

## MERGER ANTITRUST LAW

LAWJ/G-1469-05  
Georgetown University Law Center  
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Tuesdays and Thursdays, 3:30-5:30 pm  
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### Reading Guidance

#### **Class 7 (September 24): Walgreens/Rite Aid Case Study (Unit 6)**

On Tuesday, we will examine Walgreens' attempt to acquire Rite Aid. On October 27, 2015, Walgreens Boots Alliance and Rite Aid announced that they had reached an agreement whereby Walgreens would acquire Rite Aid for about \$9.4 billion in cash. Walgreens agreed to pay \$9 for each share of Rite Aid, which represented a 48% premium over Rite Aid's closing price the previous day. In their joint press release announcing the deal, the companies said that they expected the transaction to be accretive to Walgreens' adjusted earnings per share in the first full year after completion. Additionally, Walgreens Boots Alliance expected to realize synergies in excess of \$1 billion.

At the time of the announcement, Walgreens was the largest national pharmacy chain in the country, with about 8200 stores and a 20.3% market share. Rite Aid was the third largest chain, with 4600 stores in 31 states and a 7.0% national share. The combined company, which would have 12,800 stores, a 27.3% national share, and an enterprise value of \$17.2 billion, would dwarf CVS, the second largest national chain, with 7800 stores and a 19.9% national share. After the acquisition, Walmart, the third largest pharmacy chain, would have a national share of only 6.8%.<sup>1</sup>

The transaction immediately raised antitrust questions. The parties recognized that antitrust could be a problem and Walgreens in the purchase agreement agreed to divest as many as 1000 stores to satisfy any FTC antitrust concerns.<sup>2</sup>

The readings for this unit cover the announcement of the deal and deal rationale (pp. 4-45); the FTC's second request investigation, including an attempt by Walgreens to settle the investigation with a curative divestiture (pp. 46-82), the FTC's rejection of that settlement effort and the restructuring of the deal to enable Walgreens to acquire the Rite Aid stores that did not raise antitrust concerns (pp. 83-88), and the successful completion of the restructured deal (pp. 89-101).

It is a fascinating story. As you read the materials, think about the following questions: At each major step in the transaction and investigation, what were the questions facing the parties, how did they deal with them and why, and to what extent were they successful? Were there better alternatives? What would you have advised? We will go into the transaction in class in some detail and you can expect to confront these questions again.

Enjoy the reading! Please email me if you have any questions.

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<sup>1</sup> Shares in this paragraph are measured by in-store sales of prescription pharmaceuticals.

<sup>2</sup> The FTC is the federal antitrust agency that has consistently reviewed pharmacy mergers.