Well Health (TSX:WELL) Is Canada’s Latest Unicorn!

Description

WELL Health Technologies (TSX:WELL) stock has had an incredible run this year. Year to date, the stock is up 400%, which means every dollar invested in it in January would be worth $5 today. This surge has pushed the company’s valuation past $1 billion this week, meaning WELL health stock is Canada’s latest tech unicorn.

Now, investors like me must consider if the stock is overvalued. Here’s a closer look at WELL Health’s underlying fundamentals, near-term outlook and valuation.

Outlook

Stock analyst Justin Keywood calls WELL Health stock a “catalyst-rich name.” What I believe that means is that there are plenty of positive catalysts in the company’s near future. A spike in telehealth appointments is an obvious one. During the first wave of coronavirus, millions of Canadians turned to remote healthcare. Now, with another lockdown on the horizon, WELL Health’s VirtualClinic visits could spike again.

Meanwhile, the company has raised fresh funds from investors and acquired a U.S.-based telehealth startup to expand abroad. This acquisition-driven growth model could power WELL Health’s rise for several years, as the healthcare sector is gradually disrupted.

Based on these factors, Keywood has a $9 price target for WELL Health stock, which is 15% higher than the current market price.

WELL health stock valuation

While the company’s prospects are undeniably bright, investors could argue that future growth has already been baked into the stock price. WELL Health stock has gone parabolic in recent months, and that’s never an encouraging sign for value-oriented investors.

At the moment, WELL Health stock is trading at an enterprise value-to-revenue ratio of 24.7. By comparison, Canada’s most popular tech company

Shopify is trading at an EV/revenue ratio of 57.8. American rival **Teladoc** is trading at an EV/revenue of 25. So, WELL Health's stock valuation seems in line with other tech giants in the industry.

Teladoc recently targeted rival **Livongo** for an acquisition at US$18.5 billion (CA$24.5 billion). The company generated US$258 million (CA$342 million) in sales over the past 12 months. Meanwhile, WELL Health is expected to generate $44.8 million in sales this year. In other words, Livongo makes seven times more in sales but is worth 24 times more than WELL Health.

In short, if WELL Health can live up to its stunning growth projections, the current market value may be justified.

Bottom line

Telehealth and medical data is an unbelievably exciting arena. Traction in this space has been accelerated by the ongoing pandemic. However, I believe these services will continue to thrive after the crisis is resolved. Better accessibility and convenience are always a good sell.

WELL Health is at the epicentre of this paradigm shift. The stock has already surged five-fold this year as investors rushed into the stock. Now, it's Canada's latest tech unicorn. I believe there's plenty of room left for it to grow. Despite the rich valuation, the stock is actually in line with many of its competitors.

In short, if you're a growth investor with an appetite for risk, this one is a top pick for the next few years.

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Date
2025/07/25
Date Created
2020/10/08

Author
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