Healthcare: A Strong Growth Area For GE Stock

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Historically, **General Electric (GE)** has been a relatively stable company with an extremely steady stock price. However, at almost $20 per share, General Electric has given itself a sizable amount of room to increase its stock price, as just before the financial crisis it found itself at $40 per share. This company has slowly and steadily recovered from that crisis, and I expect it to continue to edge its stock price up over the next few years. Its already near its 52-week high of $21 per share, and it may continue well over that price.

Why do I have so much confidence in GE? Well, the company has recently made some serious innovations to get itself in the healthcare industry. Its innovations here should keep contracts coming in and the company swimming in healthy water for quite some time.

General Electric has renewed important partnerships, while also making new investments that may prove profitable in the near future. General Electric's Healthcare segment has renewed its partnership with **ServiceSource International's (SREV)** Asia-Pacific sector in an effort to increase the renewal of service contracts for medical equipment. ServiceSource is the world's leader in service revenue management, and General Electric intends to use ServiceSources' sales experts and cloud-computing applications to boost business.

Since the healthcare industry in Asia is enduring significant growth along with the growing economies and populations, General Electric has the opportunity to take advantage of this market. It will use this partnership to drive its recurring revenue streams, while also gaining more control of the market and finding new customers. The General manager of General Electric's Healthcare Services for the Asia Pacific region made note that "ServiceSource is helping our teams to better capture revenue opportunities in real-time and reduce any lost revenue." This partnership should continue to bring more value to the company, and I expect it to help an already healthy 1.21 EPS from a company trading around $20.

General Electric and its competitor's are improving Asia's healthcare industry in other ways as well. **Concord Medical Services Holdings (CCM)** completed an agreement for a 52 percent stake in China's new Chang'an Hospital. China's government is making a push for a larger percentage of privately owned hospitals, in efforts to achieve growth in and improve the service of the healthcare industry.

Along with the increasing number of hospitals and privately owned hospital beds comes an increased demand for medical devices. General Electric is certainly taking advantage of this growing demand, as it has opened an innovation center last month in Chengdu, China. The company will be opening a second innovation center in Xi'An, right by Concord Medical's Chang'an Hospital. The two companies have a preliminary agreement in works where Concord would use and promote General Electric's medical devices in rural China.

General Electric has announced it will sponsor Rock Health, one of the pioneering companies in digital healthcare. It is sponsoring Rock Health through its healthy-magination initiative; its goal is to provide better health for more people by lower cost and making healthcare more accessible. General Electric will primarily mentor and guide Rock Health's entrepreneur incubator program, which focuses on developing ideas and helping them become reality in the healthcare industry.

Yet another investment being made by General Electric is the $7.5 million being sent to Nanosonics to help the Australian business finish developing and distributing its ultrasound disinfecting system. It seems General Electric is making this investment to increase its hold in the foreign healthcare markets and increase its ultrasound technologies portfolio. With the assumption that Nanosonics successfully gets this product on the market, this should help increase General Electric's profts.

General Electric is not heading into the healthcare territory alone, however. It recently announced a deal with **Microsoft (MSFT)** to form Caradigm. The venture will provide real time business solutions for healthcare systems and individuals. The companies are initially providing 750 employees for the joint venture, though both companies expect growth. It will employ Microsoft's already existing health care data system combined with various GE technologies.

Of course, GE's moves into healthcare bring it up against one of its more formidable competitors, **Siemens (SI).** Siemens has been around the healthcare industry for years, and has done quite well in it (worldwide profits exceeded $15billion in fiscal year 2011). Recently, it unveiled another mega-center, this one in Illinois, and the facility takes up nearly 30,000 square feet. The facility was designed to best employ a number of Siemens machines and shows just how much muscle the company can flex when it wants to.

I definitely recommend investing in General Electric. This company has been able to expand into some of the most exciting and important industries of recent time, including the healthcare industry. Healthcare is becoming a bigger and bigger burden on governments and employers, so the cheaper, more efficient, yet effective services and products will be extremely important to society over time. Look for General Electric to continue its success, which will positively impact its earnings per share, which dropped off in 2008. It's been going up ever since, and many analysts, including myself, expect that it will continue on an upward trend in the coming quarters.

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

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