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VALUATION AND STRATEGIC ALTERNATIVES FOR WALGREENS BOOTS
ALLIANCE: A MANAGEMENT PERSPECTIVE ON THE SYCAMORE PARTNERS
TAKE-PRIVATE PROPOSAL. STANDALONE DISCOUNTED CASH FLOW
VALUATION OF WALGREENS BOOTS ALLIANCE WITH SCENARIO ANALYSIS
AND IMPLIED EQUITY VALUE RANGE

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Abstract

This thesis examines the proposed take-private of Walgreens Boots Alliance by Sycamore Partners from the perspective of management as of 28 February 2025. Combining DCF, APV and LBO frameworks, it evaluates the transaction relative to continued public ownership. The results show that, under the assumptions adopted, intrinsic valuations exceed the guaranteed consideration and that leverage reduces equity value compared to the stand-alone path. Nevertheless, the transaction remains feasible for the sponsor. The analysis demonstrates that the acceptance of the offer is best explained by ownership concentration, equity rollover by the controlling shareholder, and the strategic flexibility enabled by private ownership.

Keywords: Private Equity; Take-private; Leveraged Buyout (LBO); Corporate Restructuring; Valuation; Adjusted Present Value (APV).

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1. Introduction (Group Part)

The U.S. retail pharmacy industry is facing sustained structural pressures driven by consolidation among pharmacy benefit managers (PBMs), ongoing reimbursement compression, and increasing competitive intensity (Federal Trade Commission n.d.). These dynamics have weighted heavily on the performance of Walgreens Boots Alliance performance (WBA), whose core U.S. Retail Pharmacy segment continues to experience margin pressure. At the same time, Walgreens' diversification efforts through international operations and investments in healthcare services have introduced additional complexity and earnings volatility, resulting in asset impairments and elevated financial risk (Walgreens Boots Alliance, Form 10-K 2024). In this context, private equity firm Sycamore Partners proposed to take Walgreens private in 2025, raising the central question: would accepting the offer create greater value for shareholders and management than pursuing a standalone restructuring strategy? This thesis addresses that question from a management perspective.

Chapter 2 provides a comprehensive overview of Walgreens Boots Alliance, including its corporate history, operating segments, and performance trends. Chapter 3 examines the industry and competitive landscape in which Walgreens operates, with a focus on structural dynamics affecting the retail pharmacy and healthcare sectors. Building on this foundation, Chapter 4 analyses WBA's strategic, operational, and financial challenges and introduces the company's ownership and governance structure, with particular attention to the role of Stefano Pessinas.

Chapter 5 develops the operating model and financial projections that underpin the valuation analyses conducted in subsequent chapters. All analyses are performed as of 28 February 2025, a date at which the take-private transaction had not yet been completed, making it an appropriate reference point to assess Walgreens' standalone performance and value in a pre-deal environment. Chapter 6 applies a discount cash flow (DCF) framework to estimate

WBA's intrinsic value under a going-concern assumption, complemented by market-based benchmarks derived from comparable companies and completed transactions.

Chapter 7 introduces the potential acquirer, Sycamore Partners, while Chapter 8 develops a leveraged buyout (LBO) framework to assess the financial feasibility of a private equity ownership structure, derives a maximum sustainable entry valuation, and evaluate its robustness under execution and financing risk. Finally, Chapter 9 applies an adjusted present value (APV) framework to isolate the effects of financial leverage, interest tax shields, and expected costs of financial distress.

The results of the different analysis are then synthesized and compared with Sycamore Partners' take-private offer in order to assess whether accepting the proposed transaction would create greater value than continuing with a standalone strategy, from a management perspective.

2. Company Overview: Walgreens Boots Alliance (Group Part)

2.1 Company History, Governance and Ownership

Walgreens Boots Alliance, Inc. (WBA) is one of the world's largest integrated pharmacy and healthcare groups, with fiscal-year 2024 sales of about \$147.7 billion (bn) and operations spanning more than 12,000 locations in nine countries. The strategic step that created WBA came in 2012, when Walgreens purchased an initial 45 % stake in Alliance Boots, with a call option over the remaining shares. This transaction - completed in 2014 - forming Walgreens Boots Alliance and establishing Stefano Pessina as a key shareholder and board-level influence.

Between 2021 and 2023, WBA expanded into healthcare services through majority stakes in VillageMD (value-based primary care), Shields Health Solutions (specialty-pharmacy integrator) and CareCentrix (post-acute and home-care management), creating a dedicated U.S. Healthcare reporting segment.

WBA's operating model is therefore structured around three reportable segments that map onto its strategic pillars: U.S. Retail Pharmacy, International, and U.S. Healthcare.

2.2 Brief Overview of Walgreens Current Operations

U.S. Retail Pharmacy: This segment comprises the Walgreens business, including retail drugstores, health and wellness services, specialty and home-delivery pharmacy and the equity-method stake in Cencora. In FY2024 the segment generated \$115.8bn of sales, which accounts for about four-fifths of group revenue.

International: The International segment aggregates pharmacy-led health and beauty retail outside the United States together with a pharmaceutical wholesale and distribution business in Germany. It includes Boots-branded stores in the UK, Republic of Ireland and Thailand, as well as the Benavides chain in Mexico. Revenues are generated from prescription drugs and a similar range of health, beauty, personal-care and consumer products as in the U.S. business. In FY2024 the segment contributed \$23.2bn of sales, with resilient performance driven by strong like-for-like growth at Boots UK and an expanding omni-channel offer (notably Boots.com), partly offset by structural challenges in some European markets.

U.S. Healthcare: U.S. Healthcare includes VillageMD, Shields Health Solutions, CareCentrix, and Walgreens Health. In FY2024 it generated \$8.3bn of sales and, consistent with management's strategic review, the base case assumes divestiture by end-FY2025.

2.3 Key Financials, Performance Trends and Strategic Reorientation

Despite modest top-line growth, WBA's financial performance deteriorated materially over recent years. In FY2024 the group generated \$147.7bn of sales but reported a net loss of \$8.6bn, largely driven by a \$12.4bn goodwill impairment on VillageMD, additional impairments in U.S. Retail Pharmacy and CareCentrix, and a valuation allowance on deferred tax assets linked to opioid liabilities. On a GAAP basis, the group recorded an operating loss of \$14.1bn (Walgreens Boots Alliance 2025). Cash generation weakened in parallel. Operating cash flow declined to approximately \$1bn, while free cash flow remained close to breakeven once capex, restructuring and litigation payments were considered. Over the same period,

WBA's public equity valuation compressed from over \$100bn shortly after the Walgreens-Boots merger to below \$10bn by 2024.

These developments prompted a strategic reorientation. Management prioritised cost savings, working-capital optimisation, lower capex and net-debt reduction, alongside a multiyear footprint optimisation programme targeting underperforming stores across the U.S. and International segments. In parallel, persistent losses and high capital intensity in U.S. Healthcare led management to signal a portfolio simplification and to explore strategic alternatives for the segment, including a potential sale assumed in the modelling to close by the end of FY2025 (Walgreens Boots Alliance 2025).

Relative to key U.S. peers (CVS, Walmart and Kroger), WBA has underperformed on revenue growth, profitability (EBITDA margin), and equity market performance over the recent period, reinforcing the case that the company entered 2025 in a structurally weaker position (Appendices 1–3). Overall, the evidence describes a business under sustained financial pressure, providing the backdrop for the forward-looking analysis that follows.

3. Industry and Competitive Landscape (Group Part)

3.1 U.S. Healthcare Market and Competitive Dynamics

Walgreens Boots Alliance generates most of its money through its U.S. Retail Pharmacy Segment (78% of revenue), it is essential to provide an overview of the U.S. healthcare industry, the competitive landscape of retailers and dynamics with other players in the value chain.

According to the Centre for Medicare and Medicaid Services (CMS) the National Health Expenditure (NHE) in the U.S. is estimated to have reached \$5,263.3bn in 2024, accounting for 18% of U.S. GDP. CMS states that NHE will grow at a CAGR of 5.59% to \$8,585.3bn in 2033. The prescription drug expenditure is expected to reach \$494.9bn in 2024 and is expected to grow at a CAGR of 5.13% amounting to \$776.1bn in 2033. (Keehan, et al. 2025) The top 5 players in the U.S. prescription drugs market in 2024 were CVS health Corporation with a 25%

share, Walgreens Boots Alliance (14.6%), Cigna (10.6%), UnitedHealth Group (6.8%) and Walmart Stores (4.8%) (Statista, n.d.). On top of prescription drugs and medicine, drug stores and retail pharmacies in the U.S. sell products such as confectionary, cosmetics and groceries. Including those, pharmacy retail sales in 2024 are dominated by large players including CVS Health Corporation with sales of \$124.5bn, Walgreens Boot Alliance (\$110.38bn), Wakefern/ShopRite (\$19.17bn), Hy-Vee (\$13.85bn) and Rite Aid (\$12.19bn) (Statista n.d.).

In the US, retail pharmacies are the primary source of prescription drugs for patients. The retail pharmacy sector interacts with both the patients as well as with the physicians and, therefore, plays a significant role in the distribution and reimbursement of pharmaceuticals. Retail pharmacies buy drugs from either wholesalers or manufacturers, selling them with a mark-up and getting reimbursed by pharmacy benefit managers (PBM). Reimbursement rates can vary heavily between branded and generic drugs and depend on competitive dynamics (Seeley, Singh 2021). Appendix 4 shows how product, financial, and contractual flows overlay each other, creating complexity and leverage points, especially for PBMs.

PBMs act as intermediaries who represent large employers, health plans and other organizations. They have become a significant middleman in the U.S. pharmacy and reimbursement system. Besides managing health plans and negotiating manufacturer rebates for third party payers, PBMs also enter contracts with retail pharmacies to settle reimbursement rates which typically include post-sale adjustment provisions. These provisions allow PBMs to retrieve fees and claw backs from pharmacies weeks or even months after the sale, oftentimes putting them under significant margin pressure (Federal Trade Commission n.d.). Over the last two decades, PBMs have become more powerful and more concentrated, with the top three (CVS Caremark, Express Scripts and OptumRx) managing 79% of prescription drug claims, up from 52% in 2004. Because of their dependency on PBM networks, retail pharmacies have lost negotiating leverage when it comes to reimbursement rates (Federal Trade Commission n.d.).

3.2 Trends

3.2.1. Vertical and Horizontal Mergers

Vertical and horizontal mergers have led to a pharmacy industry controlled by a few large chains or mass retailers, which account for two thirds of about 60,000 retail pharmacies across the U.S. One third is controlled by independent pharmacies (Seeley, Singh 2021). Horizontal mergers include Walgreens acquisition of Boots, a European retail pharmacy leader, in 2014, which forged a global pharmacy leader spanning 12,800 stores. Alliance Healthcare, an international wholesaler and distributor, was also part of the merger (Walgreens Boots Alliance, Inc. 2014). In 2017 WBA continued their horizontal expansion acquiring 2,186 Rite Aid stores as part of their growth strategy (Walgreens Boots Alliance, Inc. 2014). By contrast, CVS and other large conglomerates have followed a vertical merger strategy. For example, CVS acquired Caremark Rx, a PBM, for \$21bn in 2007 and Aetna, a health insurance provider, for \$69bn in 2018 (Seeley, Singh 2021). Caremark Rx eventually became CVS Caremark and is now one of the three largest PBMs in the prescription drug market. Aetna is the third largest health insurer in the U.S, covering 35 million (m) customers and reporting a revenue of around \$105.6bn in 2023. CVS, like others, is now vertically integrated with a large part of the pharmaceutical supply chain and the healthcare sector in general. Through the increasing consolidation and vertical integration of PBMs, large conglomerates that are connected through the pharmaceutical supply chain have been incentivized to favor affiliated entities over rival entities, resulting in disadvantaged rivals and potentially inflated drug costs (Federal Trade Commission n.d.). In contrast to CVS, WBA has pursued horizontal expansion. This strategy has left WBA without control over the most relevant parts of the supply chain, making it more dependent on external PBMs and insurers for reimbursement and patient access.

Beyond horizontal and vertical consolidation, there has been a push from large pharmacy chains to diversify into direct healthcare delivery to create new revenue streams and embed

themselves deeper in patient care (Pharmacy Times n.d.). This shift is prompted by margin pressures on drug-dispensing operations, where reimbursement rates from PBMs and insurers have been declining and pharmacy profitability is under strain (U.S. Department of Health & Human Services 2024). WBA committed approximately \$5.2bn to acquire a controlling stake in VillageMD, a national provider of primary care services, aiming to advance its strategic position in this segment of the healthcare system (Walgreens Boots Alliance, Inc. 2021).

3.2.2. Structural Contraction and Consolidation

The U.S. retail pharmacy industry has been contracting, with almost one in three retail pharmacies closing between 2010 and 2021 (Schaeffer Center for Health Policy & Economics n.d.) Bain characterizes this as a structural “rightsizing” of pharmacy footprint, arguing that large chains will need to shrink and refocus on customer experience to sustain profitability. The trend of store closures is expected to persist over the coming five years and even beyond (Bain & Company n.d.). Despite widespread closures, overall volume of prescription dispensing has continued to climb, with revenues increasingly concentrated in larger chains, specialty pharmacies and mail-order providers. As a result, total drug dispensing revenues across retail, mail-order, long-term care, and specialty pharmacies rose at 9% to \$683bn in 2024, with the top 15 pharmacies accounting for most of this growth (Drug Channels 2025). This shift not only reflects consolidation among incumbents but also the expansion of alternative distribution models. New entrants like Amazon Pharmacy, while still constrained by limited PBM networks and mail order reimbursement, are catering to consumers amid reshaping consumer expectations by emphasizing convenience, home delivery and transparent pricing (Bain & Company n.d.). WBA, despite operating a mail-order pharmacy, lacks the vertical integration of rivals like CVS, whose PBM arms can directly steer patients into their own mail-order channels. As a result, WBA remains more reliant on its physical store footprint and external PBM relationships to maintain patient access.

3.2.3 Growth of Specialty Drugs

Specialty drugs are highly expensive drugs, with the average annual costs for one specialty medication used on a chronic basis amounting to \$84,442 in 2020 (AARP Public Policy Institute 2021). During the last two decades, more drugs have been recognized as specialty drugs, and they have become a primary engine for U.S. drug growth. In 2019, just 4.9% of patients were on specialty drug medication, however, accounting for half of the total drug spend (PSG Consults 2019). These drugs are sold in separate specialty pharmacies, most of which are owned by PBMs, wholesalers, or providers. Some large chains like CVS and Walgreens have been able to diversify their business to owning retail as well as specialty pharmacies (Seeley, Singh 2021). Walgreens acquired Shields Health Solutions, an integrated health system-owned specialty pharmacy care to expand their position in a fast-growing specialty pharmacy market (Walgreens Boots Alliance, Inc. 2021).

4. Strategic and Financial Context Ahead of a Potential Take-Private (Group Part)

As Walgreens Boots Alliance entered 2025, its operating performance had weakened sufficiently to constrain both management's room for maneuver and the company's strategic options. This chapter examines the sources of that pressure, the restructuring actions already underway, and the governance dynamics that frame subsequent strategic decisions.

4.1 Operational, Financial and Strategic Challenges

A set of structural weaknesses became apparent across Walgreens Boots Alliance U.S. retail pharmacy business, international operations, and Healthcare investments. These issues weighed on cash generation and profitability, contributing to declining investor confidence.

