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WBA - Q4 2015 Walgreens Boots Alliance Inc Earnings Call

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OVERVIEW:

Co. reported FY15 net sales of $103.4b, GAAP net earnings attributable to Co. of $4.2b or $4.00 per diluted share. 4Q15 net sales were $28.5b, GAAP net earnings attributable to Co. was $26m or $0.02 per diluted share. Expects FY16 adjusted EPS to be $4.25-4.55.

CORPORATE PARTICIPANTS

Gerald Gradwell *Walgreens Boots Alliance, Inc. - SVP IR & Special Projects*

Stefano Pessina *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

George Fairweather *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

Alex Gourlay *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

CONFERENCE CALL PARTICIPANTS

Edward Kelly *Credit Suisse - Analyst*

Ricky Goldwasser *Morgan Stanley - Analyst*

Meredith Adler *Barclays Capital - Analyst*

George Hill *Deutsche Bank - Analyst*

Robert Jones *Goldman Sachs - Analyst*

Lisa Gill *JPMorgan - Analyst*

Robert Willoughby *BofA Merill Lynch - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Walgreens Boots Alliance, Incorporated, fourth-quarter 2015 earnings conference call. (Operator Instructions)

I would now like to introduce your first speaker for today, Gerald Gradwell, Senior Vice President of Investor Relations and Special Projects. You have the floor, sir.

Gerald Gradwell - *Walgreens Boots Alliance, Inc. - SVP IR & Special Projects*

Thank you, Andrew. Good morning or afternoon, wherever you may be, to everyone. Welcome to our fiscal year-end 2015 and fourth quarter earnings call.

Today, Stefano Pessina, our Executive Vice Chairman and Chief Executive Officer, and George Fairweather, Executive Vice President and Global Chief Financial Officer, will take you through our results in greater detail. Also joining us on the call and available for questions is Alex Gourlay, Executive Vice President of Walgreens Boots Alliance and President of Walgreens.

You can find a link to our webcast on our Investor Relations website at investors. WalgreensBootsAlliance.com. After the call, this presentation and the webcast will be archived on our website for 12 months.

Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on our current market, competitive, and regulatory expectations and are subject to risks and uncertainties that could cause actual results to vary materially. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after this presentation, whether as a result of new information, future events, changes in assumptions, or otherwise. Please see our second-quarter Form 10-Q and subsequent filings, including our fiscal 2011 (sic) 10-K, when filed, for a discussion of risk factors as they relate to forward-looking statements.

As a reminder, today's presentation includes certain non-GAAP financial measures, and we refer you to the appendix of the presentation materials available on our Investor Relations website for reconciliation to the most directly comparable GAAP financial measures and related information.

With that, I'll hand you over to Stefano to make some opening comments.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

Thank you, Gerald. Good morning, everyone, and welcome to our fiscal 2015 full-year earnings call.

This is an exciting time for us. Not only are we today announcing the first full-year results as a wholly combined Company, but also, as you will have seen, we are announcing the acquisition of Rite Aid in a transaction that will significantly accelerate our plan to expand our presence in the US. With this acquisition, we are accelerating a long-term objective that we knew we needed to address: to strengthen our presence and coverage nationally across the US.

I have to say that we have reached an agreement with Rite Aid that reflects what we believe to be very fair terms, which will allow us to unlock real value from the transaction. The addition of Rite Aid will accelerate our strategy by completing our network, providing a larger and more comprehensive portfolio with which we can deploy our knowledge and skill, and creating a more comprehensive and stronger platform for the development of our brand presence and the future growth of our business.

Clearly there is still a lot to be done to complete the transaction with Rite Aid. Our team has done a lot of work on this, and we will work closely with the regulator to bring the transaction to a conclusion as soon as possible. George will give you more details about our agreement to acquire Rite Aid in a few moments, but first let me review the progress we have made in the past year in our work to transform our businesses and drive growth across the Company.

When I spoke to you in July, I referred to the extraordinary amount of work that has been going on inside the Company to establish the processes and systems on which to build a more [responsive] addition to the [available] business. This is critical for what is today a rapidly changing business environment with new and different dynamics than those that the Company has historically been used to.

In all of our markets we face tough challenges, either from competitors or from governments' relentless drive to manage healthcare costs. That said, I do not believe anyone on this call would not say the same things of their business. Our job is, as it has well been and will continue to be, to identify, address, and if we can lead the market to efficiently scale insight and innovation.

Of course, with the completion of our transaction to form a Walgreens Boots Alliance (inaudible) and the subsequent executive and management changes, it has taken us a little time to come to grips with the business. And as part of this, we have been actively working to strengthen and simplify our management reporting structure and system, to ensure that we can build a reliable and accurate picture of our Group and understand our strengths and weaknesses.

We have had to spend some time restructuring and refocusing a number of parts of the business and a number of areas of management. In some areas we have found it necessary to bring in people and skills from outside the Group, recognizing that for our US business to dovetail management reporting to what is an extensive international network requires something different in terms of systems and expertise than running a US-based domestic business.

Internationally, our management has had to take some time to understand how they are impacted by the shift in the nature of our business that is inevitable, given the scale of our US business. The practical and cultural issues that these changes have raised are complex, but have been helped in part by the relationships and connections we began to forge in the year before the initial announcement of our deal and since the final completion.

An amazing amount has been achieved within the Company, but we remain very much at the beginning of our journey. Alex and his team have been working hard to ensure that we are operating an efficient and effective network, optimized as far as possible to the needs of the communities that it serves.

They have made a lot of progress, but there is a lot more things to do. Our [work] to understand the demand and potential of (inaudible) the [stage] of our [planned] startup, using the Boots part as a base, is now beyond the trial stage and is beginning to roll out in a managed way at (inaudible).

We are restructuring the front-end of our stores to set us on the right path for future growth, even if, as anticipated, this at the short-term cost of some sales. However, this short-term impact is compensated for by the improved margin that this [restructure] has delivered.

We are also continuing to innovate in new channels to stay relevant and continue to prove the strength of our brand in the [DHY] world every bit as much as in the (inaudible) one. I would be doing a great disservice to many people outside the US if I did not mention their outstanding efforts as well. This has resulted in solid performance from our International Retail Pharmacy and International Wholesale businesses.

