This Retail Giant Just Announced a $75 Million Investment in Virtual Care

Description

One of the big developments in health care this year has been the emergence of telehealth, or virtual care. As more people are staying home to avoid contracting the coronavirus, they're opting to do more day-to-day things remotely. And it's not just online shopping, even visits to the doctor can now be done via an app. The growing popularity of these virtual visits is what's propelled stocks like **Teladoc** and **Well Health** (TSX:WELL) to astronomical heights this year. Teladoc's stock is up over 130% thus far in 2020, while Well Health shares have increased by 350%.

Given the hype and the strong demand for virtual care, more and more companies are jumping into it and expanding their offerings. The latest one is **Loblaw Companies** (TSX:L). On September 15, the company announced that its subsidiary, Shoppers Drug Mart, would be investing $75 million in Maple Corporation, a virtual care provider in Canada. Although the percentage of ownership wasn't specified in the press release, it stated that Shoppers would have a "material minority stake."

Loblaw stated in the release that it will be an important step forward for Shoppers, aiming "to provide a seamless experience for patients as they move between virtual and in-person care." Maple and Shoppers are already familiar with one another. Currently, Maple's virtual care is available in 160+ Shoppers locations in B.C.

While this is a relatively modest investment into virtual care (Teladoc is currently at a market capitalization of US$16 billion), it's a step towards advancing Shoppers's services, which can help add value for its patients.

The impact of this moves goes beyond just Loblaw

The move into telehealth is an important one for Loblaw. It ensures that the company is adapting to patients' changing wants and needs. While the demand for virtual care is high during the COVID-19 pandemic, these trends could be here to stay, especially as people get more used to them and more comfortable using telehealth.

It also intensifies the growing competition in the industry. Teladoc serves customers in Canada, and

Well Health is looking to expand its capabilities in North America as well, recently announcing a US$14 million investment in U.S.-based telehealth provider Circle Medical.

The advantage that Shoppers has is that it's a trusted name in Canada. New and lesser-known companies don't have the same rapport with Canadians, which could pose a challenge to a company like Well Health. The Vancouver-based company is coming off a record quarter where revenue of $10.6 million grew 43% year over year. While Well Health's VirutalClinic+ service has been busy, at times booking more than 1,000 patients per day, the risk is, those numbers could be down amid more competition, especially from a big name like Shoppers. And a slowing growth rate could spell trouble for its soaring share price.

Does this make Loblaw stock a buy?

The investment into Maple isn't going to lead to significant growth for Loblaw, at least there's no reason to believe it will at this point. Last year, Loblaw's sales grew by 2.9%. And with $48 billion in annual revenue, a modest $75 million investment isn't likely to generate billions of extra revenue for Loblaw (if it did, it would be one heck of an investment).

Loblaw is still a safe stock, and focusing more on telehealth helps minimize a potential loss of patients, but it likely won't do much for its long-term growth. The stock isn't any more of a buy than it was before the deal. It remains a good long-term buy, but you shouldn't invest in it because of this latest news.

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