Declining Margins in the US Retail Pharmacy

One of the most visible challenges remained the continued erosion of margins in the U.S. retail pharmacy segment. WBA faced persistent reimbursement pressure from PBMs, insurers and government programs, with FY2024 filings confirming another year of declines in

reimbursement rates and a growing mix of Medicare and 90-day prescriptions - both typically lower-margin categories (Walgreens Boots Alliance, Form 10-K 2024). In parallel, labor shortages drove pharmacy wages higher, while customer traffic normalized after the COVID-19 period. These combined dynamics resulted in a meaningful decline in profitability: adjusted operating income fell by roughly one third in FY2024, and EBITDA margins dropped below 5% (S&P Global Ratings, 2024).

Debt Burden and Liquidity Constraints

The weakening of operating performance also amplified pressure on the balance sheet. Several years of declining EBITDA, paired with debt-funded healthcare acquisitions, increased WBA's leverage. In July 2024, S&P downgraded the company to BB, citing adjusted debt/EBITDA expected to remain above 5× and limited cash flow generation. Liquidity also tightened: during the first half of FY2024, free cash flow turned negative, reflecting weaker operating profit, opioid-related settlements and higher pension contributions (BusinessWire, 2024). Management responded by reducing capex, improving working-capital discipline and halving the dividend - saving roughly \$800m per year (Walgreens Boots Alliance, 2024, Form 10-K). While necessary to preserve liquidity, these actions also restricted strategic flexibility and highlighted the constraints WBA would face in any leveraged transaction.

Retail Traffic Decline and Competitive Pressures

Store-level productivity weakened further as retail traffic declined. Front-of-store sales and transaction volumes softened as demand normalized and inflation pushed consumers toward cheaper alternatives. At the same time, competitive intensity increased, with CVS, Walmart and Amazon Pharmacy expanding their presence. With a large fixed-cost store base, lower volumes made several locations increasingly difficult to sustain. In October 2024, WBA announced plans to close approximately 1,200 underperforming U.S. stores - around 13% of the network -

to stabilize productivity and reallocate resources toward stronger markets (Walgreens Boots Alliance, 2024, Form 10-K).

Boots UK Underperformance

Challenges persisted in the international division as well, especially within Boots UK. Structural and regulatory constraints continued to compress margins, with strict NHS reimbursement mechanisms limiting pricing flexibility (Walgreens Boots Alliance, 2024, Form 10-K). Consumer demand in the UK remained weak amid sustained inflationary pressure, a trend that carried into early 2025 (Reuters, 2025). Despite more than 500 store closures completed by late 2024, further reductions under the multiyear optimization program extended into FY2025 (Reuters, 2024). Although Boots maintains a strong brand and loyal customer base, the segment remained a drag on consolidated performance during the period analyzed (S&P Global Ratings, 2024).

Healthcare Integration Challenges

Finally, the company's strategic expansion into healthcare services introduced additional complexity. VillageMD, despite more than \$10bn invested across equity, preferred units and intercompany loans, continued to underperform expectations. In Q2 FY2024, WBA recorded a \$12.4bn goodwill impairment, reducing VillageMD carrying amount to roughly \$1.5bn as of August 31, 2024 (Walgreens Boots Alliance, 2024). Further deterioration led to an additional write-down in H1 FY2025, effectively eliminating the remaining goodwill by February 28, 2025. Operational issues - such as elevated labor costs, lower-than-expected patient volumes and reimbursement pressure - continued to weigh on profitability and accelerated management's reassessment of the U.S. Healthcare strategy (Reuters, 2024). Other healthcare assets, namely CareCentrix and Shields, delivered results below expectations, and anticipated synergies with the retail pharmacy business materialized more slowly than planned.

By mid-2024, management indicated openness to strategic alternatives, including divestitures or partnerships, reflecting both the complexity of integrating these assets and the higher-risk profile of expanding into lower-margin, capital-intensive healthcare delivery.

4.2 Walgreens' Restructuring Path

In response to the pressures outlined above, WBA's management initiated a restructuring program focused on footprint rationalization, cost containment, and balance/sheet discipline, reshaping the company's operating and financial trajectory.

Store Optimization

A central pillar of WBA's shift has been the optimization of its store footprint. Management announced plans in late 2024 to close ~1,200 underperforming stores - around 14% of the U.S. network - over a three-year period. Of these, roughly 500 closures were scheduled for FY2025 (Walgreens Boots Alliance, 2024, Form 10-K). CEO Tim Wentworth indicated that only ~6,000 of the company's 8,700 stores were profit-generating, underscoring the need to focus on stronger location with the objective of improving free cash flow and adjusted earnings. By the end of H1-2025, the closure program had begun to reshape the store network, concentrating sales into higher-performing markets and reducing fixed costs.

Cost Discipline and Capital Allocation

WBA's restructuring program placed significant emphasis on improving cost efficiency and financial discipline, reflecting management's objective to stabilize the company's earnings base and strengthen liquidity ahead of FY2025. Beginning in 2023, WBA introduced organizational simplification measures, including a 10% reduction in corporate headcount and the consolidation of overlapping functions (Walgreens Boots Alliance, 2024, Form 10-K). Automation across fulfilment, pharmacy operations and back-office processes, contributed to structural SG&A reductions that enabled WBA to exceed its \$1bn annual cost savings target in FY2024. Cost discipline extended beyond operating expenses into a broader capital allocation

change. In January 2024, WBA halved its dividend, freeing nearly \$800m per year for debt repayment and liquidity. By early 2025, the dividend was fully suspended to prioritize balance sheet restoration (Walgreens Boots Alliance, 2025, Press Release).

At the same time, capital expenditure was reduced by more than \$700m, and improvements in working capital generated ~\$600m additional cash flow. Together, these actions lowered the company's cash break-even point, improved liquidity and allowed a \$1.9bn reduction in net debt during FY2024.

Portfolio Refocus

WBA's restructuring also involved a rationalization of its healthcare and non-core assets, reflecting a shift away from the expansion strategy pursued in prior years. VillageMD remained the focal point of these efforts, considering operational and financial underperformance versus expectations. After deploying more than \$10bn across equity, preferred units and intercompany loans, VillageMD continued to face operating losses, softer utilization rates and rising labor costs. Liquidity pressures intensified, prompting WBA to enter a forbearance agreement to avoid a default under VillageMD secured loan, signaling diminished covenant headroom and the subsidiary's increasing reliance on parent-company support (Walgreens Boots Alliance, 2024, Form 10 K). In response, VillageMD initiated a broad contraction of its footprint, closing more than 160 clinics and suspending further expansion. These dynamics encouraged a reassessment of asset values. In FY2024, WBA recognized a \$12.7bn goodwill impairment across its U.S. Healthcare segment - \$12.4bn related to VillageMD - reducing its carrying amount to ~\$1.5bn by August 2024 and writing off the remaining balance by February 2025. CareCentrix also recorded a \$332m impairment due reimbursement pressure and weaker post-acute care performance. Shields, despite 28% growth in Q4 FY2024, remained a limited contributor to consolidate EBITDA, scaling more slowly than originally projected.

WBA also moved to simplify its portfolio. In 2023, the company began monetizing its long-held stake in AmerisourceBergen (now Cencora), raising more than \$2.5bn in proceeds that were directed toward debt reduction and liquidity strengthening (Walgreens Boots Alliance, 2024, Form 10-K). This step further signaled a shift away from passive minority investments and towards a more streamlined business mix. At the same time, management started to reassess underperforming assets - VillageMD - evaluating potential exit options to reduce capital intensity and refocus the group on its core operations. By H1- 2025. These actions had reduced complexity across the group and clarified WBA's core operating profile.

4.3 Governance, Ownership and the Strategic Dilemma

Following the operational and financial restructuring initiatives described above, Walgreens Boots Alliance entered 2025 with a more stabilized, yet still vulnerable, business profile. At this stage, the company's strategic uncertainty was no longer rooted primarily in operational execution, but in the choice between alternative value realization paths. As a result, the assessment of a potential take-private cannot be framed exclusively in economic terms; it is inherently shaped by Walgreens' ownership structure and governance dynamics.

Walgreens Boots Alliance is not a widely held public company. Stefano Pessina, co-architect of the Walgreens-Alliance Boots merger and former Chief Executive Officer, remains the largest individual shareholder through personal and family trust holdings, with an estimated mid-teens equity stake. In addition, he serves as Executive Chairman of the Board, maintaining direct influence over strategic direction and extraordinary corporate decisions (Walgreens Boots Alliance 2024). The concentration of ownership implies that any transformative transaction, including a take-private, is unlikely to proceed without his support (Reuters 2024).

This governance configuration materially affects the nature of the strategic trade-off faced by the company. On the one hand, the restructuring measures already implemented by management have established a credible standalone recovery path. Cost reductions, store

optimization and portfolio simplification provide the basis for gradual value restoration over time. On the other hand, this trajectory remains exposed to execution risk and sustained margin pressure in the U.S. retail pharmacy business. A take-private transaction could accelerate value realization by enabling deeper restructuring, reducing exposure to public-market scrutiny and allowing for a governance framework tolerant of short-term disruption. Decisions regarding the future configuration of the Healthcare assets, the strategic role of Boots UK within the group, and the extent of further portfolio simplification remain difficult to execute under public-market constraints. The asymmetry of this trade-off is particularly relevant in the case of Walgreens Boots Alliance. While a take-private may offer clearer near-term value crystallisation, it also entails a loss of strategic control and long-term optionality. Pessina's historical role has been that of a long-term industrial builder rather than a pure financial investor. His strategic legacy is closely associated with vertical integration, consolidation of the pharmaceutical value chain and the construction of a global pharmacy platform through successive acquisitions (Financial Times 2023; The Guardian 2015). As a result, while management-led divestments are consistent with the current strategic direction, a take-private centered on a broader or more aggressive reshaping of the asset perimeter may not naturally align with his preferences.

Accordingly, the strategic dilemma confronting Walgreens Boots Alliance as of early 2025 cannot be reduced to a simple comparison between standalone value and a private-equity offer. Instead, it reflects a governance-driven tension between accelerated value realization and the preservation of strategic control. The likelihood, structure and pricing of any potential take-private are therefore inseparable from the incentives and strategic orientation of the firm's controlling shareholder (Reuters 2024).

5. Financial Projections (Group Part)

To translate the operational initiatives discussed in prior chapters into consistent forecasts, an integrated segment-level operating model is developed for FY2025-FY2030. The model

links segment drivers (store footprint, comparable sales, cost ratios, capex, working capital, and cash taxes) to pro forma financial statements and free cash flow. All valuation workstreams are linked to this operating model so that differences in valuation outcomes reflect differences in economic assumptions rather than modelling structure.

5.1 Revenue and Margin Projections

Revenue is forecast bottom-up by segment. The base case is anchored in (i) the planned store-footprint optimization program and (ii) a conservative convergence of growth toward the long-run terminal growth assumption by FY2030. U.S. Healthcare is modelled through FY2025 only, consistent with the assumed divestiture at the end of FY2025; from FY2026 onward, the continuing perimeter comprises U.S. Retail Pharmacy and International.

Store footprint: Through FY2027, the forecast reflects management’s announced footprint optimization path (approximately 1,200 closures across the program period). From FY2028–FY2030, the base case assumes a modest continuation of closures in underperforming locations (100 U.S. and 50 International closures p.a.) to reflect ongoing portfolio pruning in a mature, competitive market (Appendix 5).

U.S. Retail Pharmacy: Revenues are split into pharmacy and front-end retail. Pharmacy revenue is modelled as number of stores × pharmacy sales per store, with comparable growth based on recent performance and near-term run-rate, then tapered toward the terminal growth rate by FY2030. Retail revenue follows the same store path, with comparable growth anchored to the U.S. Census data for Health and Personal Care Stores (U.S. Census Bureau 2025) and similarly tapered over time. (Appendix 6)

International: Retail revenues again follow a store-based framework with comparable sales in constant currency derived from the segments FY23 and FY24 growth rates and gradually normalised toward the long run group revenue growth. Pharmacy revenues combine store-based volumes with external funding benchmarks (Department of Health & Social Care

2025). UK pharmacy sales are linked to community-pharmacy funding and expected UK inflation (Statista n.d.); funding increases in 2025–2026 and then grows with inflation. Comparable sales in constant currency are set to the average FY2022-FY2024 rate. Funding trends in other markets are used as proxy drivers for smaller pharmacy operations. Wholesale revenue is tied to German pharmaceutical market growth (Statista n.d.). The base case follows the market forecast (around 4.6 %) and gradually reduces growth by 0.25 pp per year from 2026 (Appendix 7).

U.S. Healthcare: (until divestiture). Healthcare revenues (VillageMD, Shields, CareCentrix) are projected separately up to the assumed sale at the end of FY2025. For each business, FY2025 revenue is derived by annualising the segment-specific Q1–Q2 FY2025 growth rate on the FY2024 Q3–Q4 base. From FY2026 onwards, Healthcare revenue is set to zero in all scenarios, reflecting the assumed sale of the segment (Appendix 8).

Overall, these assumptions generate consolidated revenue growth that is modestly positive over the forecast horizon, with a step-down in FY2026 as U.S. Healthcare revenues fall away after the sale (Appendix 9).

5.2 Margin and Cost Projections

Given the revenue paths, operating margins are derived from a normalised segment-level cost base. The modelling starts from management’s adjusted cost measures (adjusted COGS and adjusted SG&A) rather than reported GAAP costs. This choice is deliberate: WBA’s reported operating expenses over FY2021–FY2025 include material items that management classifies as adjustments, which can distort the run-rate cost structure if extrapolated mechanically. To justify the use of adjusted costs, the disclosed adjustment categories were reviewed and assessed for whether they represent (i) transitory, non-recurring items or (ii) cost components that are expected to persist over the forecast horizon. This review suggests that most adjustments—such as large impairment-related charges and other one-off items—are not

appropriate to project as part of steady-state operations. In contrast, two adjustment categories are treated as recurring for modelling purposes: (i) acquisition- and disposition-related costs and (ii) costs associated with the Transformational Cost Management and Footprint Optimization programme. These items are therefore incorporated explicitly into the operating model, while the remaining adjustments are excluded from the baseline.

For each segment, adjusted COGS and adjusted SG&A are used to compute normalised cost ratios (COGS/Sales and SG&A/Sales) For FY2025, remaining-quarter COGS and SG&A are obtained by multiplying forecast sales by the average cost percentages of the corresponding quarters in FY2021–FY2024, preserving seasonality and reducing sensitivity to short-term volatility. From FY2026 onward, average cost ratios over FY2021–FY2025 are applied to smooth fluctuations and reflect a representative normalised cost structure (Appendix 10).

The two recurring adjustment costs are then forecast separately to ensure transparency and avoid embedding them implicitly in the baseline. Acquisition- and disposition-related costs are projected using a scalable approach: a historical average ratio of these costs to sales is calculated and multiplied by forecast sales to obtain the annual cost level. Transformational Cost Management and Footprint Optimization costs are modelled based on the store-closure plan: an average cost per closed store is inferred from historical disclosures and applied to the forecast closure path in U.S. Retail Pharmacy and International. This structure clarifies the rationale for using adjusted costs as the starting point: the adjusted measures provide a cleaner proxy for sustainable operating profitability, while the recurring adjustment categories that are expected to remain relevant during the projection period are captured explicitly in the operating model and therefore reflected appropriately in free cash flow and valuation.

The model also incorporates WBA's Corporate and Other segment to ensure that the consolidated projections reconcile to the group's reported financials. This segment largely captures corporate-level functions and residual costs that are not allocated to the operating

segments. Given its nature, Corporate and Other is modelled using the same normalisation approach as in the segment cost framework by estimating an average historical cost-to-sales ratio and applying it consistently over the projection horizon. This treatment ensures that unallocated corporate costs are reflected in consolidated EBIT and FCFF, while avoiding artificial value creation from assuming these items disappear in steady state (Appendix 11).

