

McKesson Corp (MCK)

Price: 64.53 12/6/2007

Sector: Healthcare
Industry: Biotech

Market Cap (Large): 18.65 Billion
Recommended Price:

Analyst: Eric Mueller



Business Description

McKesson Corporation provides supply, information, and care management products and services for the healthcare industry. The company operates in three segments: Pharmaceutical Solutions, Medical-Surgical Solutions, and Provider Technologies.

Business Story and Recent Developments

MCK has provided quality services and management for years and the following is a good example of their growth as a firm. In February 2007, the Company acquired Physician Micro Systems, Inc., known as Practice Partner, a provider of integrated software for electronic health records, medical billing and appointment scheduling for independent physician practices. On January 26, 2007, the Company completed the acquisition of Per-Se Technologies, Inc. In 2007, the Company's Provider Technologies segment acquired RelayHealth Corporation based in Emeryville, California. RelayHealth is a provider of secure online healthcare communication services linking patients, healthcare professionals, payors and pharmacies

Industry Outlook

Healthcare in general is a very good sector to be in right now with the current state of the economy. As more volatile industries swing up and down, healthcare is still something everyone needs and pays for. Biotech specifically is appealing because of its profit potential as more cures will be found with greater technology. Of course, it is always crucial with healthcare to know pipelines and what products will be coming out and succeeding so that is something that will be monitored weekly.

Financial Highlights

MCK has several key financial highlights in relation to their industry, for example their ROE is higher than the industry average (15.4 vs 13.3). Furthermore, their Net Income has grown by 19% in the past year and this growth looks to continue. Their EPS from Ops has grown 17.4% which is also a very good sign of strength of their operations.

Valuation

McKesson's shares jumped about a week and a half ago due to strong earnings which is good news for the overall strength of the company. The jump put the shares back into the trend that the stock has been in for about 2 years which bodes well looking forward.

Investment Thesis

MCK is a BUY and should be a very strong contributor to our portfolio.

