

Walgreens considers a sale of company to private equity firm

Article

The news: Walgreens is considering selling to private equity firm **Sycamore Partners**, according to a WSJ report. The two companies have been discussing a deal that could close early next year. Sycamore, which bought Staples in 2017, specializes in retail and consumer investments. Walgreens' stock price surged ~20% midday Tuesday immediately following the news.

How we got here: It's been a [brutal year for Walgreens](#).

- The company's market value has plummeted from over \$100 billion not even 10 years ago to under \$8 billion today.
- And its net loss for the year has hit \$8.6 billion, a 177% YoY increase.

The company is dealing with operational pressures across its different business segments: retail, pharmacy, and healthcare.

Retail and Pharmacy

Walgreens recently said it would close about 14% of its US stores over the next three years.

The company has cited the [challenging retail environment](#) in which consumers' price sensitivity, affinity for online retailers like **Amazon**, and store theft are ongoing issues. On the pharmacy side, Walgreens has said it's been getting squeezed by declining reimbursements from PBMs.

Healthcare

The retailer recently posted a [\\$5.8 billion impairment charge](#) related to its underperforming VillageMD health clinics. At the time, it stated that it no longer wants to invest in brick-and-mortar primary care. Walgreens' US healthcare segment reported a Q2 operating loss of \$13.1 billion.

Zooming in on a potential sale: A take-private deal with Sycamore could include a sell off of some pieces of the business, per WSJ. That could mean a divestiture of **Boots**, the company's UK pharmacy chain that has been in talks to be sold multiple times over the past few years.

It would also likely indicate even more layoffs and an acceleration of its planned store closures as Sycamore looks to right-size the business.

Our take: Retail pharmacies are in a world of hurt and are leaving no stone unturned in their pursuit of financial turnaround.

Rival **CVS** [recently explored a company breakup](#) but then backed off. But Walgreens is in worse shape as it doesn't have an in-house health insurance and PBM business to lean on during tough times.

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