5.3 Capex and Working-Capital Assumptions

Capex is modelled as a function of PPE depreciation and amortization and split into maintenance and expansion components. To reflect a maintenance-led reinvestment profile, maintenance capex is set at 65% of PPE D&A and expansion capex at 20% of PPE D&A across the projection period (Appendix 11).

Working capital is assumed to remain broadly stable. Walgreens' model is structurally cash-generative with limited receivables, and the base case does not assume material structural improvements beyond recent efficiency gains. Net working capital is therefore kept constant at the FY2024 level, implying the cash conversion profile remains broadly stable over the forecast horizon (Appendix 11).

5.4 Taxes

Cash taxes are modelled using a normalized 25% tax rate, intended to capture combined U.S. federal and state taxation. This is slightly below the reported U.S. marginal tax rate of 25.77 reported by Damodaran (Damodaran 2025). A simplified loss carry-forward framework is implemented through two schedules aligned with the valuation approaches. In the management case, taxable income is proxied by EBIT (i.e., treating the company as if it were all-equity financed), and an opening NOL pool of \$3.7bn is constructed from disclosed U.S. federal and state losses only. This pool is applied to offset taxable income until exhausted (base case: by FY2027), after which cash taxes are calculated as 25% of taxable EBIT. This schedule is used for the WACC-based DCF and as the unlevered tax profile in APV. In the LBO case,

taxable income is proxied by EBT to reflect the deductibility of interest expense under leverage; NOL utilization and cash taxes therefore differ mechanically from the EBIT-based schedule. In APV, financing effects are captured separately through interest tax shields valued at the same 25% rate, maintaining a consistent tax-rate assumption across frameworks.

The use of a 25% tax rate is also conservative in the context of Walgreens' disclosed tax attributes: the operating model relies only on the \$3.7bn U.S. NOL pool (federal and state) despite the company reporting a substantially larger valuation allowance against tax attributes (\$9.6bn). (Appendix 12)

5.5 U.S. Healthcare Divestiture

A disposal of the U.S. Healthcare segment at the end of FY2025 is assumed. Given the segment's negative profitability and the expectation that break-even is only reached around FY2025/26, valuation is based on a revenue multiple rather than an EBITDA-based approach. A peer set of U.S. healthcare services and outpatient/primary-care providers implies a median EV/Sales multiple of 1.22x (Appendix 13). To reflect Walgreens' challenges in the segment such as ongoing operating losses, material impairments, and clinic closures, a 40% distress discount is applied to the sector multiple, resulting in an effective EV/Sales multiple of approximately 0.73x. Applied to FY2025 Healthcare revenues of roughly \$9.0bn, this implies an enterprise value of approximately \$6.6bn, which is modelled as the sale proceed in FY2025.

For tax purposes, a detailed gain/loss computation would require asset-level tax basis data, which is not disclosed. However, the scale of historical investment in the Healthcare platform provides a strong indication that a disposal at the implied valuation is unlikely to generate a taxable gain. The combined acquisition cost of the major Healthcare transactions (Summit, VillageMD, Shields, CareCentrix) is approximately \$21.6bn, substantially above the implied disposal enterprise value. Consistent with this, it is assumed, that the divestiture is effectively tax-free (i.e., no incremental cash tax payment is triggered by the sale). As a result, the \$6.6bn

proceeds are treated as after-tax in the financial model. This is conservative insofar as it does not ascribe additional value to any potential tax benefits associated with realizing a loss on disposal.

5.6 Scenario Development

Scenarios are designed to capture a reasonable range of outcomes around the base plan without changing the underlying business model. The optimistic and pessimistic cases are implemented through variations in three operational levers that are both economically meaningful and directly connected to Walgreens' ongoing turnaround: (i) store footprint evolution after the announced program period, (ii) operating cost intensity (COGS/Sales and SG&A/Sales), and (iii) commercial momentum (comparable sales trajectories).

First, the store footprint optimization affects the revenue base through store counts and the costs for Transformational Cost Management. The model treats the c. 1,200 closures already announced under the Transformational Cost Management and Footprint Optimization program as common across scenarios through FY2027. Scenario differentiation is introduced thereafter, reflecting uncertainty over whether the announced program fully rightsized the network or whether structural pressures continue to require further contraction. The optimistic scenario assumes that the post-program footprint is broadly stable, consistent with the view that remaining locations are concentrated in economically attractive catchment areas and can sustain profitability. The pessimistic scenario assumes that competitive and reimbursement pressures persist, requiring continued closures in both the U.S. and International segments during FY2028–FY2030, effectively extending the optimization process beyond the formally announced period.

Second, top-line momentum captures the extent to which WBA can stabilise demand and protect its revenue base during the turnaround. The scenarios therefore vary comparable sales trajectories around the base case. For U.S. Healthcare, which is modelled only through FY2025

prior to the assumed divestiture, scenario variation is applied through segment-specific growth rates to reflect alternative performance paths during the final consolidation period. Across all segments, higher (or lower) near-term growth assumptions are gradually tapered toward the common terminal growth rate by FY2030, ensuring that the scenarios remain economically plausible and do not embed permanent outperformance inconsistent with long-run sector maturity.

Third, operating efficiency and cost execution drive margin recovery. All scenarios begin from the same normalised cost base described in Section 5.2, which reflects sustainable underlying cost ratios and separately modelled restructuring charges. Scenario differences are captured through systematic shifts in operating cost intensity over time, implemented via COGS/Sales and SG&A/Sales. In the optimistic scenario, management is assumed to deliver fully on planned procurement and productivity initiatives and to realise incremental benefits from operating simplification and automation, resulting in a gradual improvement in EBIT margins relative to the base case by FY2030. In the pessimistic scenario, cost inflation and implementation frictions are assumed to offset part of the targeted savings, leading to structurally higher cost ratios and lower end-state margins relative to the base case.

6. Standalone Valuation (Benedikt Bark & Hannes Dreher)

6.1 Methodology & Assumptions (Benedikt Bark)

This section specifies the standalone DCF framework and the core assumptions used to estimate WBA's intrinsic enterprise value as a going concern as of 28 February 2025. It defines the valuation perimeter, FCFF construction, discounting approach, and the EV-equity bridge that is applied consistently across the base case, scenarios, and sensitivities.

Valuation Perimeter and Concept of Value

The analysis is conducted at the level of WBA's consolidated operations and follows the company's reporting segmentation, distinguishing between U.S. Retail Pharmacy,

International, and U.S. Healthcare. In line with the base-case assumption developed in Chapter 5, the model incorporates a divestiture of the U.S. Healthcare segment at the end of FY2025. The segment is therefore fully consolidated in the operating forecast up to the end of FY2025, while the disposal is reflected as a discrete cash inflow in FY2025. From FY2026 onward, only U.S. Retail Pharmacy and International remain within the valuation perimeter. This treatment ensures that the Healthcare segment is valued once - through its disposal proceeds - and is not implicitly captured again through post-disposal cash flows or terminal value.

The valuation aims to estimate enterprise value, defined as the present value of cash flows available to all providers of capital (debt and equity). Enterprise value is subsequently reconciled to equity value by deducting net debt and other non-equity claims and adding the value of material non-operating assets, including equity-method investments where applicable. The valuation date is set to 28 February 2025 and is aligned with the financial statement and capital-structure datapoints used in the model, ensuring that all projected cash flows are discounted back to a consistent reference point and that scenario results remain comparable to the transaction analysis.

DCF framework, FCFF definition and cash flow construction

The standalone valuation is based on a Discounted Cash Flow (“DCF”) approach using Free Cash Flow to the Firm (“FCFF”) discounted at the Weighted Average Cost of Capital (“WACC”). FCFF represents cash available to both debt and equity providers and is constructed directly from the integrated operating model to ensure mechanical consistency between projected financial statements and valuation inputs. Specifically, the model starts from segment-aggregated EBIT for each forecast year, applies cash taxes on operating profit to derive net operating profit (loss) after tax (“NOPLAT”), and then adjusts for non-cash and reinvestment items by adding back depreciation and amortisation, subtracting capital expenditure, and subtracting changes in operating net working capital. The assumed divestiture

of the U.S. Healthcare segment is reflected as a discrete after-tax cash inflow in FY2025; from FY2026 onward, FCFF reflects only the continuing U.S. Retail Pharmacy and International operations.

$$FCFF_t = NOPLAT_t + D\&A_t - Net\ capital\ expenditure_t - \Delta NWC_t (+\ Healthcare\ divestiture\ proceeds\ in\ FY2025) \tag{1}$$

Operating Profit basis and construction of FCFF

The cash-flow forecast used in the standalone valuation is derived directly from the operating model to ensure full consistency between the projected financial statements and the DCF inputs. Specifically, the valuation starts from segment-aggregated EBIT as produced by the operating model for each forecast year. This EBIT is converted into NOPLAT by deducting taxes on operating profit, using the model’s tax schedule and cash-tax logic. Unlevered free cash flow is then constructed by adjusting NOPLAT for non-cash and reinvestment items, namely adding back depreciation and amortization, subtracting capital expenditure, and subtracting changes in net working capital. In addition, the model explicitly incorporates the proceeds from the divestiture of the U.S. Healthcare segment at the end of FY2025 as a discrete cash inflow in FY2025. The resulting series represents Free Cash Flow to the Firm (FCFF), i.e., cash flows available to both debt and equity holders, and forms the basis for discounting under the WACC framework (Appendix 14).

Discount rate, capital structure and terminal value consistency

Projected FCFFs are discounted using WACC, calibrated to reflect the risk profile of WBA’s continuing operations and a steady-state capital structure that is assumed to remain constant throughout the explicit forecast period and into perpetuity. This choice aligns the unlevered FCFF with a blended required return to debt and equity providers. Terminal value is estimated based exclusively on the continuing operations after the Healthcare divestiture and

relies on steady-state assumptions that are coherent with the model’s long-run operating margins, reinvestment needs, and working-capital requirements (Appendix 14).

WACC overview and inputs table

Projected Free Cash Flow to the Firm (FCFF) is discounted using WBA’s Weighted Average Cost of Capital (WACC), which reflects the blended required return of debt and equity providers under a target capital structure. The WACC is defined as:

$$WACC = \frac{E}{D+E} \cdot c_e + \frac{D}{D+E} \cdot c_d \cdot (1 - T) \quad (2)$$

where c_e denotes the cost of equity, c_d the pre-tax cost of debt, T the normalised effective tax rate, and E and D the market values of equity and interest-bearing debt, respectively. In the base case, the WACC is derived from a peer-group based approach and combined with a medium-term target leverage assumption rather than WBA’s temporarily elevated market-implied leverage at the valuation date (Appendix 15).

Cost of equity c_e (CAPM) and beta estimation

The cost of equity is estimated using the Capital Asset Pricing Model (CAPM):

$$c_e = r_f + \beta_L \cdot ERP \quad (3)$$

The risk-free rate r_f is proxied by the yield on 10-year U.S. Treasury bonds at the valuation date; we use 4.22%, corresponding to the end-February 2025 10-year yield reported by Aswath Damodaran. The equity risk premium (ERP) is taken from Damodaran’s implied ERP for the U.S. at the same date (4.35%) (Damodaran 2025) (Appendix 15).

The beta parameter is estimated primarily via a peer un-levering/re-levering procedure to mitigate the influence of firm-specific distortions in WBA’s recent trading history. Two peer sets are constructed to reflect the risk profile of WBA’s continuing operations: a U.S. Pharmacy & Retail peer group (“core peer group”, consisting of CVS Health, Walmart, Kroger) and an

International peer group (Galenica, Uniphar, EBOS Group, Sigma Healthcare). For each peer we estimate a levered beta from a market-model regression, then unlever it via

$$\beta_U = \frac{\beta_L}{1+(1-T)*D/E} \quad (4)$$

We take the median unlevered beta for each peer group and combine them using FY2024 segment sales weights ($\approx 83\%$ U.S. Retail Pharmacy, $\approx 17\%$ International) to obtain a revenue-weighted firm-wide unlevered beta of 0.53. This is then re-levered at WBA’s target capital structure (debt-to-equity ratio 0.50x, corresponding to 33.3% debt and 66.7% equity of total capital), yielding a peer-based levered beta of 0.73 (Appendix 15). In the beta un-levering, a debt beta of zero ($\beta_D = 0$) is assumed. This is a standard simplification in corporate-finance applications when firms have investment-grade credit quality. The core peers in our sample are rated in the BBB (CVS Health and The Kroger Co.) – AA (Walmart Inc.) range (CVS Health 2025, S&P Global Ratings 2025, Walmart Inc. 2025). All core peers have investment-grade rating. Therefore, we can assume risk-free debt for Walgreens industry. Importantly, this assumption is used only to estimate the industry asset beta and is not applied to Walgreens’ own cost of capital. Given WBA’s higher leverage and below-investment-grade rating (Ba3/BB-), its cost of debt is set to reflect meaningful credit risk, which is included in the c_d calculation for Walgreens.

With $r_f = 4.22\%$, $ERP = 4.35\%$ and $\beta_L = 0.73$, the cost of equity is:

$$c_e = r_f + \beta_L * ERP = 4,22\% + 0.73 * 4.35\% = 7.39\% \quad (5)$$

In addition to the peer-based beta, WBA’s levered beta is estimated directly from historical returns by regressing WBA’s excess returns on the S&P 500 using (i) two-year daily returns and (ii) five-year weekly returns. The resulting levered betas are 0.48 and 0.69, implying a median historical beta of 0.59. This historical estimate is broadly in line with the peer-based beta used in the base case, providing a useful reasonableness check. However, because WBA’s

recent trading history reflects structural breaks and idiosyncratic events (including the healthcare expansion, subsequent impairments, and balance-sheet related developments), the historical beta is not used as the primary input for WACC calibration (Appendix 15).

Cost of debt (c_d):

Walgreens Boots Alliance is rated below investment grade (Moody's **Ba3**; S&P **BB-** as of January 2025) (Walgreens Boots Alliance, Inc. 2025), implying meaningful credit risk that needs to be reflected in the debt pricing assumptions used in the WACC.

The pre-tax cost of debt is derived from a rating-based approach. We start from the 10-year U.S. Treasury yield of 4.22% as the risk-free rate (end-February 2025) and add a credit spread of 2.22% corresponding to Ba3/BB- rated issuers, based on Damodaran's "Ratings, Spreads and Interest Coverage Ratios" dataset for U.S. non-financial companies (Damodaran 2025). This implies a promised yield on Walgreens Boots Alliance's debt of 6.44%. Since Walgreens is rated below investment grade, this promised yield is adjusted for expected default losses. To convert this promised yield into an expected cost of debt, an expected credit loss is deducted, approximated as $PD \times LGD$, where PD denotes the one-year probability of default for issuers with a comparable rating and LGD the fractional loss conditional on default (i.e., $1 - \text{recovery rate}$). The one-year default probability is set to 0.56% based on S&P's long-run average one-year default rate for BB issuers (S&P Global ratings 2025). WBA's senior unsecured debt carries a S&P recovery rating of '4' (S&P Global ratings 2025), which corresponds to an expectation of average recovery (30%–50%) in default. Using an average recovery assumption of 40% implies an LGD of 60% and an expected annual loss component of approximately 0.34 percentage points, yielding an expected pre-tax cost of debt of 6.10%. Applying a normalised effective tax rate of 25% results in an after-tax cost of debt of 4.58% (Appendix 15).

