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EDITED TRANSCRIPT

WBA.OQ - Walgreens Boots Alliance Inc at TD Cowen Health Care Conference

EVENT DATE/TIME: MARCH 04, 2024 / 2:10PM GMT

OVERVIEW:

Company Summary

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Charles Rhyee *TD Cowen, Research Division - MD & Senior Research Analyst*

PRESENTATION

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

And to start off one of the first sessions, I'm really pleased to have with us Walgreens. And joining us is Tim Wentworth, newly appointed CEO; and Manmohan Mahajan, newly appointed full-time CFO. Really, thanks for both of you being here today.

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Thanks. Glad to be here.

QUESTIONS AND ANSWERS

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

So maybe just start off, Tim, 4 months in now. I know you had spoken with investors at earnings in January, kind of got a first glance, I think, 2 months on the job, 2 months more now. Maybe give us a sense on what you're seeing in terms of where we're at and maybe give us an update there.

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Sure. Thanks, and I appreciate everyone joining us this morning here in the room and online. So it's -- as you say, it's been 4 months. We thankfully were able to deliver earnings as pretty much folks would have expected. All of that wasn't a surprise. I think for me, as I look at 4 months in, there are a couple of things I would just point to.

One is that we've put together a team who I feel is really, really going to drive the business effectively. So if you haven't been following us in the first 3 months actually, I was fortunate enough to be able to appoint 4 Executive Vice Presidents from outside the company, so 4 external hires and 2 internal promotions out of my 9-member team. And that was the starting point. So again, anything else done, we needed a team that believed in the company.

And one of the things that's been -- I don't want to call it a pleasant surprise, but has been just reassuring has been the amount of goodwill that this company has both from the employees inside the company, the belief in what we do and those who have stayed with the company a long time. We've got Rick Gates here, who's been with the company over 20 years, for example, who is driving our pharmacy results, which have been very good as you would have heard in the first quarter, where we actually gained share. And again, those new folks joining us in bringing a sense of energy and belief in what we can do with this amazing platform in healthcare.

And I think the other thing is we are now meaningfully looking at the entire portfolio of assets that we have to ensure that everything we have is going to drive to the growth that we aspire to deliver. We've got some very interesting things inside the company. The work that particularly we are doing with payors in pharmacy services, the work we are doing with pharma in clinical trials and supporting vaccines and drug launches is actually quite a bit more evolved than I appreciated coming in from the outside.

So as we look at building a plan for '25 and beyond that is not only believable but executable, I think we've actually got a really, really good starting point in a number of places. We have a ton to do still. You've seen us do some of that work as it relates to the balance sheet, whether it's the dividend, selling Cencora shares outright because we know investors prefer the clarity that, that provides as well as meaningful capital reductions and expense reductions that we are well on path to deliver.

And so we've done some very heavy lifting. We've got more to do as it relates to that. This is not a quick story, but I believe it will be a highly sustained story because the other thing that's very clear to me in every conversation I have is that a large-scale community-based engagement-driven trusted brand has a meaningful role to play in healthcare over the next 20 or 30 years.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

And would you say that's maybe one of the -- maybe underappreciated about you coming in from the outside, obviously, extensive experience more from the payor side, obviously, running a big specialty pharmacy, so you understand pharmacy itself. But maybe what specifically about the retail pharmacy business, maybe that you maybe underappreciate coming in?

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

So I'd like to think -- I was sitting on my couch for 2 years and enjoying retirement, and I highly recommended it to anybody that's interested. But what pulled me off that couch was I had seen firsthand in my family and in my own personal experience what -- I knew Walgreens, obviously, from my 25-year PBM career. But during the pandemic, really in the minds of not only me, but American consumers, it redefined what a retail pharmacy can and should be in the care continuum in our communities and working on behalf of both patients and payors.

We saw suddenly pharmacists and technicians giving vaccines to millions of people. And for me, it wasn't so much how interesting it was that, that was the only scalable way to deliver vaccines, which it was. But more importantly, the trust that the average American gave to their pharmacist or to their pharmacy to go into the store and actually have that person put a needle in their arm, it opened my eyes to the fact that, that trust can be leveraged a lot of other ways on behalf of payors to drive engagement. Because if you think about why have Google and Apple and others struggled in healthcare, Amazon, it's because human-to-human engagement is still a fundamental dynamic in healthcare that payors are looking for because it will measurably improve outcomes in a lot of areas.