So, the fourth-quarter results have been strong and the year as a whole has been good for us. We are confident that our synergy program is on track to deliver at least $1 billion in 2016. And as we have said, we are well into the process of reviewing, restructuring, and refocusing our people to deliver on our plan for many years to come, reinvigorating and differentiating our business across every market we operate in.

That said, after the completion of our formal synergy programs resulting from the Walgreens and Alliance Boots transaction, we will expect to reverse toward (inaudible) consider a more normalized economic growth profile of the business in 2017 and beyond. Overall, therefore, this is an exciting and busy time. And although I am never satisfied with what we have achieved, as I believe in general that we can and should always reach for more, I am also realistic and acknowledge the work that has been done and recognize that this has been a good year for the Company.

I will now hand you over to George to talk through the results and give you a bit more detail on our reason to be [excited]. I will come back to you after that. George, please?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

Thank you, Stefano. Good morning, everyone, and good afternoon to those listening in Europe. Today I'll start by taking you through the highlights of our fiscal year ended 2015 full-year and fourth-quarter results. I will then give you some insight into the performance of our three divisions, before updating you on the progress that we've made in our synergy cost-saving programs. I will conclude by providing some details on the Rite Aid agreement before taking you through our guidance for fiscal-year 2016.

I will begin by reminding you that our fiscal-year 2015 results are not directly comparable to fiscal 2014. This is primarily due to three key elements associated with completing the second step of our transaction on December 31, 2014.

Firstly, we eliminated the three-month reporting line for Alliance Boots and reclassed prior-year results with no lag. Secondly, segmental reporting from January 1, 2015, includes the allocation of synergy benefits including WBAD combined corporate costs. Lastly, fiscal 2015 results include equity earnings from Alliance Boots for the four months of September to December 2014 and full consolidation of Alliance Boots earnings for the eight months from January to August 2015.

I'm proud of our team and its accomplishments in fiscal 2015. Closing our transaction, delivering strong financial performance, and reporting the combined results for WBA required great teamwork across the organization.

Looking now at our overall performance for the year, net sales for fiscal-year 2015 were $103.4 billion. On a GAAP basis, operating income was $4.7 billion; net interest expense $605 million; the tax rate was 19.9%; and net earnings attributable to Walgreens Boots Alliance was $4.2 billion or $4.00 per diluted share. On an adjusted basis our operating income was $6.2 billion.

As compared to fiscal 2014, key factors which drove our fiscal 2015 results were the full consolidation of Alliance Boots operations combined with growth in the Retail Pharmacy USA segment. Adjusted net interest expense for the year was $464 million, reflecting increased level of debt associated with the second step of the Alliance Boots transaction.

Adjusted tax rate was 27.8%. This was lower that we were expecting due to business mix and certain discrete items that benefited us primarily in the fourth quarter. This resulted in adjusted net earnings attributable to Walgreens Boots Alliance fiscal 2015 of $4.1 billion, equating to $3.88 per diluted share.

Now I will quickly take you through the walk from GAAP diluted EPS to adjusted diluted EPS for the fiscal year. The GAAP earnings attributable to Walgreens Boots Alliance for fiscal-year 2015 of $4.00 per diluted share reconciles to adjusted earnings of $3.88 per diluted share. The net adjustment of $0.12 per share reflects additions: $0.17 of LIFO provision cost in Retail Pharmacy USA; $0.35 of restructuring-related cost -- that's from our cost optimization and store closure program; and a net favorable $0.02 transaction and acquisition related items from executing Step 2 of the merger with Alliance Boots.

These additions were more than offset by removal of a $0.54 gain on our warrant to acquire AmerisourceBergen shares and an additional net $0.12 gain for special items. A detailed reconciliation of all component items is included as an appendix to the slides.

Moving on to our fourth-quarter results, net sales in the fourth quarter were $28.5 billion, an increase of 50% versus the comparable quarter in the prior year. On a GAAP basis, operating income for the quarter was $836 million, and net earnings attributable to Walgreens Boots Alliance of $26 million, creating $0.02 per diluted share.

On an adjusted basis, operating income increased to $1.5 billion driven primarily by the consolidation of Alliance Boots. Adjusted net earnings attributable to Walgreens Boots Alliance were $969 million or $0.88 per diluted share. This represents an increase of 14.3% in adjusted earnings per diluted share over the comparable quarter and the prior year.

It should also be noted that the fourth-quarter results last year included three months' equity earnings as a result of Walgreens 45% interest in Alliance Boots compared to fully consolidated results in this year's fourth quarter.

Let me now quickly take you through the walk from GAAP diluted EPS to adjusted diluted EPS for the fourth quarter. GAAP earnings of $0.02 per diluted share for the quarter reconciles to adjusted earnings of $0.88 per diluted share.

The net adjustment of $0.86 per share incorporates the following additions: $0.05 of LIFO provision cost in Retail Pharmacy USA; $0.20 of restructuring-related costs; $0.21 of transaction and acquisition related items in regards to Step 2 of the merger with Alliance Boots; a $0.37 loss on our warrant to acquire AmerisourceBergen shares; and net $0.03 from special items.

Now I will take you through the performance of each of our three divisions, starting with Retail Pharmacy USA. Firstly, please remember that we sold the majority stake in our infusion business April 7. With our minority position, our share of earnings in Option Care now flows through the income statement as opposed to [tax] earnings from equity method investments.

Looking first at the division's fiscal-year performance, total sales were $81 billion, a year-over-year increase of 6.0%. Sales on a comparable-store basis increased by 6.4% for the full year.

On a GAAP basis for fiscal 2015, gross profit was $21.8 billion while SG&A was $18.2 billion, resulting in operating income of $2.9 billion. On an adjusted basis, gross profit for the full year was $22.1 billion; SG&A was $17.2 billion; and operating income was $5.1 billion.

Adjusted operating income increased 4.8% driven by strong sales performance and tight cost control. Please remember when assessing this increase, the benefits of these two factors were partially offset by the inclusion of Walgreens' share of equity earnings in Alliance Boots in operating income in the prior year. So excluding this impact, adjusted operating income in the division grew by 12.5%.

