Top Canadian Healthcare Stocks of 2023

Description

Investing in healthcare stocks has perhaps never been a better idea. The healthcare sector has grown significantly since the start of 2020, aided in large part by increased medical spending during the COVID-19 pandemic.

Advances in artificial intelligence and semiconductor technology have allowed healthcare companies to build better medical equipment, deliver more accurate results, and expand revenues past previously forecasted growth projections.

How can Canadian investors profit from the immense growth of this essential industry? Below we'll break down the risks and rewards of healthcare stocks and help you decide if they're right for your goals.

What are healthcare stocks?

Healthcare stocks are publicly traded companies within the broader market sector of healthcare. The industry is broad and can include:

- Healthcare facilities
- Pharmacies
- Medical device and equipment manufacturers
- Pharmaceutical companies and drugmakers
- Telehealth and telemedicine companies
- Digital platforms and apps designed for healthcare
- Senior living and retirement facilities
- Healthcare REITs
- Health insurance companies

Healthcare is a $300 billion market sector that makes up roughly 12.7% of Canada's GDP. And though many healthcare facilities in Canada are publicly funded, many more are private tech companies and startups that are merging advances in medical science with developments in technology to create new solutions to common health problems.

Top healthcare stocks in Canada

Many hospitals and medical facilities in Canada aren't publicly traded companies. But Canadian investors still have plenty of healthcare stocks to choose from. Below are some of the top healthcare stocks in Canada.

Healthcare Stocks	Description
WELL Health Technologies (TSX: WELL)	Digital healthcare company with the largest chain of outpatient clinics in Canada
Andlauer Healthcare Group (TSX: AND)	Supply chain management company that specializes in healthcare transportation and logistics
Chartwell Retirement Residences (TSX: CSH.UN)	Larger owner of senior living facilities in Canada

WELL Health Technologies

WELL Health Technologies is a young digital healthcare company that owns the largest chain of outpatient medical clinics in Canada. The company's telehealth services and digital platforms help set it apart from more traditional healthcare providers.

In a nutshell, WELL Health Technologies wants to digitize Canada's healthcare sector. Their stated goal is to "leverage technology that empowers practitioners and their patients globally." More specifically, WELL is using telehealth and virtual care to reduce wait times in clinics and ease overburdened facilities that are too often understaffed. This includes providing practitioners with advanced digital platforms that can store Electronic Medical Records (EMR) safely and make billing management easier.

The company focuses heavily on acquisitions. Their strategy is to acquire primary health clinics, digital healthcare companies, and EMR service providers, which can then join their network of growing providers. Right now, WELL digital platforms support over 2,100 healthcare providers, 82 WELL clinics, and 21,000 practitioners, together servicing over 4.6 million annualized patient visits.

Between its IPO in 2016 and highest share price in September 2021, WELL's stock grew around 7,000%. Since then, its price has cooled off. But given the potential of telemedicine, WELL's growth hasn't yet hit its ceiling.

Andlauer Healthcare Group

Andlauer Healthcare Group is a supply chain management company that provides an essential (but often overlooked) service: managing the transportation and distribution of medicines, drugs, vaccines, and other healthcare supplies.

The company manages healthcare supply chains in two major ways: through climate-controlled ground and air transportation and its third-party logistics (3PL) systems. Right now, Andlauer operates 9 distribution centers and 18 branches in Canada, and ships healthcare supplies to providers in both Canada and the U.S.

Andlauer played a big role during the pandemic, as they oversaw the shipment of COVID-19 vaccines from companies like Pfizer to the medical facilities that administered them. The healthcare company continues to make strategic acquisitions, and they've had strong revenue growth in 2022.

Chartwell Retirement Residences

Chartwell Retirement Residences offers long-term and senior care facilities across Canada. It's the largest provider of senior housing, with over 200 retirement and care residencies in British Columbia, Alberta, Quebec, and Ontario.

Chartwell could be an astute long-term investment, as the company is set to profit from Canada's rapidly aging demographic. Not only that, but the company also dominates the retirement living space in the markets where it operates, with only a handful of smaller companies offering similar services.

What are the risks of healthcare stocks?

Healthcare stocks aren't extremely volatile, meaning we don't typically associate them with intense price movements, either drastically up or down. But they do have risks that are unique to the healthcare industry.

For one, healthcare companies face heavy regulation from Health Canada. This is especially true for drugmakers and pharmaceutical companies. Often these companies must go through numerous clinical trials before they can release new drugs, and it's not uncommon for a company to abandon research after failing to secure regulatory approval.

On top of that, there's also the risk of litigation: consumers can sue the company if health conditions worsen after drugs and medicines are used.

Some of the companies discussed above also have unique risks, mainly because they crossover with other market sectors. WELL Health Technologies, for instance, is a tech company, which makes them vulnerable to investor sentiment in the tech space.

The same can be said about real estate investment trusts (REIT)s that specialize in healthcare: when the real estate industry performs poorly, these stocks can take a hit, even if the healthcare industry is booming.

Are healthcare stocks right for you?

Notwithstanding the risks, healthcare stocks are generally considered defensive or safe stocks. Because healthcare is an essential service, we can expect these companies to generate relatively stable earnings regardless of economic conditions or trends in the stock market.

That doesn't mean healthcare stocks are immune to price volatility or market downturns. Healthcare companies that crossover with the tech industry (one of the most volatile sectors) will be less stable than, say, senior living facilities.

But given the importance of healthcare in Canada, these companies are safer investments than more aggressive types of stocks.

TICKERS GLOBAL

1. TSX:WELL (WELL Health Technologies Corp.)
2. TSX:AND (Andlauer Healthcare Group Inc.)
3. TSX:CSH.UN (Chartwell Retirement Residences)

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