



Is This Stock the Next WELL Health (TSX:WELL)?

Description

I'm extremely bullish on the telehealth sector. In fact, I invested heavily in **WELL Health Technologies** ([TSX:WELL](#)) earlier this year. Unsurprisingly, [WELL Health stock](#) has been a top performer in my portfolio. However, it isn't the only company that benefits from this monumental shift to virtual medical care.

Smaller rival **CloudMD Software & Services Inc** ([TSXV:DOC](#)) has a similar offering and could carve out a niche in this nascent but lucrative market. If the stock can deliver even a fraction of WELL Health's immense growth, it's worth a closer look. Here's what you need to know.

WELL health stock rival

Unlike WELL Health, Cloud MD is a much younger and smaller firm. In fact, it hasn't yet graduated from the Toronto Venture Index onto the main index like its larger rival. It also earns less. Over the past 12 months, the company generated \$10.45 million in revenue, compared to WELL Health's \$38.8 million.

CloudMD claims its network includes 315 clinics, over 3000 licensed practitioners and almost 3 million registered patients. Whereas, WELL Health's digital platform covers 2,000 clinics, over 10,000 doctors and serves more than 15 million patients.

Apart from these numbers, WELL Health seems further along in the race than CloudMD on two other fronts: exposure to the United States and physical locations. WELL Health recently entered the U.S. market through an acquisition, enhancing its prospects for growth dramatically. Meanwhile, the company also owns and operates a network of 20 physical clinics which gives it another competitive advantage over CloudMD.

Finally, CloudMD isn't backstopped by a deep-pocketed investor like Li Ka-Shing. The company hasn't had much trouble raising capital, but if investor sentiment shifts or capital availability tightens, a reputed billionaire's support would give WELL Health a floor that isn't available to CCloudMD.

Valuation

Despite these differences in size, traction and risk profiles, CloudMD's valuation is quickly approaching WELL Health's. The company is currently worth \$384.5 million, 38 times trailing annual revenue and just 65% lower than WELL Health's market capitalization.

It could be argued that the entire telehealth sector is overvalued right now. That might be true. But that doesn't change the fact that CloudMD is clearly more richly valued than WELL Health at the moment. I could be wrong, but I feel more comfortable holding WELL Health stock than investing in its smaller rival.

That said, there's plenty of room for both companies to grow tremendously in the years ahead. Keep an eye on this one too.

Bottom line

WELL Health stock has generated unbelievable returns for early investors this year. The company is clearly riding the wave of enthusiasm that has engulfed the health tech sector. Now, smaller rivals stand a chance of carving out their segment of this growing market.

CloudMD looks like the next WELL Health stock. In fact, the company's valuation is already surging. However, CloudMD's revenues are far lower, while the company doesn't have the physical infrastructure, noteworthy investors or exposure to the United States that justify WELL Health's valuation. While it could be a great performer over the long term, at its current price, I believe it's overvalued.

CATEGORY

1. Tech Stocks

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1. TSX:WELL (WELL Health Technologies Corp.)
2. TSXV:DOC (CloudMD Software & Services Inc.)

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