

Private equity firm scoops up Walgreens

Market Event Summary

Michelle La Vone | March 2025

Walgreens executes turnaround strategy

Retail giant signs \$24B purchase deal

On March 6, 2025, Walgreens Boots Alliance entered into a definitive agreement to be acquired by an entity affiliated with New York-based Sycamore Partners, a private equity firm. Walgreens CEO Tim Wentworth claims Walgreens' turnaround strategy "is better managed as a private company." Walgreens still plans to become the "first choice for pharmacy, retail, and health services."

The announcement comes at a time when states are increasingly filing bills to restrict private equity investments in healthcare. While anticipated scrutiny could slow or even prevent the acquisition, it could also cause costly administrative headaches for the new owners.

Background and context

Walgreens has operated as a publicly traded company for nearly 125 years but has suffered from declining retail sales, prescription brand inflation, and reimbursement pressures, among other headwinds, all which led to a \$245 million first-quarter operating loss in 2025 compared with a \$39 million in 2024. Stock prices have plummeted over the last several years, and in fall 2024, Wentworth announced a footprint optimization plan to close 1,200 underperforming retail stores by 2028.

At the time, Walgreens was already pursuing a more targeted primary-care business model by shuttering hundreds of VillageMD stores nationally.

Despite Walgreens' ongoing losses, Walgreens' U.S. healthcare segment showed growth during the first quarter of 2025, including a 9 percent increase in sales from VillageMD due to growth in full-risk lives and fee-for-service revenue. Walgreens also recorded a 16 percent increase in CareCentrix (a provider of post-acute and home care coordination services) and a 30-percent increase in Shields Health Solutions (which partners with health systems to create specialty pharmacy programs). These results suggest that Walgreens will maintain a focus on healthcare delivery—with or without VillageMD, which Wentworth termed a "non-core asset" despite initially high expectations. Walgreens continues to entertain a sale of that component and claims shareholders could receive an additional \$3 per share from "future monetization" of VillageMD equity.

Walgreens will not be the first major drugstore to go private. Rite Aid—which Walgreens attempted to buy in 2015 before caving under regulatory pressures—emerged from bankruptcy in fall 2024 and now operates as a private company.

+ Patients

The transition to a private company shields Walgreens from shareholder scrutiny, allowing for potentially quicker execution of patient-centered innovation in Walgreens' growing U.S. healthcare segment.

+ Pharma

The transaction could improve Walgreens' agility to grow its recently launched specialty pharmacy business and establish partnerships to strengthen its omnichannel strategy.

+ Providers

VillageMD—including Summit Health and CityMD—providers may be under new management if Walgreens proceeds with unloading VillageMD. That Walgreens claimed VillageMD was "not a crucial part of our future" suggests Sycamore will not invest in additional physician groups.

+ Payers

At the end of 2024, Walgreens announced plans to continue to enter value-based contracts with payers. If new leadership successfully improves Walgreens' core pharmacy business, greater investments in value-based care (including risk-bearing contracts) could follow.

Competitor faces headwinds, too

Strategic implications

Industry norm

Like Walgreens, competitor CVS Health is suffering from lower prescription drug reimbursement and is executing a footprint optimization plan to close underperforming stores. Walgreens and CVS are both seeing increased prescription drug volume but face mounting pressures from major disruptors like Amazon in the online pharmacy space. Amid these headwinds, changes will continue, and the healthcare landscape will continue to shift more and more to private equity-backed startups. CVS announced shortly before Walgreens' announcement that it had sold its Medicare Shared Savings Program business to value-based enablement company Wellvana.

Patient behavior

Patients will continue to turn to digital health solutions and online shopping. Under private ownership, Walgreens may be able to respond more quickly to consumer purchasing trends.

Pharma perception and reaction

Walgreens leverages a single wholesaler of branded and generic drugs, Cencora (previously called AmerisourceBergen), but continues to reduce its ownership stake to generate cash. As recently as February, Walgreens netted about \$300 million by reducing its ownership in Cencora from 10 percent to 6 percent. Private equity ownership—with its focus on aggressive value generation—may push Walgreens to dissolution of the remaining shares after they mature.

Factors for consideration



The ongoing closure of underperforming Walgreens stores limits access to prescription drugs, immunizations, and tools like glucose devices that help chronic disease patients stay adherent to medication regimens. The buy-out could temporarily slow Walgreens' footprint optimization and help preserve access to prescription drugs in the short term.



Private equity firms have accelerated their purchase of physician groups in recent years. While the Walgreens transaction could pair well with investments by Sycamore Partners in national physician groups, VillageMD's underperformance will likely discourage Sycamore from pursuing these opportunities. Sycamore is also likely to continue to avoid payer ownership given the increasingly difficult reimbursement environment. CVS' healthcare benefits segment, for one, suffers from increased patient utilization, higher acuity in Medicaid, and lower Medicare Advantage star ratings. The segment saw an operating loss of \$439 million during the three months ended Dec. 31, 2024.

Open questions

The FTC increasingly blocks healthcare deals involving private equity firms, claiming they will lead to higher consumer costs. States are also filing their own bills to slow the rapid escalation of private equity in healthcare. Even if the Walgreens acquisition clears state and federal hurdles, how might ongoing regulatory pressures impact Walgreens' ability to engage in further merger and acquisition activity under private owners?

How will the new ownership impact Walgreens' bargaining power with PBMs and health insurance companies? How might the transaction impact the ability of both competitors and potential partners to monitor Walgreens' financial pulse?

About the Author



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- **Author bio**

Michelle La Vone has been with Clarivate (formerly Decision Resources Group) since 2013. She analyzes the Texas and Georgia healthcare markets and tracks the rapidly evolving convenient care industry. She has been interviewed by [HealthLeaders Media](#), [Specialty Pharmacy Continuum](#), and [The Tennessean](#).

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- **Did you know?**

Michelle initiated tracking of retail clinics in 2015, a year after Rite Aid acquired the now-defunct RediClinic. The effort has since evolved into a robust database in collaboration with colleague Renée Burnham that includes thousands of payer-owned providers and retail health locations across the country.



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