Walgreen Company (WAG) Q2 2007 Report

Quarter sales were up 14.6%; 12.3% for the year so far
Quarter EPS were up 24.7%;
PTP was 24.3%
Same store sales were up 8.9%

Drugs are 64% of total sales
Generics are 63% of that

Generics will lower sales but increase margins
M* expects 14% sales in 2007; then 11% after that
They recommend buying below $43; selling above $70
Fair value is $56.60

We've got a favorable, long term industry outlook
Baby boomers are aging
Prescriptions are growing at high single digits /year
Part D will help bring in more traffic
Generics are higher margin
WAG is years ahead of the competition in locations
WAG's PBM is poised to grow faster than the company as a whole
Convenience remains key driver w/24 hour stores and drive up windows
Plus they are growing their managed care division

They just got their 6th CEO since 1901; he started in 1982
Reasonable compensation
Plenty of stock ownership at the top to align their interests with shareholders

The CVS/Caremark merger is a done deal
Jury is still out on its effect on WAG; stock is weak due to this uncertainty
That makes it a buying opportunity
Competitive threats are not new to WAG; they have a niche
But Mass merchandisers, mandatory mail order, the CVS merger, Rite Aid shopping spree, $4 prescriptions, rising healthcare costs for the government and a national shortage of pharmacists will definitely affect this industry. The strongest will survive.

Now, they are on track to hit their saturation goal of 7,000 stores by 2010; 5,641 now.
That means we need to make our money NOW.

No changes to the SSG
The pullback from CVS puts the stock squarely in the buy zone. Time to buy.
We don't know how long this will last