It's not to say there aren't areas where digital or virtual isn't value-added and isn't complementary and doesn't make sense. But ultimately, there are meaningful deliver value points that can be enabled through a very large scale, highly trusted point of contact, and that's what we have. And that's the piece I hadn't thought about when I ran Express Scripts.

I remember Kermit Crawford saying we've got these clinics and people love us and I said, Kermit, just because you've got great clinics, it doesn't mean people will pay more for pharmacy. And by the way, they won't. But the idea that, that relationship you build through pharmacy can meaningfully be expanded and to delivering services at a high level of engagement and trust and value creation on behalf of others was not something I fully appreciated.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

That's really helpful. And Manmohan, maybe now, was interim, now full time...

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

It was always full time.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Right, right. The permanent appointment here. Maybe you can share with us some sort of your key areas of focus coming to the -- overseeing the role?

Manmohan Mahajan - *Walgreens Boots Alliance, Inc. - Senior VP & Interim Global CFO*

Sure. So look, I think first and foremost is, as we put out in the guidance, the short-term goal is rightsize the cost structure of the company. And so we put out the goal there, $1 billion of cost savings in the year. We're also optimizing our capital project spend in the year, $600 million reduction there and at the same time, improving our working capital year-on-year. And so those are 3 hefty goals, significant impact on the business. And I think 6 months in, I'd say we're trending in the right direction on all 3 of those.

So that's first and the foremost. Second, obviously, is delivering guidance. I think we want to build credibility over time. And so to hit our guidance is critical. We understand that, and we work through that every day. Third, you would see incrementally us taking incremental steps on simplifying our financials. And so I think we've talked about sale leaseback and this is going to be the last year. You must have seen us trading out of our Cencora investment this time versus using a variable prepaid forward structure. So those are steps that we're taking intentionally to simplify our financials and making sure that everybody understands kind of where we are. The team is together over the next 2 to 3 months is going to be all hands on deck. We're going through a strategic review, and that's going to be a focus area.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Maybe on the strategic review, I think you've said it's coming up in April. And maybe talk a little bit about sort of maybe the kind of 3 kind of key things that you would like to come out of that meeting, and what do you think investors should hope to expect?

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

So let me be really clear about one thing. In April, as I mentioned last night to you, we are sitting down with our Board and going through a strategic review. There will not be a big bang after that where we announce and unveil some incredibly new Walgreens. What you'll see is that will be the starting gun for a lot of work that we have to deliver.

And to answer the question in terms of what pieces -- and by the way, we will be driving messages to investors as we have reached conclusions about a number of things that will, I believe, be evaluated and ultimately supported by the Board here. One is the role of the retail stores. One of the things I think that's really important in our narrative that we got a little bit away from is that the stores are central to our strategy. Now it does not mean 8,600 stores are central to our strategy. We need to get the footprint right.

We need to look at the fleet not based on what it's doing today, but what we needed to do in 5 years, given our services aspirations and then reverse engineer what that footprint should look like. Both the footprint in terms of numbers of stores and the footprint in terms of types of stores by market, whether that's urban, suburban, rural, whether that's a store that's delivering incremental health services or one that's simply -- is functioning more as a community pharmacy.

So all of that and getting the Board aligned on that because, again, I believe it's really important not to look past the stores to the other things that we aspire to grow incrementally, but rather be clear about our strategy for the back and the front of the stores. And that's a big piece of work, let me be clear, because traditional retail is under pressure, as we all know. And I believe there's a role for the front of our store to play, but we've got to really look at critically how to -- what does the investment need to be, what does the format need to be, what is the process to achieve that and how do we unlock enough capital to do what we would want to do. So that's number one.

Number two is to clearly align the Board on our assessment of the current assets that we have. We've got some very good assets. Let me be very clear. In fact, there are for everything that we have, whether it's home care, whether it's Shields, whether it's Boots, whether it's VillageMD as an investment, there are folks that absolutely believe in the future of those businesses. We believe in the future of those businesses. That's not the question. The question is, are we the most appropriate place for that to sit as 100% owners in the case of most of those, not Village? Or do we belong in a different place? And how do those relationships enable us to grow our services business in the ecosystem in a complementary way?

