Why WELL Health (TSX:WELL) Stock Is Soaring

Description

Among the few healthcare stocks trading on the **TSX**, **WELL Health Technologies** (TSX:WELL) is likely the best to buy now.

WELL Health has a portfolio of primary healthcare facilities with an initial focus in British Columbia, an electronic medical records (EMR) business, and a virtual medicine platform called VirtualClinic+. The overall focus of the company is to leverage technology to empower and support patients and physicians. The company has a market cap of $877 million.

WELL Health's business has surged during the pandemic

COVID-19 has caused WELL's telehealth activities to accelerate, as patients observing physical-distancing measures increasingly turned to telehealth during the pandemic. The shift to telehealth generated record revenue and gross profits in the second quarter of 2020. WELL achieved quarterly revenue of $10,578,144 and gross margin of $4,226,831 in the three months ended June 30, representing growth of 43% and 88% year over year, respectively.

WELL Health achieved record gross profit of $4,226,831 in the quarter, representing 88% year-over-year growth thanks to higher margin in digital services revenue. WELL's quarterly telehealth visits increased sequentially by 730% to over 124,800 telehealth visits in Q2, nearly half of which were supported by WELL's VirtualClinic+ telehealth program.

The Vancouver-based company ended the second quarter with a strong balance sheet with $24,510,014 in cash and cash equivalents as of June 30, compared to $15,643,607 as of December 31, 2019.

The McMaster Family Health Team (MFHT) in Hamilton, Ontario, has chosen WELL's VirtualClinic+ as their preferred virtual care platform. MFHT, which is affiliated with the Department of Family Medicine at McMaster University, provides care to over 40,000 patients in three teaching clinics and trains healthcare professionals (medical clerks, residents, and others) to provide primary care services.

This is another important step for WELL, as it continues its transformation into an omnichannel digital health company. WELL is well positioned to capture a significant portion of Canadian healthcare IT spending and clinical payments to doctors.

WELL is expanding in the U.S. market

WELL Health stock jumped 21% to $5.84 on September 1 after announcing its expansion into the U.S. market. The Canadian healthcare company agreed to take a controlling stake in Circle Medical Ltd. for a total consideration of approximately US$14 million. The company added that Circle Medical's current rate of revenue is nearly $5 million per year.

"This proposed transaction is expected to position WELL as a leading provider of telehealth services in the United States. Since WELL's seed investment in Circle Medical almost two years ago, we've closely tracked the company and their seamless omni-channel patient experience," said Shahbazi in a press release. "We are looking forward to expanding our relationship with the talented Circle Medical team."

WELL Health stock still has plenty of upside

WELL Health stock is now trading over $6 per share. This is four times higher than its price at the start of the year. WELL is still a loss-making company, but it's growing fast, so it's shouldn't be long before it starts making profits.

For 2020, revenue is expected to grow by 36% to $44.6 million. Earnings per share are estimated to increase by 12.5% to -$0.07. Revenue and EPS growth will be even higher in 2021. Indeed, revenue is expected to increase by 53.4% to $68.5 million, while earnings are estimated to grow by 57.1% to -$0.03. This strong growth will drive WELL Health stock higher.

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