This Little-Known Stock Is Up 200% in 2019: Could It Double Again in 2020?

Description

Some of the best growth stocks are those that have not yet hit mainstream. As the markets are considered to be efficient, the more investors are following a company, the more likely it will be to trade inline with fair value.

On the flip side, stocks that come with little fanfare are more likely to be had a discount to fair value. The reason for this is simple: the market hasn't yet paid attention.

One such stock is **Well Health Technologies** (TSXV:WELL). WELL owns and operates approximately 20 medical clinics across Canada and provides electronic medical records (EMR) software to a network of 852 medical clinics. In total, it serves 4,000 physicians and 15 million patients nationwide.

Thus far, 2019 has been a banner year for the company. The company's stock price is up 200% and now trades at $1.43 per share at writing. Had you invested $10,000 into this company at its IPO price only two short years ago, your investment would be work approximately $750,000 today.

Although the company spent its first few years as a penny stock, 2018 proved to be transformative year as it increased annual revenue to $7.95 million, up from 415,000 the year prior.

In 2019, revenue is expected to jump to $24.04 million, a 202% jump. Not surprisingly, its stock price has appreciated accordingly.

The company has been growing at a rapid pace thanks in large part to the pace of acquisitions. Over the course of 2018, it acquired and built its network of medical clinics. Then, in early January, it closed on its acquisition of NerdEMR, the largest OSCAR hosting provider in British Columbia.

For those new to the space, OSCAR (Open Source Clinical Application and Resource) is one of the most popular EMR solutions in Canada and supports over 3.5 million Canadians.

In June, it closed on the acquisition of OSCARprn, another leading OSCAR provider in British Columbia. It provides supports to 71 clinics and 800 physicians.

In July, the company once again expanded its footprint when it acquired KAI Innovations, the largest OSCAR service provider in Canada. Finally, just last week it acquired Trinity Healthcare Technologies, Canada's second-largest OSCAR Provider.

Give the pace of the deals, it isn't surprising that the company isn't yet turning a profit. This is normal for high-growth companies, as they are redeploying earnings toward expansion. In 2020, analysts expect the company to grow revenue by 50% to $35.89 million.

Given that this does not take into account any further potential acquisitions, I believe this to be on the low side. It would not be the least bit surprising to see its revenue double again in 2020.

Foolish takeaway

As of writing, the company is trading at a cheap 4.3 times forward sales. Growth stocks trade at a forward P/S in the double digits. WELL is also on solid financial footing, with a strong balance sheet of $19.4 million in cash and only $8.9 million in long-term, leaving it well capitalized to move forward with its high-growth trajectory.

Canada's health care sector is a multi-billion dollar market and is backed by the government funding. The nation is dealing with an aging population and there is an increasing need to consolidate EMR solutions across the country. WELL is positioning itself to be an industry leader.

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Date
2025/06/30
Date Created
2019/11/30
Author
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