So questions like, how much does Shields drive our specialty business, for example, is something that we're looking at, not just today, but in the future. Because we love working with health systems and Shields is a terrific asset, and I love the fact that we've got it. And so from that standpoint, whatever you may have read, don't believe it. We are not announcing we're selling Shields. We are looking at Shields to make sure we think about the best way to get the most value for the marketplace and for ourselves by owning that. So that's the second piece.

And then the third will be clarity and agreement on the -- either the things that we're currently doing today that are small green shoots in the business, such as clinical trials for pharma, for example, such as test and treat and other extensions of our pharmacy on behalf of payors, such as central services and investment in our multisite fulfillment facilities, for example. Those are things where we need to plot the future. And so we're doing many strat plans for every one of those assets, CareCentrix, Shields and so forth, so that we've got the context of each of those businesses. And getting the Board aligned around that is the third piece.

So I think it's really, really important to understand that, that's going to yield then a road map of things that we will do. And as we look at announcing our '25 guidance, we'll be clearly by then giving a picture of where we intend to invest and how.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. I want to touch on the first of those, right? With retail as the core part of the strategy, yes, I definitely think that over the last couple of years, the messaging kind of drifted to sound like all focus was on healthcare and the stores were part of that, but maybe not as important. You mentioned a little bit beforehand. Well, if retail is the core, you mentioned it's a tough environment, how are you thinking about to improve that and to fix that, right?

I know -- would love to touch on your thoughts on, obviously, a shift to cost plus model. Does that really help? What about the SKU reductions you talked about? Maybe touch on those couple of things.

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Sure. So front of the story in particular. I mean first of all, if you walk into our stores, depending on where you walk into them, they either look great or some of them don't. We also have the shrinkage problem in some of our urban locations are very, very challenged right now, and it shows. And we're working through a number of solutions on that, everything from how we engage legislatively to strategic use of technology and so forth. And so from that standpoint, that's going to be an ongoing challenge for us.

When you think about, though, the fact that -- again, I talked about footprint, SKUs. We work with a large number of the national brands now, and we're important to them. I believe much as a PBM uses a formulary, we can take a critical look at category by category, who we work with, along with our own brand, because over time, growing our own brand, which we've done some this year, but meaningfully growing our own brand is something we actually should be driving at. We have a trusted brand, we have a trusted name, and we have pharmacists that can direct patients to certain over-the-counter solutions.

And so driving own brand along with a narrowing of the SKUs of national brands could I think, unlock some real value. I think as well the front of the store, our patient experience, and I hate using buzzwords, so I'm going to really -- I'm going to try to define it rather than use a buzzword, to engage with the consumer where she or he but many of our -- our target consumers are shes, want to engage with us.

If she wants to drive through the drive-through today, she wants to order online and pick up in store next week and she wants to order online and have it delivered to her home, and she wants to come into the store and have a good experience. We've got to be able to deliver on all 4 of those really, really well from a technology supported perspective, and we aren't there all the way yet.

It requires a lot of systems talking to other systems so that your inventory at the store level at that moment, it ties to what that consumer is actually thinking that she's -- or he's getting. And so the digital omnichannel experience is something that we can evolve meaningfully, and we've got some resources internally now that I think will put us a long way down there.

And then that will also tie to loyalty because I think that as you know, consumers respond fairly aggressively to well-designed loyalty programs. Walgreens actually had the best one back when they launched it in the mid-2000 teens. And we've kind of gotten away from investing in that. That's another piece.

So front of the store, how we engage SKUs, own brand also being distinctive. And that's the piece that I'm not prepared to talk a lot about today, but to say, who do we want to be deep with? I believe it's women 30 to 50 years old, and there's a number of levers that we have in our stores that could potentially create that. And so that's something that we're spending a lot of time on.

Back-of-the-store reimbursement, as you say. That pressure has been forever. I'm one of the guys that put a lot of that pressure around over the years, as Rick reminds me all the time. And I think we see now the fact that the underlying dynamics that created the meaningful pressure at the back of the store are changing.

And so whether it's CVS's announcement or other signals that you would see, I have reason to believe that the reimbursement pressures at the back of the store, which have positioned us to really -- we still make money back there, but it gets harder and harder are -- they're not going to go away. But I think things like a cost-plus model will offer what I believe the market wants. Because I think what's interesting is I think what CVS was doing was responding to what the market is increasingly wanting at the payor level.

