



Canada Just Lost its Best Stock

Description

Monday was a bittersweet day for long-time investors in **Catamaran Corp** (TSX:CCT)(NASDAQ:CTRX). The company announced that it was being acquired by **UnitedHealth Group Inc.** ([NYSE: UNH](#)) for US\$12.8 billion, thus, ending its reign as Canada's best performing stock over the past decade. As we see on the following chart the company had earned investors a nearly 5,000% return over the past 10 years.

[Catamaran](#) or type unknown

That return has obliterated the overall market and turned any small investment into a pile of wealth.

Anatomy of a wealth creator

I know of Catamaran's wealth-creating abilities first hand. As a long-term investor in the stock, I've enjoyed the ride since I hitched on in 2009 during the dark days of the financial crisis. I bought at a time when everyone else was selling. Because of that and the fact that the company has been able to grow substantially over the years, I've been able to enjoy my first ever 1,000%+ gain in a stock simply by buying and never selling a single share. For me, it turned a \$500 initial investment into a tidy \$6,000 of wealth.

When I initially bought Catamaran, it was a tiny healthcare technology company known as SXC Health Solutions that was bringing a transparent approach to the murky pharmacy benefits management (PBM) sector. It had a best-in-class software system that enabled smaller PBMs to better compete with industry behemoths by offering a more transparent pricing approach for customers. It was a disruptive innovation in a business that badly needed to be disrupted.

The company's business model shifted in time, as it realized its small PBM customers still really couldn't compete with larger rivals without having greater scale. So, SXC started to acquire its customers and roll up other PBMs. Before it was all said and done, it had created Catamaran, which was the fourth-largest PBM in the industry, as well as a leading healthcare technology company.

Saying goodbye

By selling out to UnitedHealth, Catamaran is now taking its scale to another level, as it is merging with the third-largest PBM that will enable the combined company to better compete with the two giants that dominate the market. Aside from merging with UnitedHealth's PBM, Catamaran's future growth as a stand-alone company was limited by the fact that it was running out of needle-moving smaller rivals to acquire. That left it with fewer growth options, as the former upstart had grown large enough that it would soon run into stiffer competition from its three larger PBM rivals.

Still, this is a bittersweet end for investors that were hoping it could one day become the leading PBM in the market by stealing market share from its larger rivals, while continuing to roll up smaller PBMs. Obviously, the company didn't see that as its ticket to the top and felt that selling out now was the best course of action for investors. Because of that, we'll never know how large it could have grown as a stand-alone company, nor will we know if it would have hit a brick wall and ceded that past decade's worth of gains. Instead, investors are left to content themselves with their Catamaran-created wealth and find somewhere else to keep it growing.

Investor takeaway

Catamaran became Canada's best performing stock by disrupting an industry that was ripe for disruption. However, it didn't take its fight to the top. Rather, it focused on areas it could easily win by using its technology and growing scale to create a force to be reckoned with. That formula created a lot of wealth for its investors, who now have a very large pile of cash to invest in the next great disruptor.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:UNH (UnitedHealth Group Incorporated)

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