (Specialized Healthcare Services to Healthcare Professionals in 7 European Countries)

- Clinical Homecare
- Medicine Support
- Dispensing Services
- Medicine Preparation
- Clinical Trial Support

Alloga (Innovative Services for the Healthcare Market; Member of Alliance UniChem)

- Pre-Wholesaling Services
- Current Logistics Services

Skills in Healthcare (Innovative Services for the Healthcare Market)

- Solutions to Realize a Brand's Potential in Pharmacy

Competition

- Alfresa Holdings
- McKesson
- AmerisourceBergen
- Morris & Dickson
- Anda
- Prodigy Health
- Cardinal Health
- Shanghai Pharma
- CR Pharmaceutical
- SINOPHARM
- CuraScript Special
- Smith Drug Co.
- H.D. Smith
- SUZUKEN
- McKesson
- The Phoenix Group

Delivery of Prescription Drugs and Immunizations and Flu Vaccinations
Partnership to Open 500 to 700 Full-Service Doctor Offices and Clinics Co-Located at Walgreens Stores by 2025
Partnership Enabling (a) WebMD Consumers to Refill Prescriptions On Mobile Devices and (b) Walgreens Customers to Access WebMD Health Information on Walgreens' Site on Mobile Devices
Delivery of Prescription Drugs
Eye Tests and Sales of Glasses, Frames and Contact Lenses
Membership in Alphega Pharmacy Network of Independent Pharmacies

Prescription Drug Customers (818 Million Prescriptions Filled in 2019)

- U.S. Patients Under State Medicaid Public Assistance Programs (4% of Sales))
- U.S. Patients Under Medicare Part D Plans (20% of Sales)
- U.S. Patients Insured Under Employer and Private Insurance Plans with Chronic Pain or Medical Conditions
- U.S. Uninsured Patients with Chronic Pain or Medical Conditions

Walgreens-Branded "Take Care Health Care" Services

Walgreens Healthcare Strategic Partners (85,000 Healthcare Service Providers)

- VillageMD Medical Clinics
- Pharmacists and Pharmacy Technicians
- WebMD
- Nurse Practitioners
- Other Health Related Professionals

- European Patients with Chronic Pain or Medical Conditions
- Individual Consumers Based in the UK

Wholesale Customers (115,000 Customers)

- Walgreens Boots Alliance (Retail Pharmacy International)
- Pharmacies
- Surgical Centers
- Nursing Homes and Assisted Living Facilities
- Physicians' Offices
- Health Centers
- Hospitals

Outside Relationships

Customers

Pharmaceutical and Medical Device Manufacturers and Distributors (for Wholesale)

- Allergan
- Amerisource Bergen
- Amgen
- Gilead Sciences
- GlaxoSmith Kline
- Johnson & Johnson
- Merck
- Pfizer
- Teva Pharmaceuticals
- Watson Pharmaceuticals

Alloga Customers (UK Only)

- Drug Manufacturers
- Medical Device Manufacturers
- Veterinary Manufacturers
- Consumer Products Manufacturers

Wholesale Customers (115,000 Customers)

- Walgreens Boots Alliance (Retail Pharmacy International)

Suppliers

Professional Services Firms

- Deloitte & Touche (Audit Services)
- Sidley Austin (Legal Services in Theranos Lawsuit)
- WPP Publicis Groupe (Global Advertising Services)
- Brownstein Hyatt (Lobbying Services)
- Wilmer Hale (Lobbying Services)

Capital

Significant Shareholders

- The Vanguard Group (6.40%)
- SSgA Funds Management (5.36%)
- BlackRock Fund Advisors (4.04%)
- The Caisse de depot et placement du Quebec (1.86%)
- Capital Research & Management (1.79%)
- Institutional Ownership: 58.23%

Regulators

Securities Regulators

- U.S. Securities and Exchange Commission
- The Nasdaq Stock Market LLC

Professional Services
Sales of Branded, Generic and Specialty Pharmaceutical Products, Medical Devices, and Other Health and Well-Being Products
Alcura-Branded Direct-to-Pharmacy Delivery Services and Specialized Healthcare Services (e.g., Dispensing Services, Medicine Preparation, and Clinical Trial Support)
Alloga-Branded Pre-Wholesale and Contract Logistics Services (on a Fee-for-Service Basis)
Wholesale Sales of Prescription Drugs (Including Walgreens' Almus Brand of Generic Drugs), Alliance Healthcare Brand Medicines ,and Other Healthcare Products and Services

Key Company Data (as of 8/31/2020)

Founded in 1901, Walgreens Boots Alliance is a global leader in retail and wholesale pharmacy, touching millions of lives every day through dispensing and distributing medicines, and through its convenient retail locations, digital platforms and health and beauty products.

Financial Highlights

Results of Operations

- Sales: $139.537 Billion
- Cost of Sales: $111.52Billion
- Gross Profit: $28.017 Billion (20.1% Gross Margin)
- SG&A: $27.045 Billion
- Operating Income: $1.312 Billion
- Net Earnings: $456 Million

Financial Condition

- Total Assets: $87.174 Billion
- Total Liabilities: $66.039 Billion
- Long Term Debt: $12.203 Billion
- Long Term Operating Lease Obligations: $21.973 Billion

Cash Flow

- From Operations: $5.484 Billion

Share Information

- NASDAQ Ticker Symbol: WBA
- Share Price: $49.19 (1/26/2021)
- Forward Annual Dividend: $1.87 per share
- FY2020 EPS: -$0.80 (Trailing 12 Months)
- Market Capitalization: $44.377 Billion

Resources

- Total Employees: 450,000 persons (includes 110,000 Part-Time Employees)
- Total Stores: 21,000 in 11 Countries
- Distributions Centers: 425
- Distribution Customers: 250,000
- 28% Stake in AmerisourceBergen

Recent Developments

Covid-19 Vaccine Rollout: Walgreens Boots Alliance has contracted with the federal government to vaccinate the elderly in nursing homes and long-term care facilities.

Rite Aid Acquisition: As of August 31, 2020, Walgreens Boots Alliance had completed the acquisition of 1,932 Rite Aid Stores, three distribution centers, and related inventory from Rite Aid for $4.375 billion.

WBA Merger: In 2014, Walgreens merged with Switzerland-based Alliance Boots to form Walgreens Boots Alliance.

Theranos Lawsuit: Walgreens shareholders have sued the company for its allegedly reckless $140 million partnership with the Theranos blood-testing startup to bring the startup's fraudulent blood testing technology to wellness centers at the retailer's stores.

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January 2021