

Ex-CFOs Defamation Suit Shows Walgreen in Tumult

Filing Depicts Retailer Grappling With Disappointing Profit, Activist Hedge Funds and a Major Deal



A Walgreen spokesman said the defamation suit is 'without merit.' *GETTY IMAGES*

By **PAUL ZIOBRO**
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A lawsuit against [Walgreen Co.](#) paints a picture of the rough and tumble maneuverings inside a company grappling with disappointing earnings, activist hedge funds and a major deal.

The suit by former Chief Financial Officer Wade Miquelon alleges Walgreen's chief executive and a company board member defamed him in meetings with large shareholders that became the basis of [a page-one article](#) in The Wall Street Journal.

The Journal article said Mr. Miquelon, according to investors and others familiar with the matter, left his job after a bad forecast of generic-drug prices that led to a surprise reduction in the company's profit target. In the article, Mr. Miquelon said he wasn't dismissed and that his finance group worked well with others in the company and kept its board informed.

In his suit, Mr. Miquelon said he wasn't responsible for the forecast and left Walgreen voluntarily, and that the article hurt his chances for employment.



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A lawsuit alleges Walgreen's CEO Greg Wasson defamed the ex-CFO. *GETTY IMAGES*

The Journal isn't named in the lawsuit, which goes on to depict battles to allegedly goose earnings forecasts and push the envelope on tax policy as the company, which is based in the Chicago area, debated whether to move its headquarters abroad. Mr. Miquelon says in the suit that he resisted that pressure and, as a result, was tarred after he left his post.

Walgreen spokesman Michael Polzin said, "We believe this action is without merit, and we intend to defend vigorously." He declined to comment on the specific allegations in the suit.

The company declined to make CEO [Greg Wasson](#) or Stefano Pessina, the Walgreen director identified in the suit, available for comment. Mr. Miquelon's attorney said the former CFO wouldn't comment beyond his court filings.

The scenes recounted in the suit come from just one party—and one who has set himself at odds with the company's leadership. Mr. Miquelon also presents text messages and emails along with his arguments.

In one exchange of texts, which was filed with the suit, Mr. Miquelon was pressed by Mr. Wasson to come up with what the suit says the former CFO believed was an unrealistically high profit forecast for the fiscal year beginning next September.

"Let's push for a 6.00 somehow," Mr. Wasson says in a text on June 11 that the suit says refers to an earnings forecast of at least \$6 a share.

"I don't think there is any way we could ensure that. Getting a 5 is a miracle," Mr. Miquelon replied in another text that appears to be redacted in part.

"No choice," Mr. Wasson responded, also by text. "Need a 6. We'll find a way."

When it became clear Walgreen would need to cut its forecast, Mr. Miquelon alleges in the suit that he was urged by Mr. Wasson to bundle it with other, positive news.

Two weeks later, Walgreen said it no longer stood by its 2016 forecast. When it gave its new forecast in August, two days after the company announced Mr. Miquelon's departure, it was for profit of \$4.25 to \$4.60 a share. Walgreen announced the new numbers along with the company's long-awaited decision to buy the rest of Alliance Boots GmbH, a European drugstore chain in which Walgreen bought a 45% stake in 2012.

Mr. Miquelon's exit from the company is at the heart of the suit. The former CFO argues he was defamed by Mr. Wasson and Mr. Pessina, the company's largest shareholder, and is seeking damages from Walgreen. He alleges Messrs. Wasson and Pessina, in a series of meetings with

prominent investors, falsely characterized Walgreen's finance department as "weak" and having "lax controls," the suit says.

The suit says the claims and the Aug. 19 Journal article were inaccurate.

A spokeswoman for [News Corp](#) , which owns The Wall Street Journal, said the paper stands by its reporting.

Mr. Miquelon stepped down as CFO Aug. 4. He remains employed at Walgreen through Dec. 1 in a nonexecutive role.

The lawsuit was filed Thursday in the Cook County Circuit Court in Chicago. The first hearing is scheduled for February.

The events described in the suit occurred as the company was under pressure from activist hedge funds as it prepared to buy the remainder of Alliance Boots and in the process debated whether to perform a so-called tax inversion that in theory could cut the company's tax bill. The worsening profit outlook stemming from a rise in generic drug costs put more pressure on the company and its executives.

Mr. Miquelon says in the suit that he cautioned strongly against relocating Walgreen's headquarters, because it was risky and might not qualify for tax advantages. That put him at odds with Mr. Wasson and Mr. Pessina, executive chairman of Alliance Boots, who the suit said both argued for a tax inversion, as well as hedge funds that supported the move.

In the weeks before the decision on the move, the CFO was roundly criticized by activist

On Aug. 6, Walgreen said it had decided against an inversion. At the same time, the company slashed its profit forecast, reflecting rising costs for generic drugs in plans it negotiated with health plans.

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