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Walgreen to Acquire Drugstore Chain Duane Reade

By [JOAN E. SOLSMAN](#)

Walgreen Co. agreed to buy Duane Reade from private-equity firm Oak Hill Capital Partners for \$1.08 billion, including assumed debt, making the largest U.S. drugstore chain also the market leader in New York City.

Walgreen, which expects to close the purchase by the end of August, said it would retain the Duane Reade name.

The deal increases Walgreen's presence in the nation's largest metropolitan area. Walgreen, the largest U.S. drugstore chain by number of stores, currently operates 70 locations in the New York City area, while Duane Reade is nearly ubiquitous with its 257 stores. Duane Reade, though, has been hamstrung with debt and recently completed an image overhaul.

Walgreen said the purchase will hurt its earnings in the first year but help afterward as the company expects \$120 million to \$130 million in synergies in the third year after closing. Duane Reade had unaudited net sales of \$1.8 billion for the year ended Dec. 26 and has the highest sales per square foot of any retail drugstore chain nationwide, the companies said in a joint statement.

"Duane Reade is a compelling strategic acquisition that will immediately provide Walgreens with a leading position in the largest drugstore market in the U.S.," said Walgreen Chief Executive Greg Wasson.

Walgreen said it would decide over time how to harmonize the Walgreen and Duane Reade brands. Walgreen said it would retain Duane Reade's store, pharmacy and distribution center employees and "many members of Duane Reade's senior management team" following the acquisition. Consolidation of core functions at the corporate offices also would occur over time, the company said.

Duane Reade, which opened in 1960, is named after its first store located on Broadway between Duane and Reade streets in Manhattan. It is the largest drugstore chain in the New York City area. Over the past two years, Duane Reade has tried to improve its image with changes like updating the stores'

decor, adding a doctor on site and elevating the merchandising of beauty products.

Peter J. Solomon Co. acted as financial adviser to Walgreen, while Wachtell, Lipton, Rosen & Katz served as legal counsel. Goldman Sachs acted as lead financial adviser, and Bank of America Merrill Lynch acted as co-financial adviser to Oak Hill Capital Partners and Duane Reade; meanwhile, the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP served as legal counsel.

—George Stahl contributed to this report.

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