Capital Structure Weights

The WACC is calibrated using a forward-looking target capital structure rather than the spot leverage implied by market conditions at the valuation date. As of 28 February 2025, WBA’s observed leverage - measured as book value of debt divided by market value of equity – is $D/E = 0.86x$, reflecting in part the depressed equity valuation at the time. For valuation purposes, the base case applies a target D/E of $0.50x$, which is consistent with WBA’s average leverage ratio since FY2020 ($0.48x$) and modestly above the average leverage of core peers (CVS, Walmart, and Kroger; $0.35x$). This target capital structure implies capital weights of 33.3% debt and 66.7% equity, which are applied consistently both in relevering the peer-derived asset beta and in the WACC calculation (Appendix 15).

Terminal value and growth rate g

Cash flows are forecast explicitly through FY2030. Beyond the explicit horizon, a terminal value captures the present value of all subsequent cash flows from the continuing operations (i.e., excluding the U.S. Healthcare segment following its assumed divestiture at the end of FY2025). In the base case, terminal value is estimated using the Gordon growth formula:

$$TV_{2030} = \frac{FCFF_{2031}}{WACC - g} \quad (6)$$

where $FCFF_{2031}$ is the first post-horizon free cash flow and g the long-run nominal growth rate. The terminal growth rate is set to $g = 1.0\%$ in nominal terms. This choice is deliberately conservative and is guided by two standard constraints used in DCF practice. First, the stable growth rate should not exceed the long-run growth rate of the economy, and a commonly used rule of thumb is that it should not be higher than the risk-free rate applied in the valuation, because over long horizons nominal risk-free rates tend to converge toward nominal economic growth (Damodaran 2025). Second, long-run macro benchmarks for the United States suggest substantially higher nominal economy-wide growth than 1%: the Federal Reserve’s longer-run inflation objective is 2%, and the Congressional Budget Office projects real potential GDP

growth of about 1.7% per year over the next 30 years, implying nominal trend growth in the range of roughly 3-4% when combined (Congressional Budget Office 2025). Against this backdrop, a 1% terminal growth rate embeds the assumption that WBA’s continuing operations (post Healthcare divestiture) grow below inflation in the long run, i.e., that real FCFF growth is approximately flat to slightly negative. This is consistent with a mature, highly competitive retail pharmacy model facing structurally limited pricing power and ongoing reimbursement and cost pressures, and it provides a conservative anchor that reduces the risk of terminal value overstating intrinsic value. The implied terminal EBITDA multiple of 11.8x is in line with the average sales-weighted forward peer group EBITDA trading multiple of 11.2x. Combining these inputs results in a base-case WACC of 6.45%, which is applied uniformly to discount FCFF across the base and optimistic and pessimistic scenarios.

As a robustness check, terminal value is also estimated using an exit-multiple approach by applying a sector-consistent EV/EBITDA multiple to the forecasted FY2030 EBITDA:

$$TV_{2030} = EBITDA_{2030} * Exit\ Multiple \quad (7)$$

The exit multiple is based on the sales-weighted median forward EV/EBITDA multiples of trading ranges of the peer groups used in the beta analysis. The Gordon growth method is used as the primary terminal value approach, while the exit-multiple estimate is reported as a cross-check and also included in the sensitivity analysis.

In Section 6.4, the WACC and g are varied to assess the sensitivity of the valuation to alternative cost-of-capital and terminal-growth assumptions.

6.2 Standalone Valuation of WBA (Base Case) (Benedikt Bark)

The base case values WBA as a going concern that executes the currently announced strategy, without assuming additional break-up measures or further large-scale acquisitions beyond the initiatives already communicated. The operating inputs on revenues, margins,

capital expenditure and working capital are taken directly from the integrated segment-level operating model developed in Section 5. The valuation perimeter and Healthcare divestiture treatment follow Section 6.1.1. The valuation is conducted as an enterprise DCF and discounts Free Cash Flow to the Firm (FCFF) back to the valuation date of 28 February 2025 using the base-case WACC of 6.45%.

Base-case financial trajectory

The projections imply a broadly stable top line with modest growth over the explicit forecast horizon. Consolidated revenues increase from \$147.7bn in FY2024 to \$156.4bn in FY2025, followed by a temporary step-down to \$153.1bn in FY2026 driven by the assumed disposal of the U.S. Healthcare segment. Thereafter, revenues recover gradually and reach \$162.2bn by FY2030, reflecting modest growth in the continuing U.S. and International businesses.

Profitability improves from the depressed FY2024 level as the model benefits from a more efficient footprint, cost discipline and the removal of structurally loss-making Healthcare operations after the sale. EBITDA increases from \$2.4bn (FY2024) to \$4.4bn (FY2030), with the EBITDA margin rising towards approximately 3% by the end of the explicit forecast period. EBIT moves from a small loss in FY2024 to a sustained positive level from FY2026 onward, reaching \$3.2bn in FY2030.

Free cash flow profile and terminal value

Free Cash Flow to the Firm (FCFF) is derived mechanically from the operating model's EBIT and tax schedules, adding back depreciation and amortization and deducting capital expenditure and changes in net working capital. The resulting FCFF profile is shaped by two distinct phases. In FY2025, FCFF is temporarily elevated due to the after-tax proceeds from the U.S. Healthcare divestiture (\$6.6bn), resulting in FCFF of \$6.9bn despite still-negative NOPLAT in that year (Appendix 16). From FY2026 onward, FCFF normalises and stabilises

in the \$2.7–2.9bn range as profitability recovers and reinvestment intensity declines. By FY2030, FCFE reaches \$2.86bn, with the terminal-year cash flow set at \$2.89bn.

In the base case, terminal value is estimated at the end of FY2030 using the Gordon growth model with a conservative long-run nominal growth rate of 1% and the WACC of 6.45%. This implies a perpetuity factor of 18.35x and a terminal value of \$53.0bn, of which \$37.5bn is the present value at the valuation date (Appendix 17). Discounting the explicit-period cash flows (FY2025–FY2030) and the terminal value yields an enterprise value of \$55.7bn.

Enterprise and Equity value implications

To translate enterprise value into equity value attributable to WBA shareholders, the analysis uses the balance sheet as of Q2 FY2025 (28 February 2025) and an explicit EV–equity bridge (Appendix 18). Starting from the base-case enterprise value of \$55.7bn (perpetuity-growth approach), equity value is derived by deducting net debt and other non-equity claims.

Net debt is defined as interest-bearing debt and finance leases less cash-like items:

- Total Financial debt (short- and long-term borrowings): \$8.0bn,
- Finance lease liabilities: \$1.1bn,
- Less: cash and cash equivalents
- Less: marketable securities: \$0.4bn

This implies net debt of \$8.0bn. In addition to net debt, the bridge deducts balance-sheet items that represent claims senior to common equity but are not included in net debt:

- Accrued litigation obligations: \$5.8bn
- Redeemable non-controlling interest: \$0.1bn

After these adjustments, the implied base-case equity value is **\$41.8bn**, corresponding to an intrinsic value of **\$48.41 per share** based on **864m** diluted shares outstanding (Appendix 18).

This base-case standalone valuation provides the reference point for the subsequent discussion of alternative outcomes. It serves as the anchor for (i) the optimistic and pessimistic

standalone scenarios and (ii) the sensitivity analysis of key valuation parameters in the following sections.

6.3 Standalone Valuation Under Alternative Operating Scenarios (Benedikt Bark)

To reflect execution uncertainty around the turnaround, we extend the standalone DCF to optimistic and pessimistic operating scenarios. Scenario design follows the three operational levers defined in Section 5.6 (footprint, commercial momentum, and cost intensity), while all valuation mechanics remain unchanged (Section 6.1). To isolate drivers, we report both one-at-a-time lever shifts and the fully combined scenarios.

The one-at-a-time results indicate that the valuation is most sensitive to cost execution, followed by store footprint, while revenue momentum has a smaller but still material effect. Relative to the base-case intrinsic value of \$48.41 per share, the optimistic one-at-a-time shocks imply uplifts of +\$7.56 (store), +\$2.21 (revenue), and +\$17.97 (cost). The corresponding pessimistic shocks imply downside impacts of -\$7.56, -\$2.50, and -\$18.68, respectively (Appendix 19). The economic interpretation is consistent with the business model: improvements (or deterioration) in cost intensity and operating margins have a high flow-through to FCFF and, via the terminal value, disproportionately influence equity value. The footprint lever affects value not only through the revenue base (store count) but also through costs, as the store-closure path mechanically drives Transformational Cost Management and Footprint Optimization charges in the operating model. By contrast, variations in revenue growth - while directionally important - translate into comparatively smaller valuation swings given the mature profile of the continuing operations and the convergence of growth assumptions to the terminal rate.

Applying the three levers jointly, the combined optimistic scenario yields an implied value of \$77.39 per share (+\$28.98 versus base) (Appendix 20), while the combined pessimistic scenario implies \$20.92 per share (-\$27.49 versus base) (Appendix 21). The waterfall

decomposition highlights that the combined results are not strictly equal to the sum of isolated one-at-a-time effects, reflecting interaction terms between levers. In particular, cost-ratio changes are applied to a revenue base that is itself affected by the footprint and revenue assumptions, and terminal value responds non-linearly to the level of steady-state FCFF. In the optimistic case, the interaction term contributes +\$1.25 per share; in the pessimistic case, it contributes +\$1.26 per share (Appendix 20 & 21). These interactions are economically intuitive and indicate that the levers partly offset one another in the downside case (e.g., lower sales reduce the absolute dollar impact of percentage-based cost pressures), while reinforcing one another in the upside case through stronger operating leverage.

Taken together, the optimistic and pessimistic scenarios provide an internally consistent range of standalone values around the base case and clarify which turnaround levers matter most for intrinsic value. This valuation corridor serves as the benchmark for the subsequent discussion of strategic alternatives and is used to assess the attractiveness of the take-private proposal relative to both a conservative downside outcome and a more successful standalone recovery path.

6.4 Sensitivity Analysis (Benedikt Bark)

This section tests the robustness of the standalone DCF by varying the assumptions with the greatest influence on equity value around the base-case implied share price of \$48.41 (WACC 6.41%, perpetual growth $g = 1.00\%$). The sensitivities focus on (i) discounting (WACC), (ii) terminal value parameters (g and, as a cross-check, the exit multiple), and (iii) operating performance (revenue scale and profitability).

Operating sensitivities are implemented as deltas to the base operating path from the integrated model rather than as a flat margin override. Revenue is tested via a level shift ($\pm 2\%$ applied to the revenue trajectory) and profitability via an EBITDA margin delta (± 50 bps applied to the existing margin path). To reflect gradual implementation, both operating deltas

are phased in using a weighting profile of 0% (FY2025), 25% (FY2026), 50% (FY2027), 75% (FY2028), and 100% from FY2029 onward (including the terminal year).

One-way sensitivities

The results indicate that equity value is most sensitive to profitability, followed by WACC, then terminal growth, with revenue scale having the smallest effect. A ± 50 bps change in EBITDA margin shifts the implied share price from \$37.13 to \$59.69 (i.e., $-\$11.28 / +\11.28 versus base), reflecting high operating leverage and the effect of margin changes on terminal-year FCFF. Varying WACC by ± 50 bps (5.95%–6.95%) moves value from \$54.29 to \$43.51 ($+\$5.88 / -\4.90 versus base), consistent with the convex impact of discounting on long-duration cash flows. Increasing (decreasing) g by 50 bps (0.50%–1.50%) changes value from \$44.56 to \$53.04 ($-\$3.85 / +\4.63 versus base). Finally, a $\pm 2\%$ revenue level shift results in a comparatively modest change to \$47.18–\$49.64 ($\pm \$1.23$).

Two-way sensitivities and valuation range

WACC \times perpetual growth (g): The WACC– g matrix (Appendix 22) illustrates the combined effect of discounting and terminal growth assumptions. Across the grid, implied value ranges from \$40.33 (WACC 6.95%, g 0.50%) to \$60.08 (WACC 5.95%, g 1.50%), with the base case at \$48.41.

WACC \times exit multiple (terminal value cross-check): As a market-based cross-check, applying a range of terminal EV/EBITDA multiples produces implied values from \$37.68 (9.2 \times , WACC 6.95%) to \$54.36 (13.2 \times , WACC 5.95%) (Appendix 22). While not the primary terminal method, the results reinforce that valuation outcomes remain strongly conditioned on terminal assumptions and required returns.

Revenue \times EBITDA margin (operating execution): The operating matrix (Appendix 22) confirms that margin recovery dominates operating value creation. At the base margin path, a $\pm 2\%$ revenue shift moves value only modestly (approximately $\pm \$1.23$), whereas a ± 50 bps

margin delta drives a substantially wider dispersion (from \$37.13 to \$59.69), reflecting high flow-through of profitability into FCFF and terminal value (Appendix 22).

Implications

Overall, the DCF is relatively robust to moderate top-line variation but highly sensitive to (i) the pace and durability of margin recovery and (ii) the discount rate and terminal-value assumptions. Accordingly, the credibility of the base-case equity value depends primarily on the deliverability of sustained cost and margin improvements and on whether capital markets continue to price WBA's risk and long-run growth broadly in line with the base-case WACC and g .

6.5 Implied Valuation Range and Managements "minimum acceptable price" (Benedikt Bark)

The standalone DCF outputs define an internally consistent valuation corridor that can be used to frame a negotiation range and a management "minimum acceptable price." In the base case, the implied intrinsic equity value is \$48.41 per share, reflecting the "business-as-planned" turnaround path, the assumed divestiture of U.S. Healthcare at end-FY2025, and a conservative terminal growth rate of 1.0% discounted at a WACC of 6.45%. Scenario analysis expands this point estimate into a wider intrinsic range: the combined optimistic case implies \$77.39 per share, while the combined pessimistic case implies \$20.92 per share. The resulting corridor highlights that intrinsic value is primarily driven by the degree and durability of cost and margin recovery, with revenue variation contributing a comparatively smaller share of valuation dispersion. Relative to WBA's actual share price of \$10.68 on 28 February 2025, even the pessimistic intrinsic value implies a substantial uplift, underscoring the extent to which the market price at that date reflected distress and elevated uncertainty.

A management "minimum acceptable price" can be defined as the lowest offer level at which accepting a take-private proposal becomes economically preferable to continuing under the standalone plan. Mechanically, the base-case intrinsic value provides a central reference

point; however, management typically does not set a negotiation floor equal to the central case, because doing so would transfer essentially all upside from execution to the buyer without compensation. Instead, a defensible minimum price should reflect (i) the probability-weighted risk that the turnaround underdelivers, (ii) constraints from leverage and fixed obligations that can limit strategic flexibility, and (iii) the opportunity cost of foregoing the option value embedded in a multi-year recovery.

In WBA's case, these considerations are non-trivial: the business remains exposed to reimbursement pressure and operating cost inflation, and balance-sheet and litigation-related obligations reduce tolerance for prolonged underperformance. These factors justify a risk haircut to the base-case intrinsic value when translating it into a practical negotiation floor. At the same time, a floor anchored too close to the pessimistic scenario would implicitly treat the company as if a materially adverse operating path were the most likely outcome, which would be inconsistent with a "business-as-planned" base case and with management's stated restructuring agenda. Accordingly, a reasonable minimum acceptable price is best framed within the lower half of the intrinsic corridor—above the pessimistic case but below the base case—so that shareholders are compensated for giving up expected recovery value while still acknowledging execution and market risk. As a practical anchor, a minimum acceptable price in the low-to-mid \$40s per share (e.g., \$40 per share as a defensible floor) can be justified as (i) meaningfully above the pessimistic intrinsic value (\$20.92), (ii) a material discount to the base-case intrinsic value (\$48.41) that reflects uncertainty and constraints, and (iii) still leaving the acquirer upside if operational delivery trends toward the optimistic trajectory (\$77.39). Offers below this level would not compensate shareholders for the expected value of the standalone plan, whereas offers at or above this threshold begin to justify transferring remaining turnaround optionality to a buyer.

