



Acquisitions Continue to Drive This Stock's Growth

Description

As part of **Morneau Shepell Inc.'s** (TSX:MSI) \$426 million acquisition of **LifeWorks Corporation**, it issued 1.2 million shares to its executives, including CEO Jamie True, who will become the company's chief digital officer.

Given the ongoing digitization of financial services, the acquisition of LifeWorks is as much about buying the right talent as it is about buying the right company.

"I am equally pleased to welcome Jamie True, LifeWorks's CEO, who is joining us as chief digital officer effective immediately. In this role, Jamie will lead the strategy and development of our enterprise cloud-based platform," said Morneau Shepell CEO Stephen Liptrap. "In addition, he will lead the commercial activities for our LifeWorks line of business. We welcome Jamie's passion about technology and how it can be used to create positive change in our world today."

While that sounds like a bunch of PR verbiage, it's true in this situation.

What LifeWorks brings to the table

Morneau Shepell's growth strategy revolves around five key points.

Core business: Although Morneau Shepell originally started out as a pension and benefits consultant in 1966, it has since used employee assistance programs (EAP) to grow to where it is today — a market cap of \$1.5 billion with \$631 million in 2017 revenue and \$26 million in net income — the highest in the company's 52-year history.

Bringing LifeWorks into the equation only enhances its core business.

U.S. expansion: In 2017, Morneau Shepell generated \$98.4 million in revenue in the U.S., which represented just 15% of its overall sales. With the addition of Lifeworks, its U.S. business jumps to 24% of the company's overall sales, providing a more balanced enterprise.

Technology: This is where LifeWorks's CEO comes into play. Its technology platform, thought to provide one of the industry's best customer service experiences, gives Morneau Shepell's existing EAP business a tremendous boost.

Hence the new name, LifeWorks by Morneau Shepell. In Canada, people know Morneau Shepell, but in the U.S. they know LifeWorks.

Collaboration: By creating a one-stop end-to-end well-being platform with a single point of contact, Morneau Shepell's clients win. When clients win, shareholders win.

Transformation: Striving to become the best EAP provider in North America and elsewhere, LifeWorks brings the right talent and technology to the table to grow this important and profitable segment of its business.

The future

In May, I'd [suggested](#) that Morneau Shepell's stock was a socially responsible investment worth owning because the company was concerned about more than just dollars and cents.

The previous November, I'd [recommended](#) investors consider its stock because of its consistent growth of revenues and operating income over the past decade.

It's up 31% since my first recommendation.

With the LifeWorks acquisition, it expects to grow earnings by at least 10% in 2019; I wouldn't be surprised if the combination of the two EAP businesses doesn't result in an even greater contribution.

At almost 20 times cash flow, it isn't the cheapest stock on the TSX, but it's still worth owning given the importance of employee wellness isn't going away anytime soon.

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