



CloudMD (TSXV:DOC): The Next WELL Health (TSX:WELL) Stock?

Description

If you invested in **WELL Health Technologies** ([TSX:WELL](#)) in 2016, your capital would be worth over 7.6 times as much by now. The telehealth startup has been one of the most successful technology startups in Canada. Now, another emerging startup, **CloudMD Software & Services Inc.** (TSX:DOC) stock could be on the same course.

CloudMD stock has already delivered a 330% return since going public in June. That's better than WELL stock's return over the same period: 196%. In other words, savvy investors who jumped into this stock early have outpaced Canada's most noteworthy healthtech startup during this crisis.

Can CloudMD stock sustain this incredible run? Is it better than WELL Health? Here's a closer look.

Telehealth outlook

There's plenty of room for more than one telehealth giant. This industry is simply so nascent and offers so much potential for growth, that I wouldn't be surprised if we had even more telehealth startups emerge over the next few years.

The global telehealth market is expected to double from US\$25 billion (C\$32.9 billion) this year to over US\$55.6 billion (C\$73.26 billion) by 2025. Even then, telehealth has barely scratched the surface of global healthcare – a multi-trillion dollar industry.

Meanwhile, WELL stock and CloudMD stock are worth \$1.16 billion and \$326 million respectively. They both have plenty of potential to capture market share as more people adopt virtual clinic sessions and mobile consultations over the next decade. However, if you're trying to choose the better option between these two, you might want to dig into their fundamentals.

CloudMD stock valuation

Like any other startup, CloudMD isn't profitable yet. Instead, the company's valuation relies on its revenue and growth rate. CloudMD stock is currently trading at a price-to-sales ratio of 31.2. By comparison, WELL stock is trading at a P/S ratio of 30.4. In other words, the startup's valuation is

justified based on trailing sales.

However, [WELL Health](#) has some clear advantages over its smaller rival. The company has recently entered the United States, which is the largest telehealth market in the world. The company is also three year older, has more doctors, more software clients and a wide network of physical clinics that sets it apart from the competition.

I would argue that exposure to the United States and funding from Hong Kong billionaire Li Ka-Shing puts WELL Health in a better position to grow over the long term. Based on this assumption, WELL stock is clearly a better option for growth-seeking investors.

Bottom line

CloudMD stock has the potential to become one of Canada's most lucrative telehealth opportunities. It's only the second pure-play virtual health startup that's publicly listed. The first, WELL Health, has already delivered stunning returns over the past four years.

However, I believe the larger, older company is better positioned for growth over the long term. While both stocks have the potential to deliver multibagger gains, WELL Health is my preferred option.

CATEGORY

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2. Tech Stocks

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2. TSXV:DOC (CloudMD Software & Services Inc.)

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Date

2025/06/30

Date Created

2020/10/27

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