Press Release

SEC Charges Walgreens and Two Former Executives With Misleading Investors About Forecasted Earnings Goal

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Washington D.C., Sept. 28, 2018 — The Securities and Exchange Commission today charged Walgreens Boots Alliance Inc., former CEO Gregory Wasson, and former CFO Wade Miquelon with misleading investors about increased risk that the company would miss a key financial goal announced when Walgreen Co. entered into a merger with Alliance Boots GmbH in 2012.

Walgreens agreed to pay a $34.5 million penalty to settle the SEC's enforcement action.

According to the SEC's order, Walgreens announced a two-step merger with Alliance Boots in June 2012, and at the same time projected that the combined entity would generate $9 billion to $9.5 billion in combined adjusted operating income in the 2016 fiscal year. After completing the first step of the merger, Walgreens' internal forecasts indicated that the risk of missing its 2016 projection had increasing significantly. But Walgreens, Wasson, and Miquelon repeatedly publicly reaffirmed the projections without adequately disclosing the increased risk. When Walgreens subsequently announced that it was moving forward with the second step of the merger in August 2014, it announced a new earnings per share goal that translated to an adjusted operating income projection of $7.2 billion for fiscal 2016, a 20 percent decline over its initial projection. Walgreens' stock price dropped 14.3% on the day of the announcement.

"Over multiple reporting periods, senior Walgreens executives misled investors about the company's public financial goal," said Stephanie Avakian, Co-Director of the SEC's Division of Enforcement. "The penalty assessed against Walgreens is intended to punish and deter such conduct, which deprived investors of information necessary to make fully informed investment decisions."

Melissa Hodgman, Associate Director of the SEC's Enforcement Division, added, "As this case shows, we are committed to holding corporate executives accountable when they are in the best position to ensure that disclosures are accurate and not misleading."

Without admitting or denying the findings, Walgreens, Wasson, and Miquelon consented to the entry of an SEC order finding that they violated the antifraud provision contained in Section 17(a)(2) of the Securities Act of 1933, which prohibits the use of untrue statements or omissions in the offer or sale of securities. The SEC's order requires each of the respondents to cease and desist from further violations of that provision, and also requires Walgreens Boots Alliance to pay a $34.5 million penalty, and Wasson and Miquelon to each pay a $160,000 penalty.

The SEC's investigation was conducted by W. Bradley Ney and D. Ashley Dolan and supervised by Melissa Robertson in the Washington, D.C. headquarters.

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Related Materials

- SEC Order