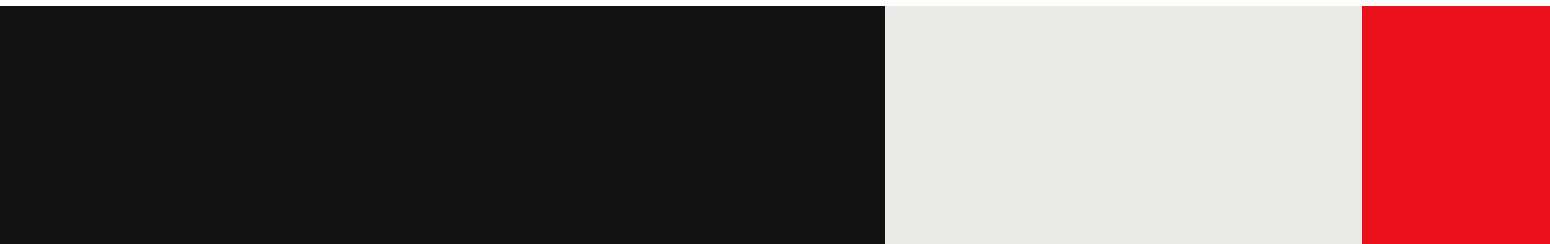



# Walgreens' healthcare division shines in Q2 earnings

Article



**The news:** Walgreens Boots Alliance [posted higher sales but lower profits](#) in Q2 2023 as COVID-19 vaccinations plummeted, and the company digested its \$3.5 billion debt and equity investment in VillageMD's [acquisition of Summit Health](#) in January.

- Sales increased 3.3% year over year (YoY) to \$34.9 billion, while net earnings slid 19.8% to \$703 million.
- Just 2.4 million vaccinations were administered in Q2 compared with 11.8 million the prior year's Q2.
- The US healthcare division had sales of \$1.6 billion, up \$1.1 billion from Q2 2022, but posted an operating loss of \$472 million.

**The pivot to healthcare from retail continues:** Walgreens calls consumer-centric health solutions its **next growth engine**. Other Q2 highlights for its healthcare division include:

- Its **\$1.37 billion acquisition** of specialty pharmacy **Shields Health Solutions**.
- The retailer now manages 806,000 valued-based lives under VillageMD/Summit.
- It operates 210 VillageMD clinics that are next door to Walgreens pharmacies.
- VillageMD ended the quarter with 729 locations, including Summit Health and CityMD.
- Nearly **50% of patients** in those co-located clinics opted to **fill their prescriptions next door** at the Walgreens pharmacy, CFO **James Kehoe** said on the earnings call.
- Walgreens Health Corners, which provide in-store and virtual health services, grew 47% YoY, to 117 locations.
- It now has **five clinical trials contracts** since it entered the field in June 2022.

**Looking ahead:** Walgreens won't slow down building out its primary care and home health offerings.

- Its \$392 million deal for the remaining 45% of **CareCentrix** is expected to close in fiscal Q3.
- Walgreens and VillageMD **launched a pilot program** to help patients manage their medications after discharge from the hospital.