And I think that, therefore, to the extent that the market wants to pull these models forward, that's going to be good for us, to pay us for the services that we provide, and to begin to eliminate what's been a 25-year cross subsidy, which many of you would be aware, but many of you may not, which basically was the PBMs would give brands and the retailers, would basically give the brands away or even give them away at a loss in order to make money on the generics. Because everybody was aligned to drive generics, which was really important when generics were 40% of the market.

Today, they're 91% of the market. You suddenly have a situation where there are no more -- but not many more new generics every year, so you're not growing the pool of subsidy as well, there's not a lot of brand inflation. So therefore, what you are giving away incrementally on brand is not being supported by more pricing in the market, and you've got new brands coming in at very high rates, like the GLP-1s.

And so it is unsustainable. The PBMs know this because their mail service pharmacies experienced the same dynamic. And so I believe it gives us a chance to meaningfully change the conversation, not just the cost plus but to other services we can provide that create value that PBMs or payors can actually bundle up for their members and create new value. Because the days of PBMs being able to give 3% to 5% improvements on retail or threatened to move to a more narrow network for a percent, most payors just are not going to narrow their networks.

And so we have to change the conversation, and we already see that happening. And I'm very, very encouraged by the fact that the PBMs are very realistic about how do we sit down and change the conversation. And that will again, create more space at the back of the store for more services that are paid for it. We do this today. You can pick vaccines, test and treat those things, we are paid a fair fee for the services we provide, and there's no cross subsidization going on that distorts the economics for us or for the marketplace.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

If we talk about this increase in services, right, we've seen operating margins in the retail segment have been declining year-on-year for a while. Have we -- do you feel like we've reached sort of the bottom here? And then maybe talk a little bit of what your current mix between sort of core dispensing prescriptions versus these other services, which I'm assuming are coming at better margins. Maybe give us a sense here. Have we kind of hit the...

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

I think it's close. I'm going to let Manmohan add a little color here on the -- on sort of how it adds up, the "nonpill putting in bottle" part of our business. But what I would say is I'm not calling the bottom here. I mean listen, PBMs are always going to be pressed to create value by their customers, and they're going to look to us to share value. But do I think that the -- what we've seen over the last several years is as a percentage of AWP, the reimbursement gives for new contracts have meaningfully declined.

And they're not quite at a manageable level yet, but they were down close, and I think that that's where they're headed. And the good news is the services that now occupy a material part of our back-of-store economics are also our material, I believe, you would say, in terms of their contribution.

Manmohan Mahajan - *Walgreens Boots Alliance, Inc. - Senior VP & Interim Global CFO*

Yes, absolutely. So if you look away from script for a second and think about the services, maybe 3 separate buckets to think about it. The first one, obviously, is vaccination. And that has come in really strong, we talked about this at the earnings after first quarter. We do see us gaining more than our fair share on that given how we drove that in this year. So that's one part of it.

The second, which is upcoming and we're seeing a lot of progress as test and treat as we talk about it, and we see a pipeline of contracts that we're working with payors and others to put that in place in a big way for our fiscal year '25 and forward.

And then there is what we call adherence programs that we work with our payors -- on behalf of our payors. And this is just achieving outcomes that are critical for them to achieve their goals. And so -- those are maybe 3 different buckets you need to think about from a services standpoint.

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Yes. I want to do an and here, because just to double quickly on an added one that 3 years ago didn't exist, and yet today is meaningful particularly from a use of capital standpoint, and that is pharma trial recruitment, which puts us in a really, really interesting place with pharma companies. I spent 30 minutes at the JPMorgan conference with one of the largest pharma companies, along with Rick and Manmohan in the world who, at that conference, nobody has time, wanted to talk to us for 30 minutes about what we were doing with them there and on vaccines and an hour with the largest vaccine manufacturer in the world.

And what I would tell you is those businesses that didn't exist for us 3 years ago are natural for us. We don't own a PBM, so there's no payor conflict in terms of using our data to recruit patients for trials on behalf of pharma. We're able to recruit diverse patient panels 4x faster than pharma can do it themselves. Speed matters when you're doing trials. And we get paid for it, and it's a variable cost business.

We hire humans, and we use our data to deliver that value to pharma. We aren't buying clinics and building brick-and-mortar to do it. We may leverage our stores to draw blood in the middle of a trial or something like that, but that's an added service. Point being, these sorts of things, while any one of them may not look like it's 10% of our underlying earnings, is highly capital efficient, and 2 or 3 of those added together suddenly starts becoming a meaningful part of our growth story.