Substantial progress was made in controlling SG&A during the year as a result of benefits associated with our cost-savings program. This was a significant driver of the division's year-on-year performance. On an adjusted basis, SG&A expense decreased by 85 basis points year-over-year.

At the end of the fiscal year, division operated 8,173 retail stores.

Now let's turn to the division's fourth-quarter performance. Retail Pharmacy USA's total sales in the quarter were $19.9 billion, an increase of 4.7% over the fourth quarter in the prior year. Total sales in comparable stores increased by 6.5%.

On a GAAP basis for the quarter, gross profit was $5.3 billion while SG&A was $4.7 billion, resulting in operating income of $511 million. On an adjusted basis, gross profit was $5.4 billion while SG&A was $4.3 billion.

Adjusted operating income in the fourth quarter of $1.1 billion was down 10.1% over the comparable quarter in the prior year. This was primarily due to having no equity earnings in Alliance Boots in current quarter in this segment versus three months in the comparable period. Excluding this impact, adjusted operating income grew by 1.2%.

We were able to increase adjusted gross profit dollars compared to the final quarter of fiscal 2014, despite lower gross margins, while at the same time delivering SG&A efficiencies through our cost-savings program.

Let's now look at the pharmacy part of Retail Pharmacy USA in more detail. Comparable pharmacy sales were up 9.3% for the fiscal year.

We filled 894 million prescriptions, including immunizations -- that's on a 30-day adjusted basis -- an increase of 4.4% over last year. Prescriptions filled in comparable stores up 4.6% year-on-year.

In the fourth quarter, comparable pharma [sales] were up 10.0%. We filled 222 million prescriptions, an increase of 4.6% over the equivalent quarter in the prior year. Prescriptions filled in comparable stores, up 5.1%.

Year-over-year we continue to see a positive impact and further growth in Medicare Part D and ACA funded scripts, resulting in our retail prescription market share on a 30-day adjusted basis increasing to 19.1% for the year ended August 31, an increase of approximately 20 basis points.

The benefits of positive sales growth were, however, substantially offset by pharmacy gross margin pressure, consistent with our expectations. Pharmacy margins were negatively impacted in the fiscal year by lower third-party reimbursements; an increase in Medicare Part D mix, including the strategy to continue driving 90-day prescriptions at retail; and the mix of specialty drugs, which carry a lower margin percentage.

The decrease in pharmacy margins was partially offset by additional brand-to-generic drug conversions compared with the prior fiscal year. While we continue to anticipate margin pressure, we remain confident in our strategies to drive access to [pivotal] programs such as Med Part D and deepen our payer relationships to grow our pharmacy business over time.

Moving now on to the retail products performance within Retail Pharmacy USA, retail sales increased by 1.9% for fiscal-year 2015 while comparable sales increased 1.5%. As anticipated, the rate of sales growth was slightly slower in the fourth quarter as we continued to remove our more inefficient promotions, reduce store numbers, and optimize store opening hours. Sales increased 0.8% in total and by 0.4% on a comparable sales basis.

Overall, our strategy continues to be to drive sales growth and improve profitability. I am pleased to report that gross profit margins have increased for the sixth quarter in succession.

Over the past 18 months we've improved our product mix, with our key health and wellness categories now contributing to a higher proportion of total sales. We've also enhanced our merchandising tools, continue to optimize our promotional performance, and have upgraded on-shelf availability, assuring products are in-store at the right price. Finally, we have improved sourcing with a higher level of our own branded products.

In fiscal-year 2016 we plan to continue to invest to drive our strategy and improve our customer offer. We will take what we've learned from our successful No7 test in Phoenix and New York City, where we saw positive lift in both beauty and overall sales, and roll out a new beauty offering to an additional 1,600 stores for a total of 2,000. With this new offer we will elevate the customer experience with better fixtures, improved customer care, space optimization, and selected store upgrades.

We're also advancing the personalization of our Balance Rewards program, more offers targeted through our Everyday Points program to our health and beauty customers. Through these efforts we are striving to improve our customers' experience, expand our profit margin in the front of store, and continue to grow sales in key customer categories.

With that, let me turn to the results of our Retail Pharmacy International division, which is pharmacy, allied health, and beauty retail businesses in eight countries. As a quick reminder, our biggest operations are Boots in the UK followed by Mexico; we also have retail pharmacies in Chile, Thailand, Norway, the Republic of Ireland, the Netherlands, and Lithuania.

At the end of the fiscal year, the division operated 4,582 retail stores. I will focus my commentary for this division primarily on the most recent quarterly results. The fiscal year only has eight months of data and therefore isn't all that meaningful, particularly as it does not cover the important holiday season.

Total sales in the division for the quarter were $3.5 billion. Sales growth when compared with our third quarter was mainly due to the expected stronger sales in seasonal categories combined with currency benefits, mainly the British pound strengthening versus the dollar.

On a GAAP basis for the fourth quarter, gross profit was $1.5 billion and SG&A was $1.3 billion, resulting in operating income of $196 million. On an adjusted basis, gross profit for the fourth quarter was $1.5 billion and SG&A expense $1.2 billion, which resulted in operating income of $242 million. Adjusted operating margin was 7.0% for the quarter, which was in line with the post-acquisition figure of the last eight months of the fiscal year.

Now, let's look more closely at the operating performance of the division. On a pro forma constant currency basis, comparable-store sales growth for the quarter was 4.3%. Comparable-store retail sales growth of 4.5% being somewhat stronger than pharmacy of 4.1%.

Comparable-store sales growth in Boots UK was 3.5% in the quarter. Growth across all Boots UK retail sales categories resulted in comparable-store retail sales growth 4.0%, good performances in beauty and from our online offering being the largest factors.

In beauty, No7, our award-winning beauty brand, celebrated its 80th anniversary with another good quarter with both skin care and cosmetics delivering double-digit sales growth in the UK. Sales in No7 Protect & Perfect Advanced Serum continue to be strong more than one year on from their launch, supported by the continuing marketing program which highlights the clinically proven product benefits which I talked about on our last earnings call.

