



Acquisitions: 1 Stock That Rose 67% in 1 Day

Description

The two most common types of business growth you may see are organic growth and mergers/acquisitions. Organic growth is when a business grows its size, customer base, assets, geographic reach, etc.

It usually takes time and resources and requires the business to maintain its competitive advantages over long periods. And even though acquisitions are sometimes considered separate from organic growth, a lot of time, it's a natural element.

For investors, acquisitions can offer amazing opportunities. If you can predict and buy companies that are about to be acquired for a higher price than they are currently trading at, you can make decent returns in a relatively short time. An example would be **Cineplex**, which saw its stock shoot up over 40% in a week when **Cineworld** decided to acquire it.

An even more aggressive example, however, would be **LifeWorks** ([TSX:LWRK](#)).

Acquisition by a telecom giant

One of the three telecom giants in Canada and a coveted [5G stock](#), **Telus**, has entered a definitive agreement to acquire LifeWorks for \$33 per share on 16 June 2022. In a matter of hours, the stock shot up over 67% from its original share price of \$18.2 per unit. The shares will likely hit the requisite mark of \$33 or even surpass it.

The investors who already have LifeWorks shares will have three options, \$33 per unit encashment, Telus shares, or a \$50/\$50 mix of both. The Telus shares experienced the opposite impact and fell roughly 6% under the weight of this \$2.9 billion deal.

The \$33 price is definitely a premium considering the former market value of the company, but it's lower than the pre-pandemic peak value of the company when it was trading at \$35 per share. It was also quite a decent growth stock before the pandemic.

If you had already bought LifeWorks, preferably at a lower price point in the post-pandemic environment, you would have made a decent profit on your investment by now. But if you missed the mark and you still manage to buy its shares for a price lower than \$33 before the acquisition goes through, you can still make a bit of profit. If there are delays in the deal, the price may lower a bit as anticipation wanes off.

The rationale behind the acquisition

Telus already had a healthcare wing that focused on technological solutions for the healthcare sector. As a telecom/internet company, it's naturally positioned to take advantage of the telehealth revolution that's taking place right now. And with LifeWorks's impressive clientele and reach in its portfolio, Telus will get a significant boost in this space.

This is also one of the ways Telus is expanding its geographic reach. LifeWorks operates in 160 countries, and even though its revenue stream will be quite small compared to Telus from its core businesses (mostly domestic), it's a significant plus from a diversification perspective.

Foolish takeaway

It's not easy to predict such acquisitions and mergers ahead of time. But if you are tapped into the news, you may get the information just in time to make a move, and even if you can't capture the full growth, even a sizeable portion will be comparable to growth you might achieve in a matter of months with other stocks in your portfolio.

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Author

adamothonman

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