At the same time, the DCF outcomes are subject to material modelling uncertainty - most notably the assumed sale of the U.S. Healthcare segment, which both generates a discrete cash inflow and mechanically lifts post-FY2025 margins by removing loss-making operations. A useful extension for further research would be to evaluate a counterfactual case in which WBA retains U.S. Healthcare (or divests it later/partially), to assess how intrinsic value and the implied negotiation floor change under an alternative perimeter and margin trajectory.

7. Sycamore Partners as a Potential Sponsor (Group Part)

The standalone valuation developed in the previous chapter provides an estimate of WBA's intrinsic value under continued public ownership and management-led restructuring, as well as an external benchmark derived from the trading and transaction multiples. While this analysis establishes a necessary benchmark, it does not capture how alternative ownership structures could affect both value realisation and strategic execution. As of the valuation date of 28 February 2025, Walgreens Boots Alliance was engaged in preliminary discussions with Sycamore Partners regarding a potential take-private transaction and had received an indicative, non-binding proposal earlier in February, as reported by the financial press (Reuters 2025; Fox Business 2025). The existence of a named counterparty frames the analysis. Rather than evaluating a hypothetical sponsor, the following chapter examines Sycamore Partners as the relevant reference case to assess whether a private-equity-led transaction could be feasible and compatible with Walgreens Boots Alliance's ownership structure and strategic constraints.

Sycamore Partners is a private equity firm specializing in retail and consumer investments, with a focus on complex turnarounds and underperforming businesses (*Fox Business 2025*). This strategy is particularly relevant in the context of Walgreens Boots Alliance, whose management-led restructuring was still ongoing as of the valuation date.

Portfolio Examples and Value Creation Playbook

Sycamore's investment logic can be illustrated through selected portfolio companies.

Belk - *Department store chain*. Sycamore acquired Belk in 2015 for approximately \$3bn (Schaneman 2021). The investment thesis initially relied on real estate monetization through sale-leaseback transactions (Schaneman 2021). As operating conditions deteriorated, Sycamore shifted toward a faster restructuring path. In early 2021, Belk entered a pre-packaged Chapter 11 process that eliminated \$450m of debt and injected \$225m of new capital, while allowing Sycamore to retain control (Harrison 2021).

Nine West Holdings - *Specialty apparel/footwear portfolio*. Sycamore acquired The Jones Group, parent of Nine West, for \$2.2bn in 2014 (Dawson 2018). The firm pursued an aggressive carve-out strategy, while leaving the core Nine West business with a high debt burden. In 2018, Nine West filed for Chapter 11 bankruptcy, during which its intellectual property assets were sold to Authentic Brands Group for approximately \$350m (Dawson 2018). This transaction exemplifies a value-extraction approach in which Sycamore prioritised early monetisation of the most valuable assets, with residual business risk largely transferred to creditors.

Ascena Retail Group - *Women's apparel brands*. Following Ascena's bankruptcy in 2020, Sycamore acquired several of its key brands, for approximately \$540m (Hanbury 2020). Rather than treating these brands as standalone assets, Sycamore subsequently consolidated them within a single holding structure, KnitWell Group (Cole 2023).

Staples - *Office supplies retail and B2B distributor*. Sycamore's \$6.9bn leveraged buyout of Staples in 2017 (Mint 2019). The investment strategy is centered on separating the profitable B2B distribution business from the declining retail operations, while significantly increasing leverage at the operating level. Sycamore implemented extensive cost-cutting measures and store closures (Rodriguez 2025). In 2019, a major debt refinancing enabled a \$1bn dividend recapitalization, allowing Sycamore to recover a substantial portion of its invested equity (Mint 2019). While the transaction generated high near-term returns, it also materially increased the company's financial risk profile.

Across Sycamore's retail investments, value creation follows a consistent logic rather than a fixed operational blueprint. The firm typically targets assets acquired at depressed valuation multiples. Underperforming stores, brands or product lines are reduced or eliminated to refocus the business on its most viable segments. Beyond operational restructuring, Sycamore frequently pursues value realization through selective asset monetization and portfolio reconfiguration, including carve-outs of non-core activities, platform creation across related brands, and opportunistic exits once value has been crystallized.

Rather than adhering to a predefined holding period, Sycamore adapts its exit timing to market conditions and restructuring outcomes, including debt restructurings where necessary. Taken together, Sycamore's playbook is best characterized as restructuring-led value creation combined with opportunistic monetization, a model that has generated both successful turnarounds and contested outcomes across its retail portfolio.

Financial Structuring Style

Sycamore Partners typically employs highly leveraged capital structures in its buyouts (Mint 2019). This approach magnifies equity returns when operating cash flows stabilise but materially increases financial risk. Sycamore contributes a limited equity portion and relies heavily on debt financing, later refinancing the capital structure to enable a substantial dividend recapitalisation (Mint 2019). The company makes extensive use of asset-based financing and post-acquisition monetisation. Tangible assets such as real estate and inventory are frequently leveraged to generate liquidity through sale-leaseback structures (Schaneman 2021). While these techniques support early cash extraction and investment flexibility, they have also attracted scrutiny from creditors in certain cases, notably Nine West (Dawson 2018). Sycamore's financial structuring reflects a deliberate trade-off between accelerated equity returns and elevated balance-sheet risk, a feature that becomes central when assessing the feasibility and implications of a leveraged buyout in the Walgreens Boots Alliance case.

The evidence from Sycamore’s prior retail investments suggests that value creation is driven as much by financial structuring and balance-sheet optimisation as by operational restructuring. This makes the analysis of a leveraged buyout structure central to assessing the feasibility and implications of a potential take-private of Walgreens Boots Alliance.

10. Integrated Valuation Synthesis & Deal Triangulation (Group Part)

This chapter consolidates the valuation outputs into an integrated assessment of Sycamore Partners’ proposed take-private of Walgreens Boots Alliance as of 28 February 2025. The analysis triangulates intrinsic valuation outcomes (DCF and APV), market-based benchmarks (trading and transaction multiples), and sponsor feasibility constraints derived from the LBO analysis. The objective is to assess whether the offer is appropriate relative to the standalone path and the financial capacity of a private equity sponsor.

As of the valuation date, Walgreens Boots Alliance traded at a market price of \$10.68 per share. Sycamore’s indicative proposal, communicated on 12 February 2025, offered \$11.45 per share in cash at closing, alongside a contingent Divested Asset Proceeds (DAP) Right entitling shareholders to up to \$3.00 per share, linked to 70% of the net proceeds from a potential future sale of VillageMD and related assets (Walgreens Boots Alliance, Inc. 2025). While the maximum headline consideration amounts to \$14.45 per share, only the cash component is certain at closing, whereas the DAP Right is contingent on both execution and timing and should therefore be assessed on an expected-value basis rather than as guaranteed consideration.

10.1 Integrated Valuation Results and Interpretation

The intrinsic valuation methods indicate equity values materially above both the prevailing market price and the guaranteed cash consideration offered in the take-private proposal. The standalone base-case DCF yields an enterprise value of \$55.7bn and an equity value of \$41.8bn after accounting for \$13.8bn of bridge items, corresponding to an implied share price of \$48.41 based on 864m shares outstanding. The APV analysis produces implied share prices of \$18.60

in the pessimistic case, \$43.86 in the base case, and \$78.83 in the optimistic scenario, broadly reinforcing the DCF signal while explicitly capturing the value impact of leverage. Importantly, the comparison between DCF and APV highlights a key structural result: for a given set of assumptions, the introduction of a leveraged capital structure reduces equity value compared to the DCF valuation. This implies that, from a financial perspective, the leveraged take-private structure destroys value for existing shareholders compared to the standalone scenario, despite remaining feasible from a financing standpoint. The divergence between intrinsic valuations and contemporaneous market price reflects both the inclusion of the Healthcare divestiture in the valuation framework and the market's pricing of execution risk, governance constraints, and uncertainty surrounding the restructuring path as of the valuation date.

The transaction multiple analysis implies equity values of \$22.12 per share at the first quartile, \$23.97 at the median, and \$36.58 at the third quartile of observed EV/EBITDA multiples. While these benchmarks are not directly comparable to Walgreens Boots Alliance, given differences in asset mix, timing, and deal structure, they suggest that control transactions in the reference set typically price above the guaranteed consideration offered in the proposal. EV/EBITDA trading multiples for WBA on a standalone basis provide an implied share price range from \$8.20 to \$25.74 with a median of \$9.23. This implies a more conservative valuation than the SOTP trading multiples valuation, which ranges from \$24.25 to \$51.45 (median of \$28.73), and the intrinsic valuation methods. The discrepancy to SOTP valuation results can be attributed to conglomerate discounts and to the fact that a uniform multiple applies a uniform valuation to business segments with different characteristics. The difference to intrinsic valuations might arise from the fact that, recovery and restructuring benefits cannot be fully reflected in multiples valuations, as it is based on current performance. Also, due to depressed earnings, the Healthcare segment currently contributes little to the EBITDA multiples valuation, while also not reflecting the cash flow of a potential future sale of the segment.

Hence, while the multiples valuation provides a relevant benchmark, they should be treated with caution due to the mentioned limitations.

Sponsor feasibility provides a further, conceptually distinct reference point. The LBO analysis indicates that, under the operating and financing assumptions described in Chapter 8, Sycamore Partners could sustain a maximum entry price of approximately \$19.10 per share while still achieving a 25% target IRR. This figure does not represent an assessment of intrinsic value, but rather an upper bound on sponsor affordability conditional on leverage, exit assumptions, and return requirements. The gap between this affordability constraint and intrinsic valuation outcomes underscores the tension between value creation at the firm level and value distribution across stakeholders under leveraged ownership.

10.2 Offer Assessment and Implications

Relative to the market price of \$10.68, the \$11.45 cash offer represents a modest premium of approximately 7.2%. Relative to intrinsic valuation outcomes, however, the gap is substantial. The guaranteed cash consideration is approximately 76% below the DCF base-case value of \$48.41 per share and approximately 74% below the APV base-case value of \$43.86. Even when the maximum potential DAP Right payout is included, the headline value of \$14.45 per share remains materially below both intrinsic valuation benchmarks and even below the APV pessimistic outcome of \$18.60 per share.

When compared with sponsor feasibility, the guaranteed cash offer is also significantly below the maximum entry price implied by the LBO analysis. At \$11.45 per share, the proposal sits approximately 40% below the sponsor's affordability ceiling of \$19.10, while the maximum headline value including the contingent component remains roughly 24% below this level. This comparison highlights that the pricing of the proposal reflects bargaining dynamics and risk allocation rather than financial constraints on the sponsor's side.

Taken together, the triangulation reveals a fundamental tension. Intrinsic valuation methods suggest that the leveraged structure required for a take-private would reduce value relative to the standalone case, implying value destruction for existing shareholders under a purely financial perspective. At the same time, the transaction remains feasible for the sponsor, with an affordability ceiling well above the guaranteed consideration offered. This divergence indicates that the acceptability of the transaction cannot be assessed on valuation grounds alone, but instead depends on governance structure, incentive alignment, risk preferences, and control considerations. These dimensions are examined in the following chapter.

11. Management Incentives and Strategic Decision Assessment (Group Part)

The assessment of Sycamore Partners' take-private proposal must be framed from the perspective prevailing as of 28 February 2025. At that date, the central issue was not whether the transaction maximised intrinsic value under a valuation model, but whether it represented an acceptable outcome for those effectively responsible for the decision. Accordingly, the conclusions drawn from the financial analyses should be interpreted considering the company's ownership structure and governance constraints at the valuation date.

11.1 Financial Evidence and Shareholder Value

As shown in Chapter 10, both the DCF and APV analysis imply equity values materially above the guaranteed cash consideration offered by Sycamore Partners. This result indicates that, under the operating assumptions adopted in the analysis, the transaction would destroy value for shareholders when compared with continued public ownership and management-led restructuring. Importantly, this conclusion holds even though the transaction remains financially feasible for the sponsor, as evidenced by the LBO analysis in Chapter 8. The tension therefore lies between shareholder value as implied by intrinsic valuation and the incentives of a controlling shareholder able to retain ownership and influence.

11.2 Governance and Incentive Alignment

The relevance of this tension becomes clearer once the ownership structure of Walgreens Boots Alliance is considered. As discussed in Chapter 4, Stefano Pessina - through personal and family trust holdings - remains the largest shareholder and Executive Chairman of the Board with a share of 17.1% (SEC 2025). While other institutional investors held meaningful but minority stakes prior to privatization, none matched the strategic influence of Stefano Pessina. In such a setting, strategic decisions are shaped by the preferences and horizon of the controlling shareholder, rather than by the aggregation of dispersed minority interests.

A central feature of the proposed transaction is the full rollover of Stefano Pessina's equity stake into the post-transaction entity. Under the assumptions adopted in the LBO framework, this rollover results in an increased ownership percentage relative to his pre-transaction stake, increasing his effective equity exposure to the company's future performance to approximately 22% under the LBO assumptions. This alters incentives. While minority shareholders receive a fixed cash consideration and exit the investment, the rolling shareholder retains long-term upside and control under private ownership. In this context, outcomes that appear value-destructive from the perspective of non-rolling shareholders may remain economically rational for a controlling owner with long-term exposure and decision authority.

Beyond valuation metrics, operating outside public markets reduces short-term reporting pressure and allows for greater flexibility in executing restructuring measures that may be disruptive in the near term. In the case of Walgreens Boots Alliance, this flexibility is particularly relevant given the scale of portfolio simplification, asset divestitures, and organisational changes required. While such benefits do not constitute intrinsic value creation per se, they represent strategic optionality that may be valued by a controlling shareholder but remain difficult to quantify within DCF or APV frameworks.

Taken together, the analysis shows that the take-private proposal cannot be justified based on shareholder value maximisation alone. Instead, its acceptability reflects a broader decision

framework shaped by ownership concentration, incentive alignment, and strategic considerations. From an ex-ante perspective, the transaction is therefore best interpreted as a governance outcome rather than a valuation outcome. The financial analysis highlights value destruction relative to the stand-alone case, yet the deal remains rational for those who ultimately decide, given their ability to retain upside, exercise control, and operate outside public market constraints.

The following chapter briefly examines how the transaction ultimately unfolded in practice, placing the ex-ante analysis in context without revising the conclusions reached above.

12. Post-Deal Implications & Strategic Outlook (Group Part)

This chapter does not aim to re-evaluate the transaction ex-post, but to contrast the ex-ante analysis with the deal outcome to contextualize the strategic response of management under a concentrated ownership structure. It shows how a transaction that appears value-destructive under intrinsic valuation frameworks can nevertheless occur when decision-making power is concentrated and incentives are asymmetric across shareholders. The discussion therefore focuses on governance and incentive dynamics, rather than on reassessing intrinsic value.