During the quarter, we also launched No7 Intense Day and Night Creams with a new color cosmetics campaign. Both of these initiatives were well received by our customers.

Our UK website, boots.com, continued to see strong growth, with orders during the quarter up more than 65% over the same period last year. At the beginning of August we further enhanced the convenience of our order and collect offer, now enabling customers to order by 8:00 PM and still collect in-store from 12:00 noon the following day. In the fourth quarter, nearly 70% of all our online orders in the UK were collected in-store.

Outside the UK, our businesses in Mexico, Thailand, and the Republic of Ireland all delivered pro forma constant currency comparable-store sales for the quarter well above the average of the division, as did Boots Opticians UK.

Turning now to our Pharmaceutical Wholesale division, total sales in the Pharmaceutical Wholesale division in the fourth quarter were $5.8 billion. On a pro forma basis, assuming constant currency and excluding acquisitions and disposals, on this basis sales increased 5.0% over the same quarter in the prior year. Sales growth was particularly strong in Norway, where our wholesale business won a major new contract, [Live Hospital Pharmacy], which began around the start of calendar 2015, and five other countries where our businesses each achieved double-digit comparable sales growth in the quarter. These included two of our largest wholesale businesses in Turkey and Germany.

GAAP operating income in the fourth quarter was up $133 million, while adjusted operating income was $158 million. Adjusted operating income margin for the quarter was 2.7% compared to 2.9% for the eight months post-acquisition. This in part reflects the seasonal nature of pharmaceutical wholesaling.

Having covered our divisional performance, I would now like to turn to our synergy program, one of the key drivers of profit growth. The combined net synergies for fiscal 2015 were $799 million, significantly above our target of at least $650 million. This includes $81 million classified as synergies in the fourth quarter which related to activities commencing in prior fiscal years.

Consistent with our prior reporting, these synergies are allocated across each segment and do not include any benefit from our long-term relationship with AmerisourceBergen or other benefits of refinancing the legacy Alliance Boots indebtedness at a lower cost.

For fiscal-year 2016 we continue to expect to at least reach at least $1 billion in combined net synergies. As time goes on and the combined management team works closely together, there are of course a number of other synergies being identified and actions; but many of them are simply not practical to quantify, as they blend into our core operations.

Moving now to our cost-savings program, which as you know is another key area of focus, as previously announced we have a target of $1.5 billion of cost savings to be delivered by the end of fiscal 2017. The expected pretax charges associated with this program, as previously stated, between $1.6 billion and $1.8 billion, which the cash component is expected to be approximately 60%.

We have continued to make good progress towards this goal and have achieved more than half the program's expected savings as of the end of the fiscal year. In the Retail Pharmacy USA division, which is the primary driver of this program, this included closing 75 stores in the quarter, making a total of 84 store closures in fiscal 2015 as part of our plan to close approximately 200 stores in total. Actions taken during fiscal 2015 have resulted in pretax charges totaling $542 million, including $223 million for asset impairments, $202 million for real estate closures, and $117 million for severance and other business transition and [fixed] costs.

Now, I'd now like to look at cash flow and capital deployment. GAAP operating profit cash flow was $5.7 billion for the full fiscal year and $1.5 billion in the quarter. Free cash flow was $4.4 billion for the full year and $1.1 billion in the quarter.

As it is hard for you to gauge our cash-generating abilities from today's results, I'd like to give you some insight into our operating cash flow and working capital priorities. We remain intensely focused on driving cash flow across our three business segments.

Within our Retail Pharmacy USA division, during the year we improved inventory management, both pharmacy and retail products. We have more opportunities in inventory, have a renewed focus on accounts receivable and accounts payable, all with the aim of driving further working capital savings. We will continue to apply the same discipline in Retail Pharmacy International and Pharmaceutical Wholesale.

Total capital expenditure was $1.3 billion for the full fiscal year and $361 million in the quarter. After the merger, we put in place operational governance procedures to improve capital and ensure that we are prudently containing our infrastructure while investing in the right growth initiatives to generate return to shareholders.

This process is working well. You will see a step-up in capital spend from the third to fourth quarter which reflects our renewed drive to invest in key areas to develop our customer proposition, including information technology.

Moving on to our key financing activities, in line with our philosophy of having an efficient balance sheet we completed $395 million of share repurchases in the fourth quarter against our $3 billion authorization, bringing the total purchases under this program to $726 million by the fiscal year-end.

Since then, an existing 10b5-1 program has been completed, through which we acquired an additional $110 million in shares. We now have $2.2 billion of value remaining under our authorized plan. In addition, as we previously announced we redeemed $1.75 billion of legacy Walgreens' debt in August.

As we've said before, we remain committed to a long-term dividend payout target between 30% and 35% of adjusted net earnings.

Now before I finish and hand back to Stefano, let me just spend a few minutes on the impact of our agreement to acquire Rite Aid and our fiscal 2016 guidance. As you know, the agreed price per share for Rite Aid is $9, representing a total enterprise value of approximately $17.2 billion, including acquired net debt. The consideration for the shares will be paid in cash from existing [new] resources.

The transaction is, as you would expect, subject to approval by Rite Aid shareholders, regulatory clearances, and other customary closing conditions. We have done significant analysis on how we can bring the two Companies together, including the antitrust analysis; and we'll work closely with the regulators to bring the transaction to completion as soon as possible.

That said, we anticipate the transaction closing in the second half of calendar 2016. The exact timing of this will clearly determine the impact on our financial results.

Clearly we are very confident that, taking everything into account, the transaction will be suitably accretive for us. We have been prudent in our assumptions for the business and have been realistic about our expectations for the markets in which we operate. That said, we expect the transaction to be accretive during the first full year after completion on our usual adjusted basis.

In addition to timing there are a number of other factors that will impact us. We have identified in excess of $1 million of gross synergies that we must -- that we will start working to capture as soon as completion takes place. But we must recognize that while some of these are relatively easy to identify, others will require investment and will take time to deliver.

