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ANDREW ROSS SORKIN

CVS to Buy 1,600 Drugstores From Target for \$1.9 Billion

By KATIE THOMAS, CHAD BRAY and HIROKO TABUCHI JUNE 15, 2015

The transaction is expected to significantly increase sales and prescriptions, CVS said.

"This strategic relationship with Target supports the highly complementary customer base, brand and culture we share," Larry J. Merlo, the president and chief executive of CVS, said in a news release. "This relationship with Target will provide consumers with expanded options and access to our unique health care services that lead to better health outcomes and lower overall health care costs."

Mr. Fein said the deal would allow CVS to expand its business into areas

but it's a very small part of their stores," he said.

Nevertheless, Target's pharmacies earned favorable marks from consumers, performing above the average for mass merchandisers in a 2014 J. D. Power study of customer satisfaction with pharmacies. CVS, by contrast, scored below average for chain drugstores.

Craig Johnson, president of the New Canaan, Conn.-based retail consulting firm Customer Growth Partners, said that the deal offered Target welcome cash to offset losses made on its short-lived foray into Canada. Beyond that, the partnership could help Target's bid to expand its reach into urban centers with smaller-format "City" or "Express" stores.

"It is evident that pharmacy must play an essential role in driving the traffic necessary to making these formats successful," Mr. Johnson said. "Having CVS as operator allows these stores to open with a running start."

Target's decision to hand its health care business to CVS represents a different model than one of its competitors, Walmart, which has recently opened primary care clinics in ~~some~~ of its stores as part of a play for the

revenue, while its pharmacy services segment had sales totaling \$88.44 billion.

Barclays and the law firms Fried Frank and Dechert advised CVS, while Goldman Sachs and the law firms Faegre Baker Daniels; Wachtell, Lipton, Rosen & Katz; and Dorsey & Whitney advised Target.

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