On August 28th, 2025, Sycamore Partners announced the completion of its acquisition of Walgreens Boots Alliance. Sycamore partnered with Stefano Pessina and his family, who reinvested 100% of their interests. Following the completion of the transaction WBA's common stock was delisted from the Nasdaq on August 29th, 2025. The actual transaction comprises a cash consideration of \$11.45 per WBA share and a non-transferable right to potentially receive up to \$3 in cash per WBA share from the proceeds of the future sale of debt and equity interests in Village MD, which also comprises Village Medical, Summit Health and CityMD businesses. Following completion, Walgreens Boots Alliance was reorganized into five separate private operating entities: Walgreens Co., The Boots Group, Shields Health Solutions, CareCentrix and VillageMD (Walgreens Boots Alliance 2025). This post-transaction structure differs materially

from the ex-ante framework adopted in the LBO analysis, which modelled the divestiture of the Healthcare segment as a single asset disposal within an otherwise integrated group.

In practice, private ownership enabled a broader and more granular separation of business units, with each entity assigned a distinct governance and operating perimeter. This outcome reflects a restructuring approach that goes beyond the minimum asset monetization assumed in the management-led scenario, favoring sharper strategic focus and independent capital allocation across businesses. While this realized structure does not invalidate the ex-ante analysis, it highlights that the take-private facilitated a broader reconfiguration of the group than could be credibly assumed based on the information available at the valuation date.

The realised transaction therefore reinforces the central conclusion of the ex-ante analysis rather than opposing it. While the financial valuation frameworks indicate that the take-private did not maximise shareholder value relative to the stand-alone path, the outcome illustrates how governance and incentive structures can dominate valuation considerations in practice.

Two elements are particularly instructive. First, the broader asset separation implemented under private ownership differs from the divestiture assumed in the LBO case, underscoring how changes in control can expand the feasible restructuring set without altering the underlying economics assessed ex-ante. Second, the full rollover of Stefano Pessina's stake and the resulting increase in his effective economic exposure and control materially shift the decision dynamic. Relative to minority shareholders exiting at a fixed price, the controlling shareholder retains long-term upside and strategic authority across the private entities.

As a result, a transaction that appears value-destructive for non-rolling shareholders under intrinsic valuation frameworks may remain rational for those who retain ownership, control, and flexibility under private governance. The post-deal outcome thus highlights that the acceptance of the take-private reflects a governance-driven resolution of the strategic dilemma identified earlier, rather than a reassessment of intrinsic value.

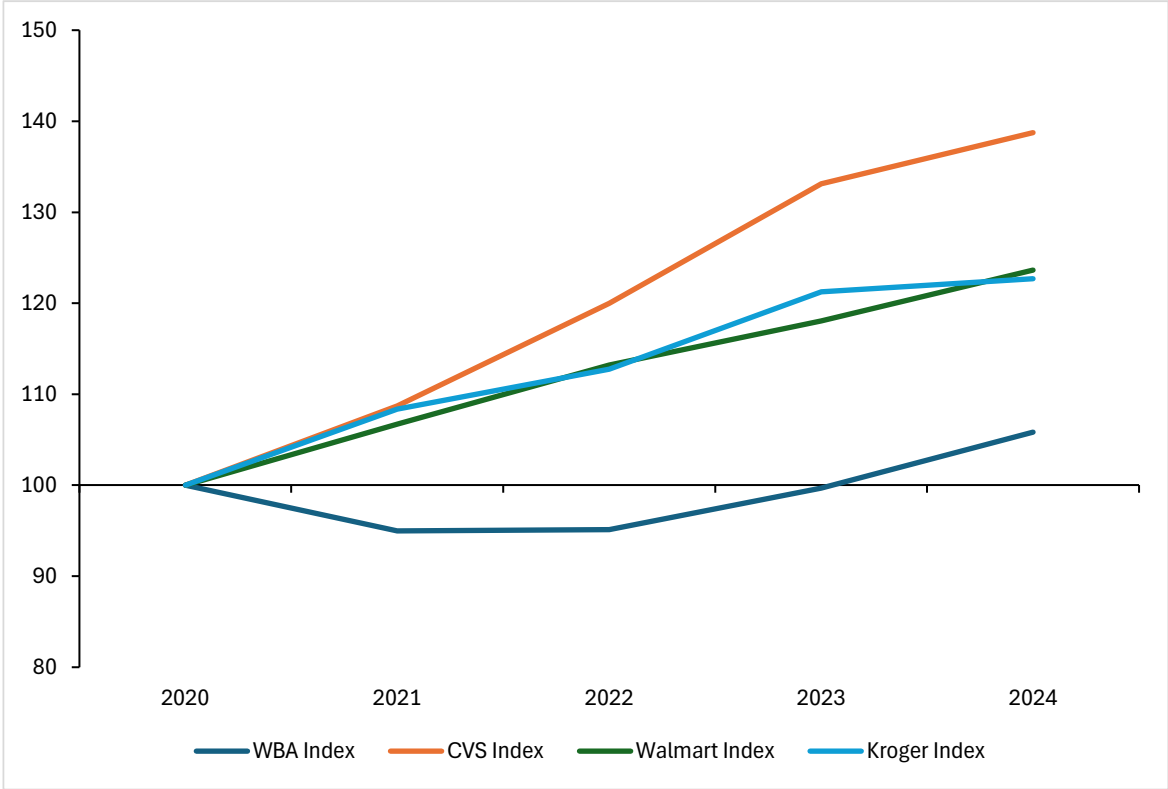
13. Conclusion (Group Part)

This thesis analysed the proposed take-private of Walgreens Boots Alliance by Sycamore Partners from the perspective of management as of 28 February 2025. The objective was to assess whether the transaction made sense given the company's operating outlook and ownership structure, rather than to determine a single fair value for the business.

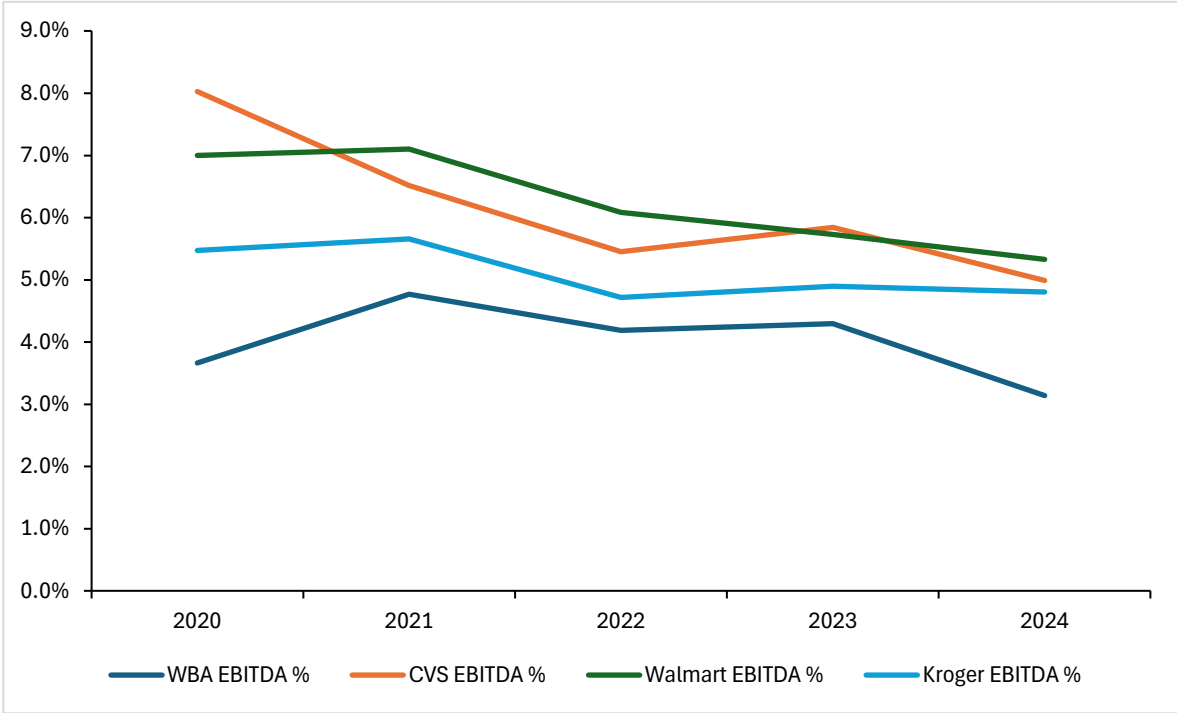
The financial analysis leads to a clear conclusion. Under the assumptions adopted, intrinsic valuation methods imply equity values above the guaranteed consideration offered in the transaction, while the APV framework shows that the introduction of leverage reduces value relative to the stand-alone path. At the same time, the LBO analysis confirms that the transaction is feasible for the sponsor and consistent with private equity return requirements. From a purely financial standpoint, the take-private does not maximise value for existing shareholders. The acceptance of the offer by management therefore reflects factors that extend beyond valuation. Concentrated ownership, the full equity rollover by Stefano Pessina, and the ability to operate outside public-market constraints materially alter the decision framework faced by management. In this context, the case illustrates how a transaction that is not value-maximising for all shareholders may still represent a rational outcome for those who retain control and long-term exposure. More broadly, the analysis highlights that, in companies with concentrated ownership and governance, incentives are central to understanding strategic outcomes beyond financial valuation.

Appendices

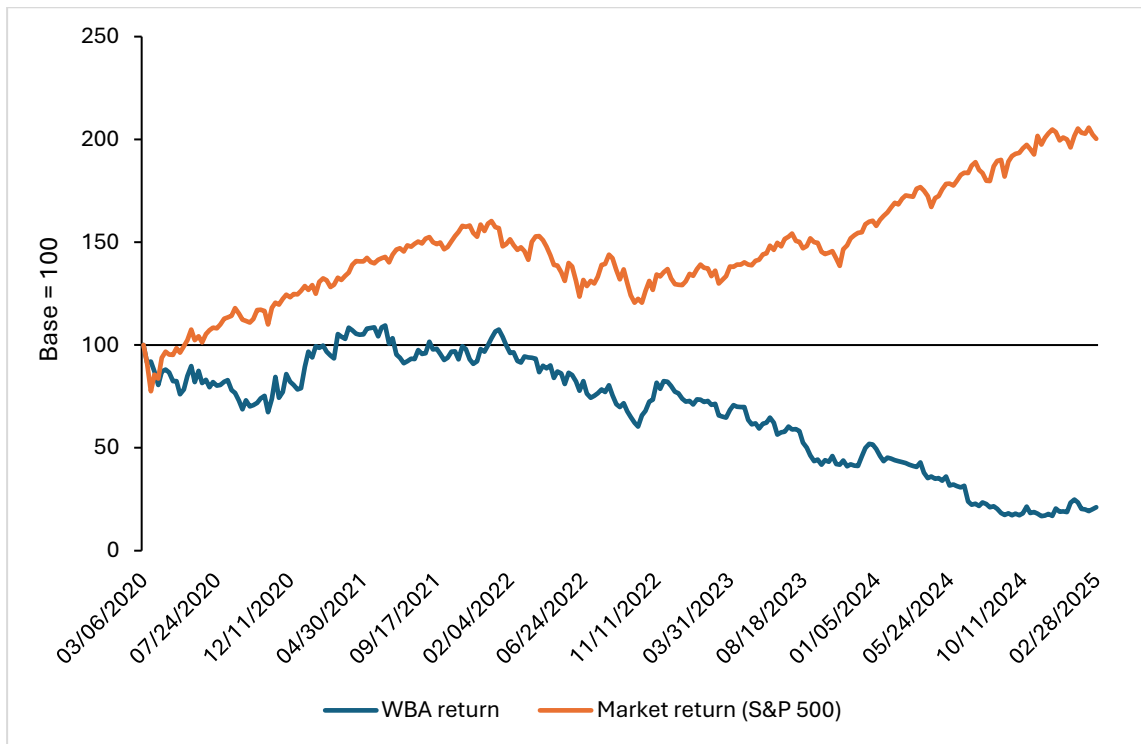
Appendix 1: Historical revenue growth index (FY20 = 100) vs CVS / Walmart / Kroger



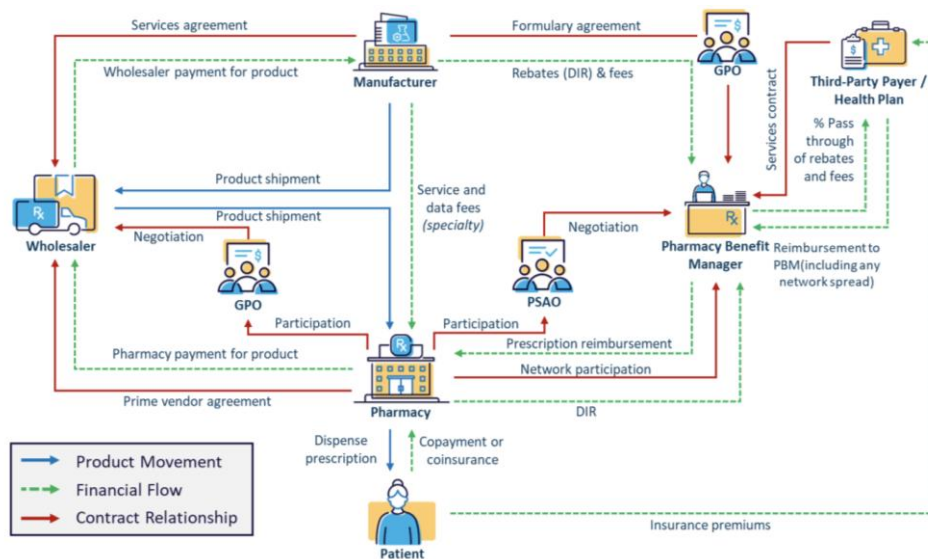
Appendix 2: EBITDA margin vs CVS / Walmart / Kroger (FY20–FY24)



Appendix 3: WBA vs. S&P 500 Stock Price Performance Index (Base = 100; FY2020 = 100)



Appendix 4: U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs (Drug Channels Institute 2025)



GPO = group purchasing organization; PSAO = pharmacy services administrative organization; DIR = direct and indirect remuneration; PBM = pharmacy benefit manager
 Source: Drug Channels Institute research. Chart illustrates flows for Patient-Administered, Outpatient Drugs. Please note that this chart is illustrative. It is not intended to be a complete representation of every type of product movement, financial flow, or contractual relationship in the marketplace.