As we are paying cash for the acquisition, we have taken the decision to suspend our share repurchase program and intend to redeploy that cash to partly fund the transaction. This means that in 2016 we will not enjoy the earnings accretion of the buybacks we originally planned. In fact, we will be running a relatively inefficient balance sheet for a short period of time.

The transaction will also cause a temporary increase in leverage. But this does not represent an underlying change in financial policy. We'll put in place a glide path to deliver metrics consistent with our commitment to solid investment grade.

With all that said, let me conclude by talking about our outlook for fiscal-year 2015. As you know, we've previously had a stated adjusted EPS goal for fiscal-year 2016 of $4.25 to $4.60. We committed at our analyst meeting in April that on completion of our budget process we would come back to you to give an updated view of 2016.

Based on our budget and further evaluation of both risks and opportunities, which factor in a currency headwind of around $0.13 since the previous Walgreens' management initially provided our FY16 adjusted EPS goal back in August 2014, we're issuing new guidance for fiscal-year 2016 of $4.25 to $4.55. This change is primarily to reflect the impact of suspending our share buyback program to apply these funds towards the consideration for the transaction.

This guidance assumes no material accretion from the planned acquisition of Rite Aid, which is expected to close in the second half of calendar 2016.

Please also remember that we have currency translational exposure, primarily based on movements in the pound sterling versus the dollar. Not only does this impact our adjusted operating income and EPS, but it can also cause particularly volatility in the sales, gross margin, SG&A items, as it did this quarter.

As Stefano indicated, we anticipate the published numerical synergy target for the merger between Walgreens and Alliance Boots to be met during 2016. We'll advise you after we have achieved that target.

The surges in benefits from the transaction with Rite Aid will be almost entirely within our US Retail Pharmacy division and so will be reflected in these figures rather than as separately itemized programs. Clearly we will continue to drive hard efficiencies across (technical difficulty), but we see this as normal working practice rather than unique and discrete projects. So going further beyond 2016, we would expect our earnings growth to return to a more normal, if still challenging, low-double-digit growth.

In terms of the shape of the quarters, please remember that both our first and second quarters in fiscal-year 2016 are noncomparable, given that we closed the merger on December 31, 2014. Seasonality is most prominent in our Retail Pharmacy segments, with the first quarter typically the weakest.

Our second quarter picks up most of the holiday season, which will be more prominent going forward as we will consolidate December results for Retail Pharmacy International. This will include Boots performance in December, which is typically its most important trading month.

We also expect the shape of the second half of the fiscal year to be generally consistent with what we saw in fiscal 2015, with adjusted earnings per share in Q3 and Q4 stepping down sequentially from Q2.

With that I will turn the call back to Stefano.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

Thank you, George. So, another good year, but a year of transition that has brought many challenges but also with many successes, including our announcement with Rite Aid. It has been particularly gratifying to have been able to keep our team on track and maintain our momentum in our businesses both in the US and around the world, while at the same time be able to [start in] and understand our new markets and deliver corporate expansion as we are doing with Rite Aid.

As CEO, I very much recognize my role is both to support my team in achieving and supporting their goals, but also in creating the opportunities and direction for them to outperform, and identify sources of growth and value enhancement, while helping mark the route for sustained growth to secure the future for the Company well beyond my tenure.

As we stand today, we have potential opportunities in many businesses, in many geographies. We continue to review all the opportunities open to us to assess where best to deploy our capital to provide the best return for our investors.

The healthcare market is extraordinarily dynamic, with many moving parts; and these dynamics create new opportunities and new ideas all the time. A key part of my role is to make sure that we pursue these opportunities where they are desirable to do so, and not waste time and resources where it is not.

And [both] to ensure that we do that without distracting our teams from delivering on our long and short-term plan for our [existing] business. For [a] time, you can expect to see us complement the development of our existing businesses with further additions that we can do that will help us better define and differentiate our business.

As we look at our opportunities around the globe, even the unique dynamic of the US market, it is not surprising that the best opportunity we have found this year has been here, while elsewhere our expansion has been through the selective [purchase] event and a small bolt-on acquisition to our division (technical difficulty). The global healthcare markets -- and perhaps the US market more than any -- are ready for change and open to new ideas and new approaches that [throughout] provide scale.

As the leading global healthcare company, we have the potential to play a defining role in this evolution. We have always married prudence with a willingness to find innovative solution and think about things in new ways; and these are qualities I am glad to be spreading across the Group and I believe will form the foundation for the success of the business going forward.

Now let's open up for questions. Gerald, please?

Gerald Gradwell - *Walgreens Boots Alliance, Inc. - SVP IR & Special Projects*

Thank you. Andrew, we are ready to take questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Edward Kelly, Credit Suisse.

Edward Kelly - *Credit Suisse - Analyst*

Yes, hi, guys; good morning and congratulations on the Rite Aid deal. I did want to start just on that front.

Your press release -- and the call, by the way -- didn't really have any reference to your appetite for FTC risk. Does the merger agreement have a divestiture cap? If it does, can you provide more detail here?

And as you think about FTC, I mean there is some history that we can look back to -- 2007 when Rite Aid bought Eckerd, for instance -- in terms of the parameters that they looked at. Is that still a relevant way to think about it? Any thoughts related to all this I think would be very helpful for people.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

You know, it's very difficult to comment about that. Of course, before doing this decision, taking this decision and doing these steps, we have analyzed things very carefully. We have tried to figure out what would happen.

But of course, this has been done within the closed walls of our Company. In this situation, it is very difficult for us to make public comments. You know, when we have public authorities it is better for us not to interfere at all.

Edward Kelly - *Credit Suisse - Analyst*

I guess just one follow-up to that, then. I mean, because the merger agreement is going to come out soon, I would take it. So, like how much divestiture risk are you assuming within this agreement? Is there a certain number of stores? How have you framed that in the agreement?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

We have put a cap because of course we have to take certain precautions. But we are not speculating at all about the number of stores that will be [left] divested.

Edward Kelly - *Credit Suisse - Analyst*

Okay. Just sorry -- one, I apologize; but could you give us the number that you capped this at?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

I cannot give you the number, and you know it.

Edward Kelly - *Credit Suisse - Analyst*

Okay. Okay; thank you very much.