Manmohan Mahajan - *Walgreens Boots Alliance, Inc. - Senior VP & Interim Global CFO*

Absolutely.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Yes, no, that makes a lot of sense. Maybe I just wanted to follow up though. What would you think is the -- you talked about capital efficiency. So maybe from an investment side is not as significant. But in terms of time lines, I think, Boots is a great example of a business that's done pretty well over the last few years. Is -- how long do you think, when you got this review, let's say, in April, the starting gun starts, investors can think about progression?

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Yes. I mean this is not a 12-month turnaround story, right? I mean there are some things you can unwind quickly if you don't like them or you want to redo how you think about them or you want to grow them more quickly, all of that takes time and thoughtful planning. As well, even the decision to unwind something, the timing to unwind it may matter in terms of how much of your investment you get back or how much growth you're able to achieve from it.

And so what I would tell you is, I think post our earnings call the next quarter, we intend to begin to develop a narrative about the things that we're deeply committed to and focused on. But again, it's -- I don't anticipate an Analyst Day in September where we open a curtain up and there's some new company. I think you're talking about this is a 12- to 24-month process to ultimately settle -- by the way, while growing every one of these services that we're talking about here. So from our perspective -- and managing reimbursement in a different way.

So it's not as if nothing is going to happen in the next -- between April and middle to end of next year. But just as you -- if you look at something, like you mentioned Boots, even if we were to make a decision today, which we have not, to execute some sort of a separation with Boots, that's a minimum, probably a 15-month transaction. So again, but we're not going to wait 15 months to tell you, but we don't have anything to announce today either.

So I think throughout the year, you will -- you should hold us to be honing to a philosophy that gets very clear about focus, gets very clear about making it easier to track our performance and gets very clear about the fact that the retail stores front and back will be center of the enablement of the broader part of our strategy.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

No, that's helpful. I was actually more meaning like I think Boots has had great success in gaining share in this market, particularly in the U.K., where they're obviously in a recession as well. A lot of learnings. Do you feel you can...

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

I appreciate it. Sorry, that's a great question. We have actually spent a lot of time with our Boots colleagues both over there and them coming over. And we've actually transferred some talent back and forth, which has been terrific at the senior level. Boots, to your point, was 5 years ago, Boots was not performing. And today, theirs is a very highly performing retail, probably the highest-performing retailer in Great Britain. And of course, they have some other operations as well, but they really are U.K.-centric.

And so you look at that, that was a 5-year -- 5 years ago, they were trouble. It probably took a solid 3 for them to meaningfully be delivering consistent performance. And so I don't think that's an unrealistic sort of time frame to be looking at. I mean converting a large fleet of stores and showing the consumer something new and getting them to engage doesn't just happen overnight.

Don't get me wrong. We had a TikTok influencer, put something up about peeled mango gummies, and we can't keep them in stock now. So certainly, we can -- we do have some virality to our consumer base. But by and large, the broader set of questions that we've got to answer will probably take a couple of years to really begin to show fruit.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Right. And Manmohan, maybe talk about -- you talked about simplifying the financials, making things a lot cleaner and easier for investors to understand. I imagine some of that, we'll start to see with the second quarter here. But just maybe to help level set folks, as we think about maybe headwinds and tailwinds we should think about for '25%, I know it's a little early, but there are some big moving pieces that people should remember.

Manmohan Mahajan - *Walgreens Boots Alliance, Inc. - Senior VP & Interim Global CFO*

Yes. So maybe very quickly on simplification. I think I did talk about sale leaseback, which we've talked about externally. You've already seen what we're doing with Cencora stock, which is a block trade versus VPF. We will -- we -- there's a lot of expectation from the community on more information around U.S. healthcare segment. And so you will see over the next 3 to 6 months, we'll start putting out more information so that you can see the building blocks of the adjusted EBITDA growth, which is significant year-on-year. So you will see all of those coming together over time.

Now in terms of look forward to '25 and headwinds and tailwinds, let me -- a couple of headwinds as I can point out. We're going to stop sale leaseback. And so there's going to be a level of headwind as we get into next year. Similarly, as we continue to sell down our interest in Cencora, you'll see the equity earnings pickup we have. You'll see that as kind of a headwind into '25.

