

Loblaw Companies Limited and Telus Corporation's Latest Investments May Surprise Investors

Description

Loblaw Companies Limited ([TSX:L](#)) just announced it has entered an agreement to acquire all of **QHR Corporation's** ([TSX:QHR](#)) outstanding common shares for approximately \$170 million. This acquisition comes on the heels of **Telus Corporation's** ([TSX:T](#))([NYSE:TU](#)) purchase in July of Nightingale Informatix Corp. Both QHR and Nightingale are the leaders in the electronic medical records (EMR) market in Canada, owning about a 33% share of the market.

According to a study published in May 2016 by the Fraser Institute, healthcare spending is projected to grow at about 6.3% per year from 2015 to 2030. A significant factor is the increasing number of baby boomers entering their later years who will require additional healthcare. The federal and provincial governments will be looking for ways to reduce these costs by improving operations within the healthcare system.

QHR is the leading EMR platform in Canada used by various medical professionals, representing approximately 20% of the market. The platform optimizes the methods to access and use patient healthcare information and improve the care delivered to patients.

The company describes its technologies and services as enabling secure medical records management for clinical environments, empowering health providers with tools for virtual care, including secure video and messaging, as well as tools for clinic management, including scheduling, billing, and patient management.

Loblaw indicated that its purchase of QHR would complement the company's Shoppers Drug Mart division, but it will operate as a distinct business within the division. This transaction also signals a shift from the healthcare equipment business into the digital space of the industry. The company currently employs over 5,000 healthcare professionals, servicing over 17 million customers every week at all of its brands.

Telus was also considered a potential bidder in this process, but it likely conceded due to its existing business relationship with Loblaw. Loblaw has a contract with Telus to provide the IT and communications infrastructure to a significant number of its pharmacies. Telus may still indirectly benefit from this transaction by assisting with integrating the QHR platform with Loblaw's existing systems.

In July Telus announced it had entered an agreement to purchase Nightingale for \$14 million. This would include its proprietary EMR software solutions and related assets. At the time of the transaction, Nightingale was the third-largest EMR provided, behind Telus and QHR, with a network of 4,000 physicians using its services in Canada, mainly in Ontario and the Atlantic provinces.

Telus is already heavily involved in the healthcare technology sector, branded as Telus Health. The company's health business already provides a wide range of services including IT and communications

infrastructure in the healthcare industry. This would also expand its presence beyond western Canada, adding to its network 4,000 physicians in Ontario and the Atlantic provinces.

Investors attempting to value these two transactions should consider the growth of the EMR market.

In Q2 2016 QHR posted a 21% growth in revenues year over year; its stock has appreciated more than 100% over this same period. Nightingale has seen less lucrative growth over the last year, possibly leading to its sale. Combined, they both provide software solutions to approximately 12,000 healthcare providers and their patients. This is an opportunity for Loblaw and Telus to expand their business in one of the fastest-growing sectors in the country.

CATEGORY

1. Investing

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2. TSX:L (Loblaw Companies Limited)
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