Operator

Ricky Goldwasser, Morgan Stanley.

Ricky Goldwasser - *Morgan Stanley - Analyst*

Yes, hi; good morning. So congratulations on the Rite Aid deal. Obviously, you've communicated $1 billion of synergies. Can you just help us think about the sources of synergies, and like how long will it take to capture it?

Should we think about it -- I mean, when you put together Alliance Boots and Walgreens you've also communicated a synergy number, and you've like allocated buckets to drug purchasing, front-end, etc. So if you can give us some similar context for the Rite Aid deal, it would be very helpful.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

George?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

We've not given the specific details on this, but I'm sure you can imagine that, as with any deal of this nature, there are different classifications of synergies. There are the procurement synergies, or the GNFR synergies; there will be other cost-saving synergies.

And these synergies we will access in a structured area way, much as we have done with the Walgreens Alliance Boots transaction. We've got a team who are very experienced in accessing those synergies, and we're very confident that we -- in our numbers.

As ever, these gross synergies take time to access. Some of them can be achieved faster than others. Some will require investments, and we will work through that. But there will be an element of investment to get the synergies, we'll clearly go over the coming time.

We will work, do our best to achieve these. But we've done a lot of work as ever to be really confident in the number that we have published.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

But you understand that in this case the synergies are coming mainly by internal efficiency, by the fact that maybe we can have a better network to sell our brands product, which is still a fundamental component of our strategy. So this will not happen overnight. It will take some time.

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

The other -- finally to add to that would be that the program is -- in a sense it's not between two companies. The acquisition will be in part of the Retail Pharmacy USA division; so it really doesn't make sense for us to report the synergies separately in the way that we did when these were essentially being shared half-and-half between Alliance Boots and Walgreens.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

But I want to stress what George has said. We have done a lot of work and we are very confident that this deal will deliver for us.

Ricky Goldwasser - *Morgan Stanley - Analyst*

Okay. Then Rite Aid has a small PBM business that they acquired recently. How do you think, Envision fits within Walgreen Boots?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

Maybe Alex can give you. We have discussed this about their PBM business, and Alex can do something.

Alex Gourlay - *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

Yes, I mean as we know today, it's an important but relatively small PBM business. It's in the top 10 but not a big one. It's a [cachet] business with a lot of [new] capabilities in IT.

So at the moment we're really interested in, once we get beyond the closure of the FTC reviews, to understand more about the business and how it could really help us understand access in America better. I mean our real purpose view with the deal with Rite Aid is to improve the quality of pharmacy and to really just cross across some markets and make sure we create a market which is more affordable and more accessible for everyone, aligned with the government policy.

So we think this could be our way into that, in terms of Envision. But clearly we need to understand more, and we'll understand more once we're through the FTC review.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

In any case, it will be a good opportunity for us to learn more. And we are always open to learn.

Ricky Goldwasser - *Morgan Stanley - Analyst*

Okay. Thank you very much.

Operator

Meredith Adler, Barclays.

Meredith Adler - *Barclays Capital - Analyst*

We haven't had an update in a little while on the loyalty program. I was wondering if you could give us just a little bit of comment on that. I think you're making some changes.

Alex Gourlay - *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

Yes, hi, Meredith; it's Alex here. Yes, we moved to something we called Everyday Points. We talked about in the last earnings review as well. This is where for the majority of front-end products we're able to offer a point and also extended the points in our pharmacy business to other schemes like Medicaid and Medicare, where appropriate.

We're really pleased with what's happened. Our customers have signed into this program. We have, I think, it's now 27 million about of customers signed into it, and they're collecting points.

More importantly, as we analyze how they are redeeming the points, we're seeing encouraging behavior: behavior where people are actually selecting more and more own-brand products and bigger baskets, and products they may not otherwise have bought.

So it's really early days. I mean the program has been out there for only a matter of months. But the behavior we're seeing in these customers is encouraging, and it's exactly the behavior we've seen in other loyalty programs that we know well in the Group.

So that's where we are. And of course we intend, as we have done aggressively since we launched the program just over three years ago now, to invest wisely and carefully to ensure we get return back for our investment. And we're seeing the signs here where we can invest more in this program and we'll do so in the years ahead.

Meredith Adler - *Barclays Capital - Analyst*

Great. Then I have a question about Rite Aid. I think the company -- Rite Aid's management had been fairly upfront about the fact that they have a pretty large number of underperforming stores. I think they'd been hesitant to close too many stores because the leases have not yet run out.

Could you please talk about your observations of the store base, and what your approach would be to those underperforming stores?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

It's very difficult to charge the operate of the management, because we should understand all the different events and all the different conditions in which the management has to operate. They had a lot of complaints, as you know; so I believe that they've done a good job of the situation that they were in.

We will approach in our usual way, in a very rationally way, trying to do what creates value. We are not emotional on that, and we will be rational as ever. Alex?

Alex Gourlay - *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

Yes. I think that it's clear that we are working hard here in Walgreens to really develop the front-end. Again, George gave a good update again of some the progress we've made here in terms of being able to improve our operational margin in the front-end the last six quarters.

So as we develop the best ideas in Walgreens, as we take the best ideas from Alliance Boots -- and again, George updated that we intend to extend our beauty products into 2,000 Walgreens stores, having done a controlled test in both Phoenix and New York City. And also as we really learn some of the -- the excellent work from the outside that the Rite Aid team have done in their new wellness format, we have the opportunity to draw all that together, once we're through the FTC review, and see how we can improve performance in all of our network across America and to provide better front-end performance through a more appropriate offer for communities across America, supporting our better quality pharmacy experience and of course lower costs.

So that's our intention. But obviously once we're through the process with the FTC we'll be able to work more closely with the teams to understand that better. But we think there is opportunity both in Walgreens, and clearly the team and Rite Aid are seeing good improvement in their wellness format and will be [read] in terms of the reporting.

Meredith Adler - *Barclays Capital - Analyst*

Great. I just have one more question. You highlight the healthcare aspects of this and how the merger is going to position you. Are you considering eliminating tobacco? It seems pretty clear that providers and payers feel uncomfortable working with a retail pharmacy that still sells tobacco.

