CtW Investment Group

For Immediate Release **For more info:** Richard Clayton | 202.721.6038

CtW Investment Group: Walgreen Boots Alliance Needs Strong, Independent Board Oversight to Navigate Substantial Challenges Ahead

NEW YORK, Dec. 29—The following statement on the Walgreen shareholder vote to approve the company's acquisition of Alliance Boots can be attributed to Dieter Waizenegger, Executive Director of the CtW Investment Group:

"Shareholders are left with too many unanswered questions about how the combined company will meet optimistic performance goals and how it will correct governance failures that became painfully obvious in the past year.

"There has been inadequate disclosure about the deal's negotiation, the plans to obtain many touted synergies, and even who will lead Walgreens Boots Alliance. A $25 billion transaction should never be a leap of faith for shareholders, but that's exactly what this vote was.

"Going forward, we call for strong, independent board oversight, more disclosure, and better channels for long-term shareholders to make their voices heard. With Pessina as the company's CEO and largest shareholder, investors need a board with a stiff backbone now more than ever."

In a November letter to shareholders, the CtW Investment Group urged investors to vote against the second step of the two-part deal finding it to be overvalued, risky and unnecessary to obtain procurement synergies. Walgreen will be paying roughly $25 billion dollars to complete the deal, including the cost of Alliance Boots' more than $9 billion in debt.

Since the terms of the deal were finalized in August, at least three analysts have downgraded the stock, and it has been met with skepticism by others. Ann Hynes of Mizuho, who downgraded Walgreen to "neutral" earlier this month, noted that the company's objectives "will be difficult to achieve" because of integration risks due to management turnover, increased international exposure and limited near-term potential in sub-par organic growth for both Walgreen and Alliance Boots.

Last week, Bank of America's Robert M. Willoughby said that the merger is characterized by a sizable debt load, slow profit growth and a purchasing synergy "that may not be sustainable." Willoughby also noted he was "less convinced of the sustainable competitive advantage [the deal] creates," especially in the United States.

Major proxy advisors also raised issues. ISS acknowledged that "this acquisition remains risky, especially regarding synergy realization and continued headwinds in Europe." Glass Lewis pointed out that despite clear conflicts of interest, the Walgreen board representatives from Alliance Boots and KKR have been involved in almost every discussion of this transaction and are allowed to vote their shares at today's meeting.

The CtW Investment Group has raised concerns about accountability and transparency at Walgreen in a period when the company's leadership seems to have lost control. The CEO and CFO resigned, shareholders endured months of speculation about a potential tax inversion, and the company entered a generous nomination agreement with hedge fund JANA Partners granting up to three board seats.

Meanwhile, poor financial performance at both Alliance Boots and Walgreen led to a $2 billion reduction in guidance for the combined company for fiscal year 2016. Alliance Boots' core European markets are under pressure because of regional economic weakness, signaling challenges ahead, and the company's Spanish subsidiary is currently facing a major government investigation in Spain over money laundering and illegal export of prescription drugs.

The CtW Investment Group also made requests to the Securities Exchange Commission to investigate potential violations of Regulation FD, linked to Alliance Boots Executive Chairman and outgoing Walgreen CEO Greg Wasson allegedly giving material, nonpublic information about the possibility of a tax inversion and other matters to favored shareholders. The complaint is pending.

###

1900 L Street NW, Suite 900 Washington, DC 20036
202-721-6060
www.ctwinvestmentgroup.com