

Net Takeaways



Amazon's Big Pharmacy News Was Supposed To Be A Tidal Wave... Instead It Made A Kiddie Pool Splash

On Tuesday, November 17th, Amazon made news by announcing two-day prescription delivery along with drug discount cards via its Prime subscription service. The move is a logical extension of Amazon's acquisition of PillPack for \$753 million in 2018 and had long been on the fringes of the radar for retail real estate investors, particularly those with pharmacy properties.

In many ways, the long lead-time to the announcements over the last couple of years has given investors a substantial amount of time to prepare for its impact on the marketplace. In the week following the announcement, CVS saw its share price slide by 10%, while the impact to Walgreens Boots Alliance was more significant, at 20%. Without a doubt, the impact on the valuations of the world's largest pharmacies has been meaningful, but it simultaneously does not mean an immediate impending doom for the companies.

The biggest loser of Amazon's move, perhaps, has been GoodRx. After an IPO earlier this year, which valued it close to \$20 billion, the company says its value has slid more than 30% following the announcement. The stock market's reaction suggests that investors seem to believe Amazon's move is most about mail-order prescription delivery rather than a pure supplanting of brick and mortar pharmacies.

In many ways, the dynamics surrounding the announcement and the subsequent market reaction tell a broader story of the retail world's evolution over the last few years. CVS and Walgreens, as well as a host of other retailers, have pivoted their business to protect from the most direct threats from online competition. Both CVS and Walgreens have substantially increased their mail-order business, integrated online technology, and offered delivery services. Both companies have gone even further, making inroads to becoming "Med-tailors," with CVS merging with Aetna, and Walgreens' major investment into VillageMD earlier this year.

While the traditional retail world certainly does not enjoy the continuing expansion of Amazon's retail hegemony, the drugstores have dipped their toes into complementary businesses to supplement revenues and keep pace. Our world as we know it has forever changed with the delivery to our doorstep of these essential products, and our expectations of availability of the product with the click of a mouse and ease of convenience rise with every new form of technology introduced to the general population. However, it doesn't mean "it's all over" for the main drugstores; the glorified liquor stores and mini-supermarket convenience that they provide will continue. We still have a mature population that for the next 15+ years will continue to go to their brick and mortar locations to fill scripts.

BJ Feller

Managing Director & Partner
bfeller@stanjohnsonco.com

Isaiah Harf

Regional Director & Partner
iharf@stanjohnsonco.com

Andy Gatchell

Associate Director
agatchell@stanjohnsonco.com

Stan Johnson Company

303 East Wacker Drive
Suite 1111
Chicago, IL 60601

stanjohnsonco.com

Blaise Bennett

Associate Director
bbennett@stanjohnsonco.com

Mark Lovering

Associate
mlovering@stanjohnsonco.com

Rachel Walz

Associate
rwalz@stanjohnsonco.com