Alex Gourlay - *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

We've chosen to invest to help people to stop smoking, to lose weight. Our Balance Rewards for Healthy Choices program we launched about 12 months ago has been incredibly successful, and we've chosen to invest there.

Because we believe a little bit less than 3% of tobacco sold today in a drugstore channel, the choice tobacco is there already in many other places. Of course we continue to review, reflect on this issue and other categories that we happen to sell. But our fundamental choice is to invest to help people who are ready, prepared to stop, stop. And we've made really good progress there and to work with them.

So at this stage, we have nothing else to update on apart from that we are pleased the progress that we've made with our investments to help people across America [stop smoking].

Meredith Adler - *Barclays Capital - Analyst*

Great. Thank you very much.

Operator

George Hill, Deutsche Bank.

George Hill - *Deutsche Bank - Analyst*

Yes, good morning, guys, and thanks for taking the question. I guess, George, could you maybe talk a little bit about gross-to-net synergies and the investments that you feel like the Company will need to make as you try to bring the two businesses together? I know the Walgreens executives have commented in the past that the IT infrastructure at Walgreens needs a little bit of work; I think the same thing is safe to say needs work at Rite Aid.

I guess, though, as you try to think about gross synergies versus net synergies from your analysis, is there any more color you can give us there?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

Okay. I'll just -- a quick word on IT. As I touched in the presentation, one of the reasons that we saw a step up in the fourth quarter versus the third quarter was our IT program. So we, as Walgreens Boots Alliance, have been doing a lot of work since the merger how best to structure our IT so that we are able to use our global scale and capability to invest in IT in a cost-efficient way, to best serve the needs of both the business internally, but most importantly our customers. So there's a lot of work on IT underway.

In terms of the gross synergies, it's really -- I mean these will come in the US, as we have said, which is why it will become harder to separate out then, as we start to integrate the operations post being able to complete the transaction. But the synergies will come.

There will be procurement synergies where there clearly isn't an investment requirement. But then there will be investment over time in areas like in IT and in upgrading the stores, and we will do that in a thoughtful, structured way. We will be looking at stores on a store-by-store basis, as we always do, looking for the returns that we continue to seek.

So the investment will always take a little bit longer to come, and it will be done over time because of the nature of that part of the integration takes longer.

George Hill - *Deutsche Bank - Analyst*

Okay. Maybe a quick follow-up for Alex if he is still there. Can you provide us in the early color on what the reimbursement rate environment is looking like for 2016? And how do you expect these conversations to evolve on a longer-term basis once the Rite Aid transaction is closed? Thank you.

Alex Gourlay - *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

I can't comment on long-term basis. What I can tell you is that we really have anticipated the Med D season and we are now in enrollment. We are pleased; we've been able to expand our partnerships with payers. For example, we announced Aetna as a new partner for us, and we're really pleased with that.

So we are feeling -- the rates are as planned. Of course, the reduction [matches] rates; but as planned, as we expected. And we've been able to drive our strategy of improving access, of improving volume through some new partnerships.

The commercial ones, as you know we're on three-, four-year contracts. And we don't comment on these contracts publicly, as you're aware.

George Hill - *Deutsche Bank - Analyst*

Okay, thank you.

Operator

Robert Jones, Goldman Sachs.

Robert Jones - *Goldman Sachs - Analyst*

Thanks. Just one high-level one for Stefano, and then just a couple quick ones for George. I guess just from a big-picture perspective, why was getting bigger in the retail space the right move strategically right now? And then I guess more specifically as it relates to that, how much more negotiating leverage do you think this expanded network will give you versus payers and PBMs?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

Well, we have not done this to increase our negotiating power with payer and PBM. We have done this because we believe that we can extract a lot of synergies, rationalizing the combined Company for, I would say, from internal sources and the harmonization of prices in term of harmonization and not improvement: the harmonization of our knowhow; something in the [software]; something of course in the combination of the stores as we were discussing before; something from our products, from our product lines.

Well, we are not thinking of really improving our position with the payers because at the end of the day we are in an environment where the margins are decreasing. So it was decreasing.

We are in an environment where there is a lot of competition. And the fact that we put together two companies will not reduce the competition -- not just the competition among pharmacies. Think of other (inaudible), think of the mail-order, think of the people who are specialized in certain categories, like the specialty for instance.

So there are many people working this area. I don't believe that these will really give up if an additional [power]. But we have not counted on that when we have put together our numbers.

Robert Jones - *Goldman Sachs - Analyst*

Got it.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

I repeat. We have put together our numbers very, very carefully and very prudently.

Robert Jones - *Goldman Sachs - Analyst*

Got it. Then I guess, George, I'm sure you can appreciate it's very difficult for us to get visibility into the core pharmacy businesses, just given a lot of the moving pieces, not the least of which is the synergies. It looks like the total synergies in the quarter were about $295 million.

Is there any sense at all you can give us on how we should be allocating those across the businesses, just to get a little bit better perspective on how the core businesses are tracking?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

Yes. I mean we very much try and allocate the synergies based on the activities; so I do appreciate that's made the segmental analysis a little tougher for you to follow.

But by doing it on this basis of procurement, we really are therefore reflecting where the volume is, where the activity is. And as a result, obviously with the Retail Pharmacy USA being by far our biggest segment, then you should think of the synergies being heavily, heavily weighted towards the US segment as the basis I would always think about it.

I think as we annualize through as we get to the third quarter, which I guess will be our first clean year-on-year quarter, it will be a little bit easier for you to see. Of course, it's the hard synergies which are the ones that we're quantifying; but really are a lot of what are, in effect, synergies but they're not the ones that we can quantify, these are the ones that are really coming through as we now increasingly have integrated combined management team working very much together on many of the programs, sharing best practice. And that's very much business as usual now, rather than run through each synergy workstream.