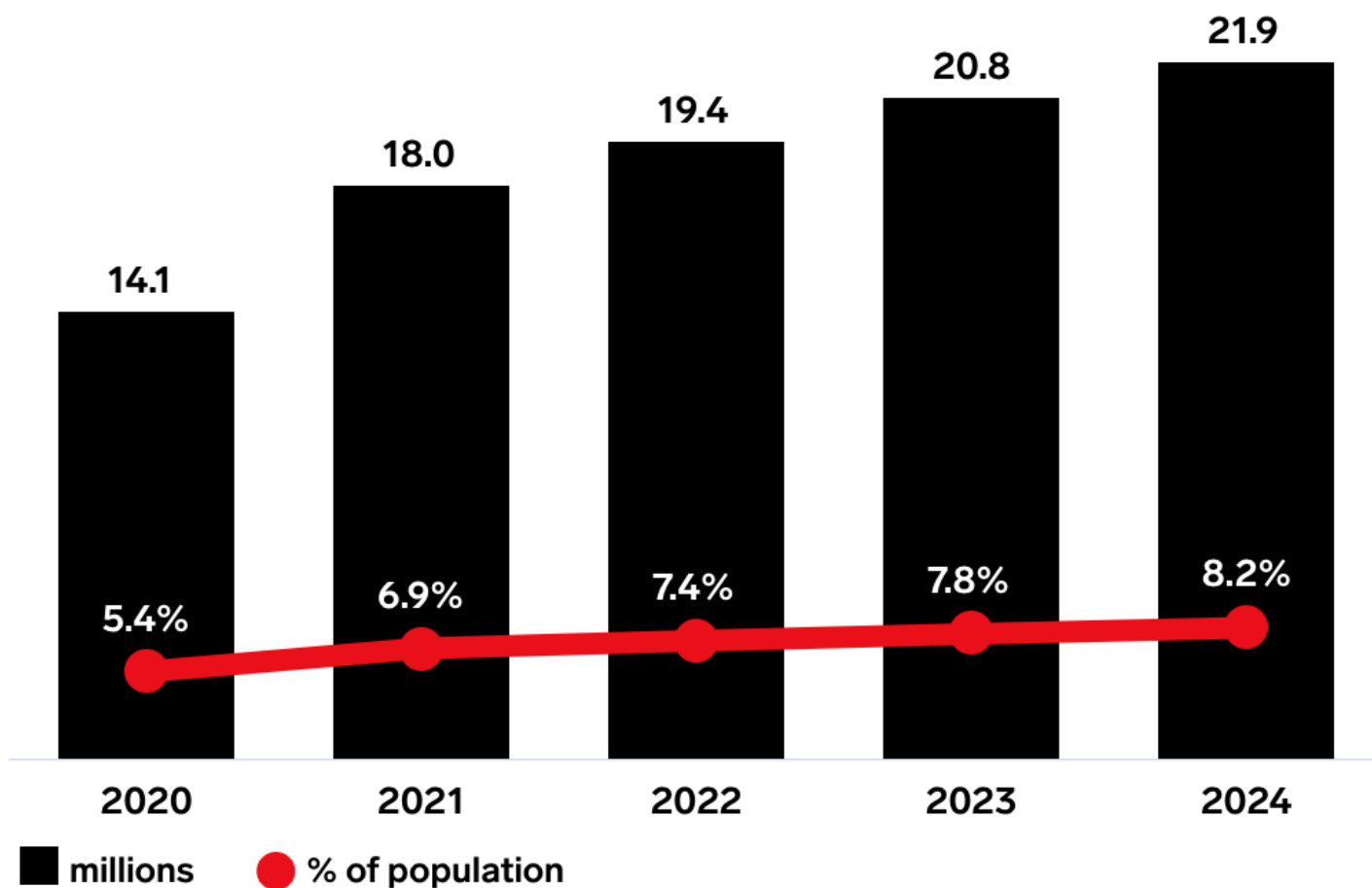
**Our take:** Walgreens is giving its rivals **CVS Health** and **Walmart** a run for their money. The Summit Health deal greatly expanded its market presence and its offerings, adding multispecialty and urgent care clinics to VillageMD's primary care clinics.

- Walgreens will see **20.8 million patients** in its retail clinics in 2023, we estimate.
- That's about one-quarter (24.8%) of all US retail clinic patients.

- In 2024, it will see 21.9 million patients, up 5.7% from 2023.

## Walgreens Retail Clinic Patients

US, 2020-2024



Note: ages 18+; adults who visit retail clinics in-person at least once during the calendar year; examples include CVS MinuteClinic, Walgreens Healthcare Clinic, Kroger's The Little Clinic, Walmart Care Clinic, etc.

Source: eMarketer, November 2022

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