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Walgreens F3Q09 (Qtr End 5/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll go first today to Mark Miller of William Blair.

Mark Miller - William Blair

Can you discuss what you think the impact to the P&L will be of the store remodels in 2010? So based on what you've learned so far from the up-front expense from converting the stores compared to the benefits as they accrue, do you think it's reasonable to think that this will be a drag on EPS going forward?

Gregory D. Wasson

Obviously we are finalizing the modeling for it. I'll give you a rough range. The rough range, we're probably talking in the order of \$30,000 to \$50,000 per store, doing the bulk of stores. Obviously the new stores coming out won't need to be done. There's some inner city stores that won't need to be done, so it's not overall a tremendously significant number. We are seeing lots of other benefits coming from CCR, so while there will be some cost and investment here, mostly expense, we also believe as we continue to go forward, we'll be getting benefit coming from rewire to help pay for that. And from CCR.

Mark Miller - William Blair

Okay, but -- so net of it all, I mean, it sounds like there might be more expense as you go into this until you get more of a -- I guess accrual and the benefits, which come a little bit later?

Wade D. Miquelon

Well, yeah, I mean, obviously the benefits come -- the benefits from the store remodels come after we've remodeled but there's other benefits from CCR, such as the more efficient pricing, promotion, supply chain work that we are already starting to see and will continue to see.

Mark Miller - William Blair

Okay. My other question is the comment was made about rewired being on pace for the \$1 billion in annual cost reductions by 2011. There was no comment for 2010, so can you give us some update -- is that \$500 million net savings number still a reasonable range or is that somewhat fluid?

Wade D. Miquelon

We're absolutely on track.

Mark Miller - William Blair

For the \$500 million next year?

Wade D. Miquelon

For this year, next year, and the year after.

Mark Miller - William Blair

Okay. Thanks a lot.

Operator

We'll go next to Simeon Gutman of Canaccord Adams.

Simeon Gutman - Canaccord Adams

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