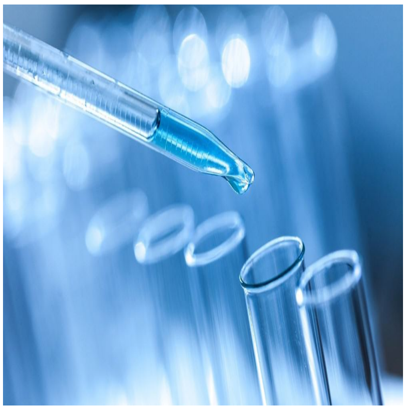

Can WELL Health (TSX:WELL) Stock Keep Surging?

Description

Vancouver-based **WELL Health Technologies** (TSX:WELL) is at the apex of the emerging telemedicine revolution. The company has spent years infusing technology into the way patients receive medical attention. This year, WELL Health stock finally caught mainstream attention. It's more than doubled in price since March alone.

In fact, the stock is up a jaw-dropping 2,545% since its initial public offering in 2011. That makes it one of the best-performing growth stocks in Canada. However, investors must now consider whether the stock has more room to run or is priced to perfection.

Immense opportunity

I firmly believe that healthcare is ripe for disruption. The archaic way we deliver healthcare is both ineffective and inefficient. Medical assistance should be available cheaply, quickly, and remotely. Meanwhile, medical data should be secured appropriately and used for medical breakthroughs when necessary.

WELL Health seems to be working on all those aspects. Its digital platform lets medical practitioners store and use medical data in the cloud. An expanding network of tech-enabled clinics is making healthcare more efficient. However, the most promising aspect is the telemedicine platform it recently launched.

Healthcare data analytics is estimated to be a US$39.05 billion by 2025, while medical software could be a US$17 billion by then. Telemedicine, however, is an industry that's already worth US$45 billion. The ongoing lockdown and pandemic is a catalyst for faster growth. Experts believe the market could be worth US$175 billion by 2026.

WELL Health stock valuation

While the potential market opportunity is worth hundreds of billions of dollars, WELL Health's market value is currently $373 million.

WELL Health stock is trading at 10 times trailing sales. However, sales tripled year over year. If sales double in 2020, the current stock price is only five times *forward sales per share.* That seems like fair value for a hyper-growth stock with gross margins exceeding 33.5%.

Over the course of 2020, the company could execute more acquisitions and add many more subscribers to its medical software platform. The team claims the number of clinics in its network could double from 20 to 40 this year. Meanwhile, the penetration of its telehealth services should spur even more growth.

Healthcare is an essential service, so WELL's physical clinics should be open, even if there's a second wave of COVID-19 cases later this year. In fact, if people are confined to their homes again, use of the virtual clinic services could rise exponentially higher.

In my opinion, WELL Health could be just a few years away from joining the exclusive club of tech unicorns (startups worth more than $1 billion). That would represent a 168% return from the current market price.

Bottom line

WELL Health stock has had an astounding run in recent weeks. In fact, investors who jumped in years ago are now probably sitting on a fortune. However, the healthcare sector is vast and ripe for further disruption. I believe the company has plenty more room to grow and could keep surging further if sales and the user base keeps expanding at its current pace.

CATEGORY

1. Investing

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1. Investing

Date
2025/07/26

Date Created
2020/05/31
Author
vraisinghani