Robert Jones - *Goldman Sachs - Analyst*

That's actually really helpful. Then just the last one and, more of a clarification, George. Did I hear you correctly that EPS growth beyond fiscal 2016 is anticipated to be low double digits? And if that's right, any sense you can give us of what's complicated contemplated in capital allocation relative to that target?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

I mean, yes, that's as far as we've indicated, just to try and give you a sense of how we see the business going forward. Sorry, in relation to capital allocation (multiple speakers)

Robert Jones - *Goldman Sachs - Analyst*

Is that contemplated in the low-double-digit target?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

That's got a typical investment program. It's -- absolutely everything is in there. We are being quite prudent, as you would expect, in these areas.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

But when we are talking of next year, there is a point of next year, which if you do the math and take into account the fact that we will not be able to buy $2.2 billion in shares, you will see that the math is quite favorable. But this is substantially [inorganic] growth.

So, in a retail business, where [an] organic growth of double-digit, low double-digit is not easy. We have done this for many, many years, I have to say. We have never had one year without double-digit growth in our history.

But I can tell you that it's not easy, because it's relatively easy to announce earnings per shares, buying back a lot of shares, or buying additional businesses. The business that we are buying this time will not have effect on next year; so you have to look at the numbers on next year as organic growth.

Robert Jones - *Goldman Sachs - Analyst*

Got it, got it. Thank you so much.

Operator

Lisa Gill, JPMorgan.

Lisa Gill - *JPMorgan - Analyst*

Thanks very much. George, I just wanted to go back to the synergies on the Rite Aid deal for a minute and just get the time of your expectation on the procurement side. My understanding is that Rite Aid has a relationship with McKesson for procurement that runs through March 2019.

So is the assumption that there is a way to break that relationship and you'll get procurement earlier? Or is it that the timeline is unknown on this, because you may have to wait till the end of the contract?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

Lisa, first of all, I have to say we have not taken any decision about the contract. Not necessarily we have to change substantially the contract in order to get the synergies we believe we can have.

And at the right time we will discuss with the contract, and of course we will try to discuss in the interest of our Company, that's obvious. But you don't have to assume the fact that we will change the contract or we will move the contract.

Of course, we have a good relationship with ABC; but I have to tell you that we have a lot of respect for McKesson and a lot of respect for Hammergren and Julian. We will see. We will see at the time.

It's obvious the fact that we will try to extract as much value as possible.

Lisa Gill - *JPMorgan - Analyst*

Okay; that's helpful. Then, Stefano, you've talked about the US market open to change, your belief in playing a role. You answered in an earlier question around the small PBM, that that's going to be part of this transaction.

But can you maybe just give us any idea as to how you think about that potential role that you play, and from your strategic view how you think the US market is changing, and what role the, say, bigger Walgreens will play here in the US?

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

For sure, I can tell you that I have certain ideas. But before making these ideas public, I like to check this idea with the reality which is around us.

Now we have just done a deal. We have just started, we have just announced a potential deal. We have started this deal; for a few months we will be really absorbed in this deal.

We will continue to think. But for a few months we will not be able to tell you where we want to go next.

Lisa Gill - *JPMorgan - Analyst*

Okay. I'm sorry, I was just going to say maybe the opportunity is the beginning of next year. We will get together in January and maybe we'll have some incremental ideas as to how you'll think about this.

Alex Gourlay - *Walgreens Boots Alliance, Inc. - EVP, President of Walgreens*

It's Alex here. I think it's about the [expectation and] the customer having more power and more choice. I think with our fantastic group of people under Walgreens and the brands that they represent in communities across America, that's where we have our biggest opportunity, I think.

Lisa Gill - *JPMorgan - Analyst*

Okay, I appreciate that, and congratulations on Rite Aid.

Stefano Pessina - *Walgreens Boots Alliance, Inc. - Executive Vice Chairman, CEO*

Thank you very much. We will have time to talk in future.

Operator

Robert Willoughby, Bank of America Merrill Lynch.

Robert Willoughby - *BofA Merill Lynch - Analyst*

Thank you. Do you anticipate being able to utilize the Rite Aid NOLs? And how much, George, do you think you can raise from sale-leaseback deals in fiscal 2016?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

Okay, on the latter one, we're continuing to evaluate what is the best capital structure going forward. We've obviously, as you can see, done quite a bit of sales and leaseback in the last particular year.

We haven't set an internal target. We will continue just to work through this in the normal way, but very committed to having an efficient balance sheet, as I said on many occasions. That's the answer to the second one.

So the first one was --?

Robert Willoughby - *BofA Merill Lynch - Analyst*

The Rite Aid NOLs.

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

The Rite Aid NOLs, we'd anticipate over time being able to utilize the NOLs.

Robert Willoughby - *BofA Merill Lynch - Analyst*

Okay. Just the clarity on the sales-leaseback, Walgreens had own 20% of their stores. Do you envision bringing that number down meaningfully over time, whatever the period?

George Fairweather - *Walgreens Boots Alliance, Inc. - EVP, Global CFO*

What I would answer is I'm not wedded on having to own Retail Pharmacy locations. Clearly there will be certain locations where it may be the right thing to do, but it's not something that I feel is necessary for our business model.

So we will continue to look to [operate there]. We will continue to look at a sale and leaseback where we believe it's the right thing to do.

Really taking, too, into account the timing of or the tenure of leases and when the lease breaks off, so that we have a balance in our portfolio going forward and don't have a bunching of lease breaks all at the same time. So we'll be doing this, looking at this in a thoughtful way over time is the way I would position it.

Robert Willoughby - *BofA Merill Lynch - Analyst*

That's helpful. Thank you.

Gerald Gradwell - *Walgreens Boots Alliance, Inc. - SVP IR & Special Projects*

Thank you. Ladies and gentlemen, that was the final question we have time for. Thank you for joining us.

We know that there are many others of you that had questions. Please reach out to the IR team here and we will answer them and address them as best we can.

I should say that we go back into our next quiet period on December 1, so we have a comparatively short open period. Management have been very generous with their time, and we will try and get to as many of you as we can during that period. But please bear with us.

You'll appreciate with an agreement as well as our results we have a very busy few weeks ahead of us. Thank you very much indeed.

Operator

Ladies and gentlemen, thank you again for your participation in today's conference. This now concludes the program and you may all disconnect your telephone lines at this time. Everyone have a great day.