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Walgreen to Buy Drugstore.com

By DEALBOOK

Michael Nagle/Bloomberg News Walgreens' deal to buy drugstore.com values the online pharmacy at \$409 million.

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Walgreen announced plans on Thursday to buy the online pharmacy drugstore.com, in a deal valued at \$409 million.

Investors in the company will receive \$3.80 in cash for every share they own, which is about 113 percent above the closing price of drugstore.com on Wednesday.

The move will help Walgreen expand its online reach. In addition to Walgreens.com, the drugstore chain introduced an app for the iPhone last year and a mobile Web site, services that include sending a text message to consumers when prescriptions are ready.

Drugstore.com also owns sites like Beauty.com, SkinStore.com and VisionDirect.com. The company plans to maintain the separate branding of each site.

Drugstore.com reported revenue of \$456 million last year, so Walgreen is paying less than a year's sales for it. Walgreen will finance the deal with existing cash on hand.

"Our acquisition of Drugstore.com today significantly accelerates our online strategy to leverage the best community store network in America by becoming the most convenient choice for health and daily living needs whether customers shop online or in our stores," Walgreen's chief executive, Greg Wasson, said in a statement.

The deal, which was unanimously approved by drugstore.com's board, is set to close by June 2011. Walgreen expects the deal to dilute its earnings per share by about 3 cents a share from the fourth quarter this year through fiscal year 2012, and then by 1 to 2 cents a share in fiscal year 2013.

Shares of drugstore.com surged on Thursday.

Based in Bellevue, Wash., the company has about 1,000 employees.

Earlier this month, Walgreen sold its pharmacy benefit management subsidiary to Catalyst Health Solutions for \$525 million in cash.

Walgreen was advised by Credit Suisse and the law firms Sidley Austin and Weil Gotshal & Manges. Drugstore.com was advised by Allen & Company, Sonenshine Partners and the law firm Wilson Sonsini Goodrich & Rosati.