

# Walgreens shares surge 29% amid promising Q1 earnings report

Article



**The news:** Walgreens' operational turnaround is in full swing following its first quarter earnings report that beat analysts' estimates. The company's shares soared over 29% after reporting sales of \$39.46 billion, up 7.5% from the same period a year ago.

The outlier was a net loss of \$265 million for the quarter, which dwarfs the net loss of \$67 million it reported for the prior-year period.

- However, the loss is primarily attributed to higher operating losses stemming from the company's ongoing [closure of 1,200 stores](#), or about 14% of its physical footprint, over the next three years.
- And investors are content with this cost-cutting strategy as part of Walgreens' financial plan to get back on track.

**Digging into the details:** All three of Walgreens' business segments experienced growth.

- **Its US retail pharmacy division posted \$30.87 billion in sales**, up 6.6% from the same period last year. The figure marks the highest sales for the segment dating back to Q4 2021, per Seeking Alpha.
- **Sales from its US healthcare division surged to \$2.17 billion**, up over 12% from the same period a year ago. The number reflects growth among the company's primary care provider [VillageMD](#) (which it's still exploring a sale of) and specialty pharmacy business [Shields Health Solutions](#).
- **Its international unit, which operates over 3,000 retail stores overseas, posted \$6.43 billion** in sales for the quarter, an increase of 10.2% from the prior-year period.

**Why it matters:** The positive earnings come amid reports that Walgreens is [considering a sale](#) to private equity firm **Sycamore Partners**.

No mention of the potential sale was made in either the company's earnings report or call with analysts, telling us that Walgreens' commitment to its retail pharmacy-led performance turnaround is the more likely path forward for the company.

**Our take:** Early returns indicate that Walgreens is starting to steady its ship financially, but these alone don't signal long-term profitability.

To ensure long-term success, Walgreens needs to prioritize improving the customer experience for both its pharmacy and front-of-store.

- Walgreens noted during the call that it's planning on enabling virtual check-ins for pharmacy patients who can shop the store while waiting and avoid standing in line.
- We see this as a good start to competing with online giants like **Amazon** that are capturing more and more of Walgreens' customers.

## Where US Adults Purchased Their Prescription Medications, April 2024

% of respondents

<b>In-store pharmacy</b>	<b>88%</b>
<b>Online pharmacy</b>	<b>34%</b>
—Club store pharmacy website/app	17%
—Mail-order pharmacy provided by their insurance	16%
—Amazon Pharmacy	13%
—Drug store chain pharmacy website/app	12%
—Mass merchandiser pharmacy website/app	6%
—Independent online pharmacy/app	4%

Note: among those who purchased any drugs for themselves in the past 12 months  
Source: M3 MI/Kantar Media Healthcare Research, "2024 MARS Consumer Health Study,"  
May 2024

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