



WELL Health (TSX:WELL): This TSX Stock Acquired Circle Medical for \$14 Million

Description

Everyone loves a David vs. Goliath story: the underdog coming from nowhere to challenge an established player on their own turf. That's exactly what **WELL Health (TSX:WELL)** intended to do when it announced it is going to acquire a majority stake in San Francisco-based primary health and telecare provider firm Circle Medical for \$14 million.

With this move, WELL is taking on telehealthcare giant **Teladoc Health**, which has a market capitalization of \$17.79 billion and is the largest telemedicine provider in the United States. In comparison, WELL Health's market cap is \$814 million. In August, Teladoc announced an acquisition of its own when it said it would buy **Livongo** for \$18.5 billion. Livongo has a market cap of \$12.5 billion.

WELL Health has gained significant value since its IPO

The telehealthcare sector is currently an investor favourite across stock markets thanks to the pandemic and a massive increase in customers and revenue in the last quarter. WELL has gained over 300% in 2020 alone and 5,500% in fewer than five years. And, if the pandemic worsens, the demand for the sector's virtual offerings will only go up.

WELL saw a whopping 730% growth in the second quarter ended June 30, 2020, as it clocked more than 124,800 telehealth visits. Its VirtualClinic+ program has onboarded over 1,000 healthcare practitioners since launching in March, and the numbers are growing. Gross margins for WELL increased from 30-40% in this quarter showing that the company is becoming operationally more efficient.

While it is true that the U.S. is ahead of Canada in adapting and adopting this segment, the pandemic has leveled the playing field for everyone. Companies like WELL have received a boost, as their growth was fast-tracked. Patients have switched over to virtual visits, as they were left with no choice.

[I have written](#) about the sector and the company's growth prospects recently, where it looks like

WELL's revenues will increase eight times in 2021 from \$7.95 million in 2018. From the looks of it, the company will be profitable in 2022.

The company is still in a growth phase, and while it has a long way to go in catching up with its much larger rivals, it has a good foundation to build on. It has around 15% of the EMR (electronic medical record) market in Canada and the Circle Medical acquisition will help establish a toehold in the U.S.

The Foolish takeaway

It is possible that the short term might see stock prices drop a little. However, there is little doubt in my mind that the long-term growth prospects for WELL remain intact, and the company is a good buy.

Investors should not be tracking the prices on a daily basis, as the markets are volatile right now and prices will fluctuate. They would do better to track the quarterly earnings for WELL stock very closely and other moves the company intends to make in the acquisition play. An investor interested in this space would do well to add this stock to their portfolio in small quantities.

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