Appendix 5: Store forecast

| Overview | FY21A | FY22A | FY23A | FY24A | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total number of Stores at the End of the respective FY | 12,996 | 12,878 | 12,666 | 11,924 | 11,372 | 11,022 | 10,672 | 10,522 | 10,372 | 10,222 |
| US Retail & Pharmacy | 8,965 | 8,889 | 8,706 | 8,560 | 8,060 | 7,710 | 7,360 | 7,260 | 7,160 | 7,060 |
| International | 4,031 | 3,989 | 3,960 | 3,364 | 3,312 | 3,312 | 3,312 | 3,262 | 3,212 | 3,162 |
| Total Stores closed | | 118 | 212 | 742 | 526 | 350 | 350 | 150 | 150 | 150 |
| US Retail & Pharmacy | | 76 | 183 | 146 | 500 | 350 | 350 | 100 | 100 | 100 |
| International | | 42 | 29 | 596 | 26 | | | 50 | 50 | 50 |

Appendix 6: U.S. Retail & Pharmacy Revenue forecast

| U.S. Retail & Pharmacy | | | | | | | |
|---------------------------------------|-----|---------|---------|---------|---------|---------|---------|
| Overview | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Sales | \$m | 122,793 | 127,041 | 127,988 | 131,554 | 133,453 | 133,577 |
| Pharmacy Sales | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Pharmacy Revenue | \$m | 97,375 | 100,757 | 102,117 | 105,434 | 107,278 | 107,546 |
| Number of locations at period end | \$m | 8060 | 7710 | 7360 | 7260 | 7160 | 7060 |
| Pharmacy sales per store | \$m | 12.08 | 13.07 | 13.87 | 14.52 | 14.98 | 15.23 |
| Comparable pharmacy sales growth in % | % | | 8.17% | 6.17% | 4.67% | 3.17% | 1.67% |
| Retail Sales | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Retail Revenue | \$m | 25,418 | 26,284 | 25,871 | 26,121 | 26,175 | 26,031 |
| Number of locations at period end | \$m | 8060 | 7710 | 7360 | 7260 | 7160 | 7060 |
| Retail sales per store | \$m | 3.28 | 3.41 | 3.52 | 3.60 | 3.66 | 3.69 |
| Comparable retail sales growth in % | % | | 4.61% | 3.86% | 3.11% | 2.36% | 0.86% |

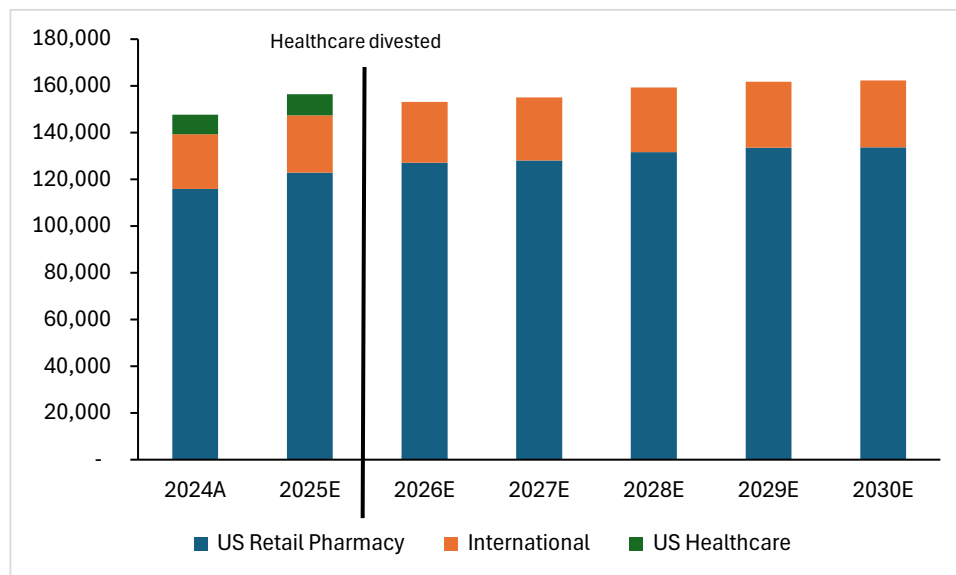
Appendix 7: International Revenue forecast

| International Segment | | | | | | | |
|--|-----|---------|---------|---------|---------|---------|---------|
| Overview | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Sales | \$m | 24,555 | 26,061 | 26,960 | 27,679 | 28,245 | 28,644 |
| Retail Sales | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Retail Revenue | \$m | 8,268 | 8,744 | 9,117 | 9,369 | 9,538 | 9,615 |
| Number of locations at period end | \$m | 3347 | 3330 | 3313 | 3296 | 3280 | 3264 |
| %growth | % | (0.50%) | (0.50%) | (0.50%) | (0.50%) | (0.50%) | (0.50%) |
| Retail sales per store | \$m | 2.47 | 2.63 | 2.75 | 2.84 | 2.91 | 2.95 |
| Comparable retail sales growth in constant currency in % | % | | 6.30% | 4.80% | 3.30% | 2.30% | 1.30% |
| Pharmacy Sales | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Pharmacy Revenue | \$m | 3,837 | 4,179 | 4,229 | 4,268 | 4,297 | 4,312 |
| Pharmacy Sales UK | \$m | 3222 | 3536 | 3559 | 3577 | 3590 | 3597 |
| NHS Revenue UK | \$m | 2749 | 2993 | 2993 | 2993 | 2993 | 2993 |
| Private pay revenue | \$m | 520 | 543 | 566 | 584 | 597 | 604 |
| Pharmacy Sales "Other" | \$m | 616 | 643 | 670 | 691 | 707 | 715 |
| Wholesale Sales | | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Wholesale Revenue | \$m | 12,617 | 13,138 | 13,615 | 14,041 | 14,410 | 14,717 |
| growth | % | | 4.63% | 4.13% | 3.63% | 3.13% | 2.63% |

Appendix 8: U.S. Healthcare Revenue forecast

| Healthcare | | | | | | | | | |
|-------------------------|-----|--------|---------|---------|----------|---------|---------|--------|-------|
| Overview | | FY24A | Q1 2025 | Q2 2025 | H1 2025A | Q3 2025 | Q4 2025 | FY25F | FY26F |
| Total Sales | \$m | 8,345 | 2172 | 2152 | 4,324 | 2,260 | 2,338 | 9,033 | |
| VillageMD sales | | FY24A | Q1 2025 | Q2 2025 | H1 2025A | Q3 2025 | Q4 2025 | FY25F | FY26F |
| Total VillageMD Revenue | \$m | 6,259 | 1715 | 1581 | 3296 | 1,705 | 1,661 | 6,662 | |
| %growth | % | 36.09% | | | | | | 6.44% | |
| Shields sales | | FY24A | Q1 2025 | Q2 2025 | H1 2025A | Q3 2025 | Q4 2025 | FY25F | FY26F |
| Total Shields Revenue | \$m | 556.51 | 172 | 183 | 355 | 185 | 183 | 723 | |
| %growth | % | 22.58% | | | | | | 29.85% | |
| CareCentrix sales | | FY24A | Q1 2025 | Q2 2025 | H1 2025A | Q3 2025 | Q4 2025 | FY25F | FY26F |
| CareCentrix Revenue | \$m | 1529 | 394 | 390 | 784 | 370 | 495 | 1,648 | |
| %growth | % | 1.19% | | | | | | 7.81% | |

Appendix 9: Revenue by segment with Healthcare perimeter step-down



Appendix 10: Exemplary Cost Forecast

| US Retail & Pharmacy Segment | | | | | | | | | | | |
|------------------------------|------|---------|---------|---------|---------|----------|----------|----------|----------|----------|----------|
| Type | | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| Statement Date | | | | | | | | | | | |
| Scenario | Base | | | | | | | | | | |
| Overview | | FY2021 | FY2022 | FY2023 | FY2024 | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F |
| Total Sales | \$m | 112,005 | 109,077 | 110,314 | 115,778 | 122,793 | 127,041 | 127,988 | 131,554 | 133,453 | 133,577 |
| Adjusted Cost of sales | \$m | 88,247 | 86,797 | 88,006 | 94,925 | 100,100 | 102,051 | 102,812 | 105,677 | 107,202 | 107,302 |
| % of Sales | % | 79% | 80% | 80% | 82% | 82% | 80% | 80% | 80% | 80% | 80% |
| Adjusted SG&A | \$m | 19,246 | 19,434 | 19,084 | 19,052 | 20,635 | 21,739 | 21,901 | 22,511 | 22,836 | 22,858 |
| % of Sales | % | 17% | 18% | 17% | 16% | 17% | 17% | 17% | 17% | 17% | 17% |

Appendix 11: Operating Model

| | \$m | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | \$m | 132,703 | 139,081 | 147,658 | 156,381 | 153,101 | 154,948 | 159,233 | 161,698 | 162,221 |
| Total revenue growth rate | % | 0% | 5% | 6% | 6% | -2% | 1% | 3% | 2% | 0% |
| Adj. COGS | \$m | 106,066 | 111,617 | 120,981 | 127,591 | 122,636 | 124,108 | 127,540 | 129,512 | 129,927 |
| COGS as a % of revenues | % | 79.9% | 80.3% | 81.9% | 81.6% | 80.1% | 80.1% | 80.1% | 80.1% | 80.1% |
| Gross Profit | \$m | 26,637 | 27,464 | 26,677 | 28,790 | 30,465 | 30,841 | 31,693 | 32,186 | 32,294 |
| Total WBA Gross Margin % | % | 20.1% | 19.7% | 18.1% | 23.4% | 24.0% | 24.1% | 24.1% | 24.1% | 24.2% |
| Adj. SG&A (incl. D&A) | \$m | 23,952 | 24,021 | 24,337 | 26,113 | 26,672 | 26,997 | 27,743 | 28,173 | 28,266 |
| As % of total revenues | % | 18.0% | 17.3% | 16.5% | 16.7% | 17.4% | 17.4% | 17.4% | 17.4% | 17.4% |
| Adj. SG&A (excl. D&A) | \$m | 22,718 | 22,809 | 22,951 | 24,725 | 25,050 | 25,638 | 26,571 | 27,165 | 27,346 |
| As a % of total revenue | % | 17.1% | 16.4% | 15.5% | 15.8% | 16.4% | 16.5% | 16.7% | 16.8% | 16.9% |
| Acquisition and disposition related cost | \$m | 223 | 264 | 542 | 384 | 45 | 7 | 57 | 58 | 59 |
| Transformational cost management | \$m | 738 | 1,051 | 806 | 1,579 | 1,460 | 1,460 | 453 | 453 | 453 |
| Adj. EBITDA | \$m | 2,958 | 3,341 | 2,378 | 2,102 | 3,910 | 3,736 | 4,612 | 4,510 | 4,436 |
| EBITDA Margin | % | 2% | 2% | 2% | 1% | 3% | 2% | 3% | 3% | 3% |
| EBITDA Growth | % | -48% | 8% | -33% | -17% | 90% | -6% | 20% | -4% | -2% |
| D&A | \$m | 2,039 | 2,215 | 2,452 | 2,428 | 1,546 | 1,395 | 1,308 | 1,235 | 1,228 |
| D&A as a % of total revenue | % | 2% | 2% | 2% | 2% | 1% | 1% | 1% | 1% | 1% |
| Adj. EBIT | \$m | 919 | 1,126 | (74) | (326) | 2,364 | 2,341 | 3,304 | 3,275 | 3,208 |
| EBIT Margin | % | 1% | 1% | 0% | 0% | 2% | 2% | 2% | 2% | 2% |

Interest Expense to be determined in the Leverage model

Appendix 12: Taxes and NOL

Walgreens Boots Alliance Tax Shield Analysis

| | |
|---|--------|
| Deferred tax assets: | 7,894 |
| consisting of: | |
| U.S. federal losses | 2,500 |
| State losses | 1,200 |
| non-U.S. losses | 28,100 |
| Tax credits | 189 |
| Valuation allowance against tax attributes: | 9,600 |
| Of which usable: | |
| Net Operating Loss pool: | 3,700 |

Tax Rate: 25%

Management Case

| | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---------------------------|--------------|--------------|--------------|------------|------------|------------|
| Opening NOL (EBIT) | 3,700 | 4,026 | 1,662 | - | - | - |
| EBIT | 326 | 2,364 | 2,341 | 3,304 | 3,275 | 3,208 |
| Taxable income before NOL | - | 2,364 | 2,341 | 3,304 | 3,275 | 3,208 |
| New Loss | 326 | - | - | - | - | - |
| NOL used | - | 2,364 | 1,662 | - | - | - |
| Taxable income after NOL | - | - | 679 | 3,304 | 3,275 | 3,208 |
| Cash taxes | - | - | 170 | 826 | 819 | 802 |
| Closing NOL | 4,026 | 1,662 | - | - | - | - |

LBO Case

| | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---------------------------|--------------|--------------|--------------|------------|------------|------------|
| Opening NOL (EBIT) | 3,700 | 3,767 | 2,019 | - | - | - |
| EBT | 67 | 1,748 | 2,271 | 3,579 | 3,703 | 3,364 |
| Taxable income before NOL | - | 1,748 | 2,271 | 3,579 | 3,703 | 3,364 |
| New Loss | 67 | - | - | - | - | - |
| NOL used | - | 1,748 | 2,019 | - | - | - |
| Taxable income after NOL | - | - | 252 | 3,579 | 3,703 | 3,364 |
| Cash taxes | - | - | 63 | 895 | 926 | 841 |
| Closing NOL | 3,767 | 2,019 | - | - | - | - |

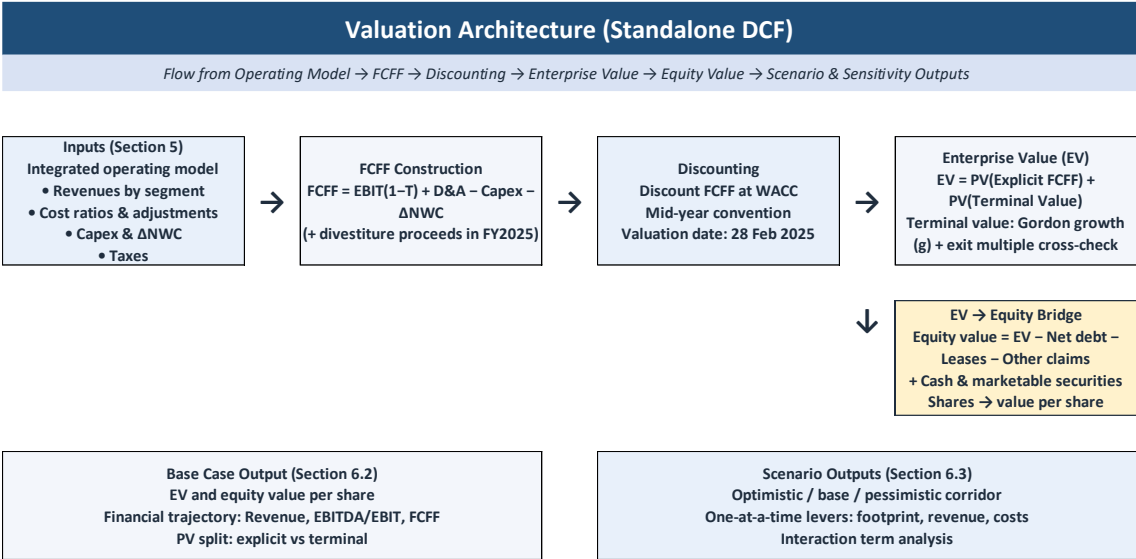
Appendix 13: Healthcare Sale

Healthcare Segment Sale

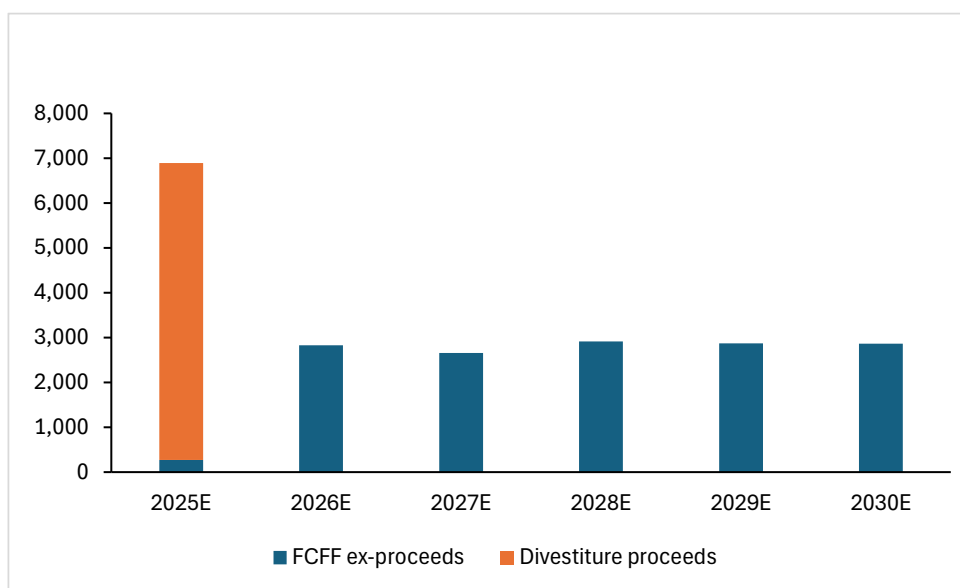
| | Acquisition Cost | Goodwill | Acquisition Value |
|---------------|------------------|---------------|-------------------|
| Summit | 8,825 | 5,454 | 3,371 |
| VillageMD | 10,051 | 8,166 | 1,885 |
| Shields | 2,074 | 1,529 | 545 |
| Care Centrix | 614 | 509 | 105 |
| Totals | 21,564 | 15,658 | 5,906 |

| <i>in \$ M</i> | FY 2025 |
|-------------------------------------|----------------|
| Healthcare Sales | 9,033 |
| EV/Sales (Median) | 1.22x |
| Distress Discount | 40% |
| Discounted EV/Sales Multiple | 0.73x |
| EV Healthcare Segment | 6,621 |
| Acquisition Value | 5,906 |
| Segment Capex (2021-2025) | 684 |
| Premium on Sale | 0.48% |

