Well Health (TSX:WELL) Stock: 3 Takeaways From the Q3 Report

Description

WELL Health Technologies Corp. (TSX:WELL) has been a top performer this year. The stock is up a jaw-dropping 400% year to date. Increased traction for telehealth services and key acquisitions have driven the company throughout this crisis. Now, the recently published quarterly report gives us some insight into where things are heading and whether WELL health stock can keep surging into the New Year.

Here's a closer look at three key themes that popped up in the third quarter earnings report filed this week.

Clicks-and-bricks hybrid

One of my concerns about WELL Health stock is the fact that much of its growth has been based on the transition to telehealth this year. I worry that when the crisis is resolved next year, adoption of virtual clinic sessions may slow down.

Fortunately, the team has been working on a hybrid clicks-and-bricks model. WELL Health's software is already used by 2,000 clinics across Canada. The company owns and operates its own network of 20 physical clinics as well. They've added two more clinics in the San Francisco Bay Area this year via the Circle Medical acquisition.

Visits to these physical clinics should surge when the lockdown eases and the vaccine is distributed next year. In fact, physical visits were already up in the third quarter this year. "We experienced a strong rebound of physical in-clinic patient visits," said CEO Hamed Shahbazi.

This hybrid model should help WELL Health stock sustain its momentum in 2021 and beyond.

Acquisition-driven growth

The pace of acquisitions show no sign of slowing down. The WELL Health team added Billing-as-a-Service provider DoctorCare and mobile care provider Easy Allied to their portfolio this month alone. In August, they completed a tiny acquisition of Cycura.

The Cycura deal is noteworthy because it was completed on an all-cash basis, indicating that the management team is comfortable with the strength of the balance sheet. It also indicates that the management team sees further upside in WELL Health stock and isn't willing to dilute it too much for growth.

Well health stock valuation

Speaking of valuation, WELL Health stock is looking just as attractive heading into 2021 as it was at the start of the year. The company retired all its debentures this quarter, which means it now has 0% debt on its books. Meanwhile, fundraising led by Mr. Li Ka-Shing has helped the cash balance swell to over $100 million.

In other words, cash and cash equivalents now represent 8.4% of the company's market capitalization.

Annualized revenue run rate (ARR) – key metric for the company – surged to $68 million in this recent quarter. That means WELL Health stock trades at a forward price-to-ARR ratio of 17.5. Excellent for a company that's growing at this pace and promises gross margins exceeding 41%.

Bottom line

I've been a WELL Health stock investor since the start of the year and this recent earnings report has encouraged me to hold onto it as tightly as ever. The transition to telehealth is likely to take years, while the business model is diversified enough to mitigate risks. If you're comfortable with the volatility and valuation, I'd suggest taking a closer look at this tech star.

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