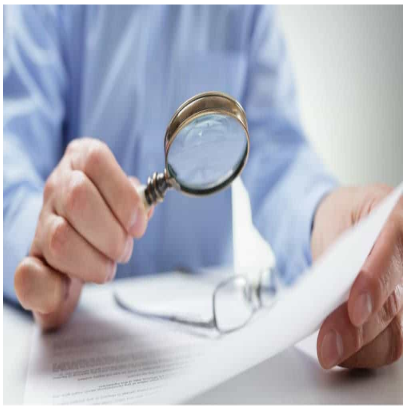

Why WELL Health (TSX:WELL) Stock Jumped 24% Yesterday!

Description

Telehealth and medical data startup **WELL Health Technologies** (TSX:WELL) made a big announcement yesterday. The company is entering the United States market and has secured more funding from billionaire investor Li Ka-shing. WELL Health stock shot up 24% on the news and is up another 6% today.

WELL Health stock has been a top performer this year. It's up 324% year to date, making it one of the best Canadian growth stocks of 2020. However, investors may need to take a closer look at WELL Health's recent expansions and figure out if the stock is overvalued or poised for further stunning returns ahead.

Expansion

The United States is, of course, the most lucrative healthcare market in the world. The country spends a bigger portion of its gross domestic product on healthcare and medicine than any other developed nation. That makes it a pivotal market for any medical company.

WELL Health's expansion to the U.S. came as a surprise to me. I expected it to roll out services and clinics in the rest of Canada before it moved to expand abroad. At the moment, WELL Health's clinics are all in British Columbia, while its medical data services are limited to a few provinces in Canada.

However, it looks like the WELL Health team saw an opportunity to enter the U.S. at an attractive price and took it. The company is paying only US$14 million to gain a controlling stake in Silicon Valley based Circle Medical. This stake gives the team access to a platform that provides telehealth across 35 states and reaches 200 million Americans.

It's an excellent deal, and WELL Health has already secured funding to see it through. Mr. Li Ka-shing has led a private placement round to infuse $23 million into the company coffers. WELL Health is now well positioned for immense growth.

WELL Health stock valuation

After its recent surge in valuation, WELL Health is now worth $840 million. The company has generated $38.8 million in revenue over the past 12 months. As telehealth services continue to gain traction and the U.S. expansion kicks off, sales could roughly double within the next 12 months.

That means WELL Health stock is currently trading at a forward price-to-sales (P/S) ratio of 10. Compare that to its larger rival **Teladoc**, which is currently trading at a P/S ratio of 22. It seems the stock is trading at fair value.

WELL Health recent fundraiser bolsters the balance sheet and reduces risk. The company should have $50 million in cash and cash equivalents after Mr. Li Ka-shing's investment. That's nearly double the size of its debt, which currently sits at $26.6 million.

The company is also paying for its controlling stake in Circle Medical via a stock swap, which means cash flow won't be impacted.

Bottom line

WELL Health stock seems fairly valued, and its finances are in good shape. Its expansion into the U.S. means the upside potential now far outweighs the downside risk. This is why I'm holding onto my stake, despite the recent surge.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/07/26

Date Created
2020/09/02
Author
vraisinghani