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Walgreen to Buy Duane Reade for \$1.1 Billion

Walgreen, the national pharmacy chain, [said](#) on Wednesday that it has agreed to buy **Duane Reade Holdings**, whose drugstores occupy many a New York City corner, for about \$1.1 billion in cash.

Walgreen is buying the 257-store chain, which is burdened by a big debt load, from the private equity firm **Oak Hill Capital Partners**. The deal will be financed by Walgreen's cash on hand and includes the assumption of debt.

"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.," Gregory D. Wasson, Walgreen's chief executive, said in a statement.

Duane Reade, founded in 1960 and named after the two streets in Lower Manhattan where the first store was built, generated about \$1.8 billion in sales in 2009, according to Walgreen.

Last year, Oak Hill invested [an additional \\$125 million](#) into Duane Reade to keep the company from defaulting. Oak Hill also sought to [refresh the chain's image](#), giving it a new logo and giving its stores more light and aisle space.

Under the terms of the deal, Duane Reade stores will continue to operate under their current name for now, and most of its senior management team will remain for the time being. Walgreen still expects to eventually integrate Duane Reade's stores into its 7,162-outlet stable, which includes 70 stores in the New York City area.

Walgreen said that it expects the deal to close this fiscal year, which ends Aug. 31. The purchase is expected to be dilutive to earnings in the first year after closing, and will add to earnings afterward.

Walgreen was advised by the Peter J. Solomon Company and the law firm **Wachtell, Lipton, Rosen & Katz**. Oak Hill Capital and Duane Reade were advised by **Goldman Sachs**, **Bank of America's Merrill Lynch** and the law firm **Paul, Weiss, Rifkind, Wharton & Garrison**.

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