Investing $1,000 in This Penny-Stock IPO Would Have Made You $16,000

Description

The investment philosophy more often than not advises investors to bet on large-cap stocks with strong fundamentals, robust cash flow, and a dependable management team. While these investments are safe, there is always the gambler's instinct that needs to be taken care of. This where high-risk investments come into the picture.

Investing in penny stocks is risky, as these companies are small players without any substantial cash reserves or a strong balance sheet. However, with high risk comes high reward. Penny stocks can increase investor wealth significantly, driven by strong top-line growth and improving profit margins. There is also a high probability for penny stocks to get acquired.

Here we look at one such Canadian penny stock that has risen almost 16 times since its IPO in 2016.

Well Health Technologies

Well Health Technologies (TSX:WELL) stock went public back in April 2016. The stock closed trading at $0.11 on April 1, 2016, and is currently trading at $1.84. This means an investment of $1,000 in the stock during its IPO would have been worth just short of $16,000 today.

Well Health Technologies is a Canada-based company in the healthcare space. It has a network of 19 clinics that offer services including walk-in appointments, sleep apnea facilities, family medicine, and botox treatments. Well Health also provides SaaS (software as a service) electronic medical records (EMR) services to doctors across Canada.

The company has a market cap of just over $200 million. The stock has gained over 300% in the last year, and there is no reason why it cannot move higher in the coming years.

Well Health reported sales of $11 million in 2018. Analysts now expect sales to touch $32 million in 2019, $48 million in 2020, and $57 million in 2021. In the September quarter, Well Health increased sales by 328% to $8.19 million.

The company increased its digital EMR footprint to 852 primary clinics at the end of Q3. It expects this figure to rise to 946 clinics and 6,000 registered physicians and practitioners across Canada.

Well Health is focused on consolidating and modernizing clinical and digital assets in the healthcare space. The expansion of digital revenue will also help boost profit margins. The company’s gross margin rose from 29.2% in the third quarter of 2018 to 35% in Q3 of 2019 driven by an increase in digital sales.

Like several other companies, Well Health is still posting a net loss. In 2018, its EBITDA stood at -$1.18 million. This is expected to decline to -$1.74 million in 2019. However, analysts expect EBITDA to reach $1.41 million in 2020 and $4.34 million in 2021.

Last August, Well Health raised about $15 million via a private placement of warrants to infuse capital and strengthen its balance sheet.

Focus on acquisitions

Well Health depends on its clinics for a stable stream of revenue and is keen to expand EMR services to further boost sales. Over the last year, WELL has also acquired several companies.

Last month, Well Health completed the acquisition of a majority stake in Spring Medical Centre. The latter has an annual revenue of $2.3 million with an EBITDA margin of 10%. In December 2019, Well Health completed the acquisition of EMR service provider OSCARwest EMR Services.

This has been Well Health’s fourth acquisition in the EMR space. Company CEO Hamed Shahbazi stated, “We continued to be very active in executing on our acquisition growth strategy in the third quarter. We completed the acquisition of KAI and subsequently formed the WELL EMR Group encompassing all of the Company’s current and future EMR assets where we are seeing strong organic growth.”

He added, “With the proposed acquisition of OSCARwest, we continue to further consolidate the OSCAR-based EMR market and strengthen our position as the third largest EMR service provider in Canada (based on our research). We have a very robust pipeline of potential acquisitions in both our clinical and digital portfolios and remain diligent in implementing our acquisition strategy.”

The verdict

We can see that the company is well poised to grow sales via expansion of its product portfolio, integration of acquisitions, and the growing demand for EMR services. Earlier this month, it received final approval from the Toronto Stock Exchange to list its common shares on the TSX.

This will also drive liquidity of the stock higher, making it a solid bet for investors with high-risk exposure.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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1. Business Insider
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Category

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