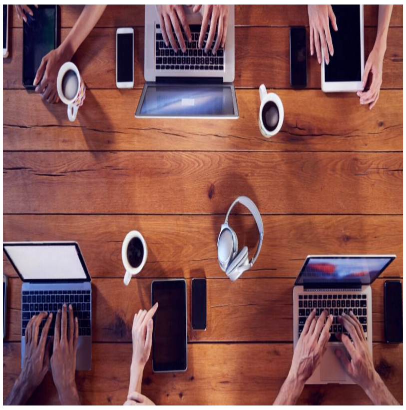

Up 15 Times in 3 Years, Is This Startup the “WeWork” for Doctors?

Description

Vancouver-based healthcare technology startup **WELL Health Technologies** (TSXV:WELL) has had a stellar run since its initial public offering (IPO) three years ago. Investors who got in early have enjoyed a 15.2 times return since then.

Part of the reason for this surge is the institutional money that seems to have poured into the stock in recent years. In fact, billionaire Li Ka-shing, the richest man in Hong Kong and the fifth richest in Asia, recently revealed that he held an 11% stake in the company. That makes him the second-largest shareholder behind the founder Hamed Shahbazi.

Shahbazi says his company is designed to be the “WeWork for doctors”; WeWork is the New York-based startup that provides shared work spaces and is estimated to be worth US$47 billion in an upcoming IPO.

While WeWork is focused on young tech professionals, WELL Health team is bringing similar digital innovation and efficiency to Canada’s relatively outdated healthcare system with a software platform that eliminates paperwork and clinic management issues for doctors and healthcare professionals.

There’s no doubt that Canada’s healthcare system is in urgent need of a technology-driven performance boost, but is the market opportunity big enough for WELL Health to someday become Canada’s next unicorn startup?

Healthcare spending

According to an analysis in the *Canadian Medical Association Journal*, “embracing technology” was one of the key ways to ensure Canadians had shorter wait times and better services across the nation’s healthcare system.

It seems that despite the high penetration of broadband, mobile phones, and digital technology across the public, doctors and healthcare professionals were still stuck in a byzantine system overloaded with paperwork and inefficient processes.

These inefficiencies have been consistently bloating the system. Public healthcare costs in Canada have risen 70% over the past two decades, much faster than population growth or inflation. The nation now spends 11.3% of gross domestic product (GDP), $253.5 billion, on healthcare every year, and only a fraction of that goes toward technology.

However, even if the current rate of technology investment remains steady, the market could be worth several billion dollars, as the country’s population ages and the costs of services rise. This means a startup like WELL Health has a shot at becoming a unicorn, which I would define as a valuation of over $1 billion.

Fundamentals

WELL Health is currently worth $160 million. According to analysis by Haywood Securities, its software is used by over 850 clinics, making it Canada’s third-largest provider of electronic medical records. Meanwhile, the company is also expanding by launching its own clinics. They currently own and operate 19 such clinics in and around Vancouver.

In the three months ended March 31, 2019, the company reported revenue of $7.4 million and a 31% gross margin. That means the company is on track to generate nearly $30 million in sales over the course of this year and is currently valued at five times that amount.

2018 was the company’s first year of generating revenue, so it’s too early to say whether the growth strategy is working. However, the financial resources of major investors like Li Ka-shing could help power acquisitions, new clinic launches, and technology improvements for the foreseeable future.

Coupled with the fact that software services are a high-margin business and the healthcare technology sector is relatively stable and recession-proof, WELL Health has the right combination of factors to power its rise to unicorn status. That means the stock is probably undervalued at the moment.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:WELL (WELL Health Technologies Corp.)

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