Now what we feel good about in terms of tailwinds or some of the things we talked about a couple of months ago in January, and so pharmacy services, we've been talking about that here. We see continued growth in that. We're seeing our clinical trials business shaping up. We're seeing our data analytics and platform shaping up. Shields continues to grow. We talked about it in our earnings call. And the adjusted EBITDA growth within overall healthcare segment, obviously, is a growth story for us as well.

So those are components of the tailwinds. So maybe that's kind of how you need to think about. There is work, Tim has talked about it on the retail side, that we have embarked on. It's not one thing, it's multiple things. We're looking at it from a customer standpoint, assortment standpoint in own brands. And all those things are going in, being put in the works here. But again, this is something that's going to take a little bit of time.

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Yes. And our operating assumption, just to be super clear about one element of it, is that the consumer is challenged and will remain challenged. It'd be nice if that isn't true -- challenged at our consumer. And so if we get a tailwind on that, that would be wonderful. Our assumption is we're going to have to earn that consumer back. We're going to have to engage with them better than anybody. We're going to have to create what I call the Chick-fil-A experience for our members, except 7 days a week, and that's going to have to be earned.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

No, we're looking forward to that. Maybe just lastly, if you look at the fiscal '24 guidance, right, it implies a steep ramp as you get into the back half of the year. Maybe give us your sense on visibility, like what are sort of the tailwinds to help us get there?

Manmohan Mahajan - *Walgreens Boots Alliance, Inc. - Senior VP & Interim Global CFO*

Yes, sure. So number one, we talked about cost savings. And so the simple way to think about is we take an issue, we exercise certain -- we take certain actions. You begin to see them -- the benefit of that obviously ramping up in the second half. So we do see second half, more benefits coming through our rightsizing the cost structure versus the first half.

We continue to see good progress in our U.S. healthcare segment on road to adjusted EBITDA positive by end of this year. And so that is going to continue to scale that -- we continue to see there. And so there is tax benefit that we talked about in our January earnings call that we do see that it's going to be -- we do think there's going to be a benefit in the second half that hasn't come through here in the first half.

Outside of that, look, on the retail side, as I said, we're all hands on deck. We're very focused on that. The one thing I do point out is if you look at the comps we have in the second half of this year versus second half last year, it's going to be better than the first half. And so that -- there is that playing out for us. So those are maybe 4 components, 4 larger components as you think about us versus the second half ramp.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. And maybe in the last minute here, Tim, you talked about, could you view where do these assets sit best? And with the retail pharmacy kind of becoming more front and center, where does healthcare in your minds sit in terms of how it will benefit Walgreens going forward?

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Yes. I think it's central. I actually think it's -- there's a demand pull for what we can do on health services that's very real and that we've already responded to, but we have a tremendous amount of runway, I believe, to build in front of us that we can respond to.

So I think it's central. I think to believe in this thesis, it's not sufficient to just see us as a retail pharmacy that has a good front end. I think you have to believe that as I do and as our team does, including, again, 4 new people from the outside who all left really good jobs, all who have very large and appropriate reputations, see that opportunity. They came to be part of that, to be part of an iconic brand that has permission to drive engagement in a way that very, very few people can do.

I mean I'll close with a story. It's graphic, and I apologize. But when we have -- if you're familiar with Cologuard, which is a necessary colon cancer screening device that you can take home and use and then send in or bring to a pharmacy. When a Walgreens pharmacist talks to you about that and gives it to you, you're likely 50% of the time to complete it. If your health plan asks you to do it, it's less than -- it's about 10% of the time.

That kind of engagement in a very-difficult-to-take test, look it up and see what that process is and -- I threw mine out when it came to my house because I was like, I'm not doing that. And yet -- and I was indicated that I should have, right? And so the fact that we've got that kind of trust with tens of millions of Americans and engagement points and engagement experiences, even if it's in front of the store buying a bag of Doritos, like I said, we have a chance to turn that into a value-creating opportunity for others that are taking risk, that are collecting premiums and that will pay us a fair fee to deliver it. And I think that's integral to the future growth story that will be Walgreens.

Charles Rhyee - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. I think we'll end it right there. Thank you very much.

Timothy C. Wentworth - *Walgreens Boots Alliance, Inc. - CEO & Director*

Thanks, Charles. Appreciate it. Thanks, everybody.