Appendix 14: Valuation architecture (Standalone DCF)



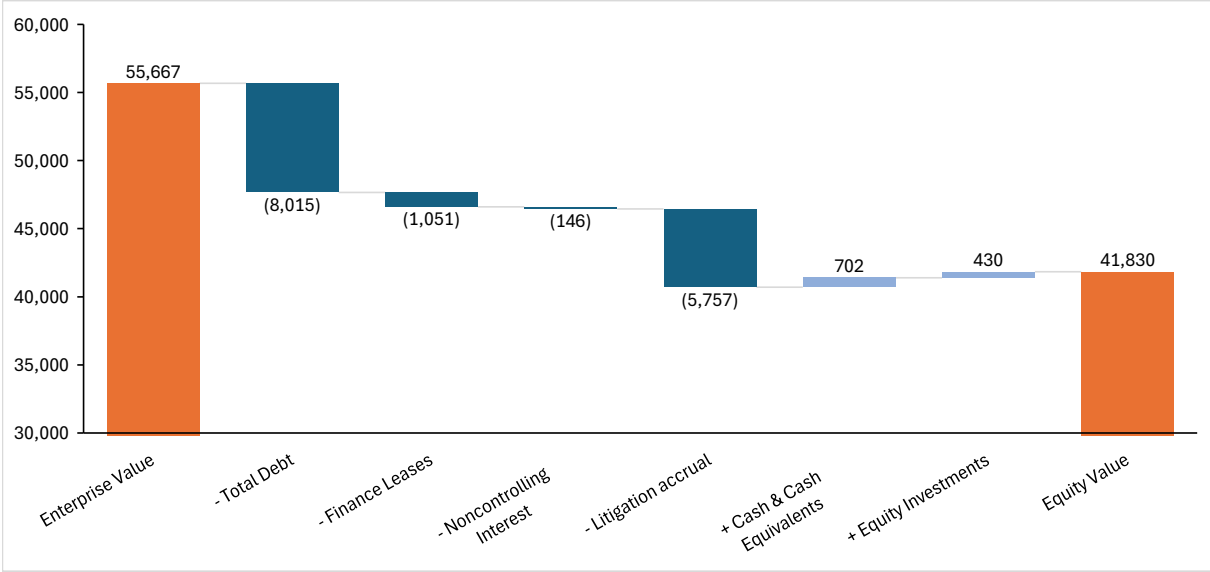
Appendix 16: FCFF profile with FY2025 divestiture proceeds highlighted



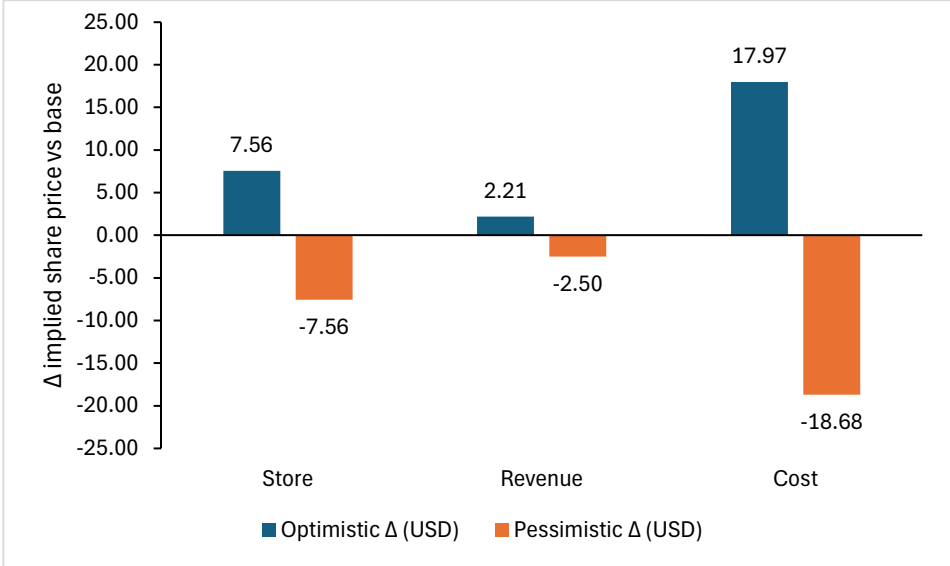
Appendix 17: Discounted Cash Flow table (FCFF, discount factors, PVs)

| | \$m | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | TV |
|---|---------|---------|----------|---------|---------|---------|---------|---------|--------|
| Revenues | \$m | 147,658 | 156,381 | 153,101 | 154,948 | 159,233 | 161,698 | 162,221 | |
| US Retail Pharmacy | \$m | 115,778 | 122,793 | 127,041 | 127,988 | 131,554 | 133,453 | 133,577 | |
| International | \$m | 23,535 | 24,555 | 26,061 | 26,960 | 27,679 | 28,245 | 28,644 | |
| US Healthcare | \$m | 8,345 | 9,033 | | | | | | |
| Revenue growth total | % | | 6% | -2% | 1% | 3% | 2% | 0% | |
| EBITDA | \$m | 2,378 | 2,102 | 3,910 | 3,736 | 4,612 | 4,510 | 4,436 | 4,480 |
| EBITDA Margin | % | | 1% | 3% | 2% | 3% | 3% | 3% | |
| EBITDA Growth | % | | N/A | 86% | -4% | 23% | -2% | -2% | |
| D&A | \$m | 2,452 | 2,428 | 1,546 | 1,395 | 1,308 | 1,235 | 1,228 | |
| D&A as % of total revenue | % | | 2% | 1% | 1% | 1% | 1% | 1% | |
| EBIT | \$m | (74) | (326) | 2,364 | 2,341 | 3,304 | 3,275 | 3,208 | |
| Tax | \$m | 339.00 | 0 | 0 | 170 | 826 | 819 | 802 | |
| rate (%) | % | N/A | 0% | 0% | 6% | 25% | 25% | 25% | |
| NOPLAT | \$m | (413) | (326) | 2,364 | 2,172 | 2,478 | 2,456 | 2,406 | |
| NOPAT as % of total revenue | % | | 0% | 2% | 1% | 2% | 2% | 1% | |
| + D&A | \$m | 2,452 | 2,428 | 1,546 | 1,395 | 1,308 | 1,235 | 1,228 | |
| D&A as % of total revenue | % | | 2% | 1% | 1% | 1% | 1% | 1% | |
| - Capex | \$m | 1,381 | 1,236 | 998 | 898 | 853 | 811 | 770 | |
| CapEx as % of total revenue | % | | 1% | 1% | 1% | 1% | 1% | 0% | |
| - Δ NWC | \$m | 914 | 593 | 81 | 10 | 21 | 12 | 3 | |
| Δ NWC as % of total revenue | % | | -1% | 0% | 0% | 0% | 0% | 0% | |
| Proceeds from US Healthcare sale (after tax) | \$m | | 6,621 | | | | | | |
| FCFF | \$m | 1,572 | 6,895 | 2,831 | 2,658 | 2,911 | 2,868 | 2,861 | 2,890 |
| Discount Period | | | 0.50 | 1.50 | 2.50 | 3.50 | 4.50 | 5.50 | 5.50 |
| Discount Factor | | | 0.97 | 0.91 | 0.86 | 0.80 | 0.75 | 0.71 | 0.71 |
| Perpetuity factor | | | | | | | | | 18.35 |
| Discounted CF (DCF) | | | 6,684 | 2,578 | 2,274 | 2,340 | 2,165 | 2,029 | 37,596 |
| Enterprise Value | \$m | | 55,667 | | | | | | |
| Bridge items | \$m | | - 13,837 | | | | | | |
| Equity Value | \$m | | 41,830 | | | | | | |
| Shares outstanding | mn | | 864 | | | | | | |
| Implied share price | \$(USD) | | 48.41 | | | | | | |
| Upside (downside) to current share price | % | | 353.27% | | | | | | |

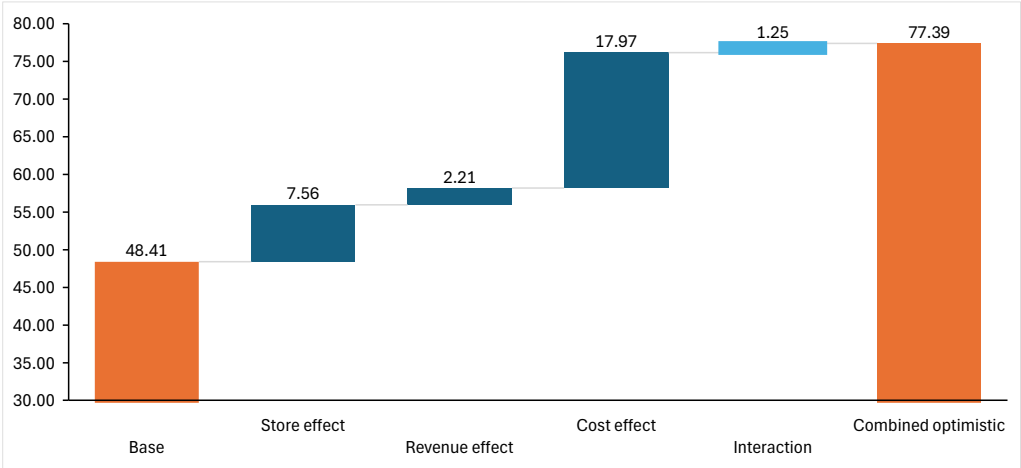
Appendix 18: EV to Equity Value bridge (Base Case, \$m)



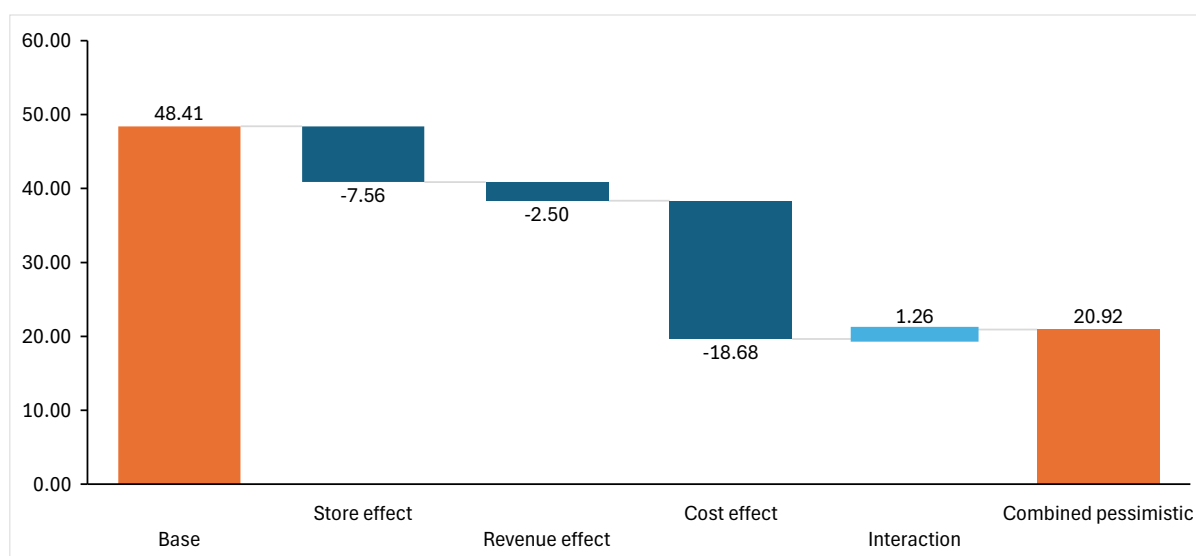
Appendix 19: One-at-a-time lever impact on implied share price



Appendix 20: Bridge from Base to optimistic share value



Appendix 21: Bridge from Base to pessimistic share value



Appendix 22: Sensitivity output tables

DCF: Implied Share Price - WACC vs. Perpetual Growth Rate

| | 5.95% | 6.20% | 6.45% | 6.70% | 6.95% |
|-------|-------|-------|-------|-------|-------|
| 0.50% | 49.56 | 46.95 | 44.56 | 42.36 | 40.33 |
| 0.75% | 51.81 | 48.98 | 46.40 | 44.03 | 41.86 |
| 1.00% | 54.29 | 51.21 | 48.41 | 45.85 | 43.51 |
| 1.25% | 57.03 | 53.66 | 50.61 | 47.84 | 45.32 |
| 1.50% | 60.08 | 56.37 | 53.04 | 50.03 | 47.29 |

DCF: Implied Share Price - WACC vs. Exit Multiple

| | 5.95% | 6.20% | 6.45% | 6.70% | 6.95% |
|--------|-------|-------|-------|-------|-------|
| 9.2 x | 39.42 | 38.97 | 38.53 | 38.10 | 37.68 |
| 10.2 x | 43.15 | 42.66 | 42.17 | 41.70 | 41.23 |
| 11.2 x | 46.89 | 46.35 | 45.82 | 45.29 | 44.78 |
| 12.2 x | 50.62 | 50.04 | 49.46 | 48.89 | 48.32 |
| 13.2 x | 54.36 | 53.72 | 53.10 | 52.48 | 51.87 |

DCF: Implied Share Price - Revenue Growth x EBITDA-Margin

| | -2.00% | -1.00% | 0.00% | 1.00% | 2.00% |
|--------|--------|--------|-------|-------|-------|
| -0.50% | 36.11 | 36.62 | 37.13 | 37.63 | 38.14 |
| -0.25% | 41.64 | 42.21 | 42.77 | 43.33 | 43.89 |
| 0.00% | 47.18 | 47.79 | 48.41 | 49.02 | 49.64 |
| 0.25% | 52.71 | 53.38 | 54.05 | 54.72 | 55.39 |
| 0.50% | 58.24 | 58.97 | 59.69 | 60.42 | 61.14 |

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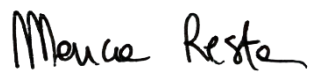
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Generative AI tools (e.g., ChatGPT/DeepL Write) were used exclusively for language editing and grammatical revision. All substantive content, analysis, structure, and conclusions are the authors' own. Any AI-generated output was reviewed and edited accordingly.

Date: December 17th, 2025

Signatures:

Monica Resta

A handwritten signature in black ink that reads "Monica Resta". The letters are cursive and connected.

Benedikt Karl Bark

A handwritten signature in black ink consisting of the initials "BK" in a stylized, cursive font.

Hannes Dreher

A handwritten signature in black ink that reads "Hannes Dreher" in a cursive style.