Santa Claus Rally: 2 Growth Stocks on the Move Again!

Description

Gone are the days when we need to go physically to the physician for simple consultations thanks to companies like **WELL Health Technologies** (TSX:WELL) and **CloudMD Software & Services** (TSXV:DOC) that are transforming the traditional healthcare industry.

In the last few months, the growth stocks sold off as much as 15% and 30%, respectively. However, there's been renewed interest in the form of an early Santa Claus Rally in the growth stocks that are taking part in the eHealth transformation.

Interested investors should take a closer look, and buy shares before they climb even higher.

WELL Health stock

Much of the WELL Health management team, including the founder and CEO, Hamed Shahbazi, previously built TIO Network from the ground up before it was acquired by **Paypal** in 2017. Shahbazi and his team are here to solve another problem — modernizing our healthcare system with technology.

WELL Health's omni-channel clinical network provides flexibility for in-person or virtual consultation. When there was an economic lockdown in British Columbia in Q2, patients limited their visits to the physical clinics. In-person consultation shrunk to 37% of total visits. Thankfully, it supported telehealth visits (via VirtualClinic+ and phone consultation) to fill in the gap.

When the economy reopened in Q3, the percentage of in-person visits rebounded strongly to 49% of total visits, which increased by 19% against Q2, while the number of telehealth visits remained steady.

Post-pandemic, WELL Health sees telehealth retaining 40-50% of total patient visits. The benefit is that telehealth saves hours of patients' time (from travelling to the clinic and waiting for the previous patient to finish up) for something like a quick prescription renewal.

WELL Health posted record revenue of $12.2 million in Q3, up 50% year over year (YOY). The strong revenues are primarily due to making strategic acquisitions and the addition of telehealth-related revenue.

Notably, digital services revenue increased a whopping 149% YOY, contributing to about 20% of total revenue, up from roughly 12% a year ago, which also resulted in gross margin expansion by 17%, against Q3 2019, to 41.2%.

CloudMD stock

After its recent acquisitions, including the seven announced in Q3, CloudMD would be about half the size of WELL Health based on annualized run-rate revenue.

CloudMD's record Q3 revenue of $3.4 million was 55% higher year over year. Digital services revenue makes up about 15% of total revenues, down from about 18% a year ago. Its Q3 gross margin was 42%, down from 46% a year ago.

A lower percentage of digital services revenue and compression in the margin were due to the type of acquisitions it completed in the past year. They were primarily clinic services and pharmacies, which have a lower margin compared to digital services.

Rest assured. CloudMD's subsequent acquisitions have been more focused on digital services and enterprise health solutions, which should help expand margins. It has its sights set for a gross margin of 50% down the road.

More upside coming in the Santa Claus Rally

WELL Health consolidated at $7 per share for a while before it popped 12% to $7.84. Analysts think the stock can trade at about 28% higher within the next 12 months.

Additionally, more growth is set to come as the company embarks on the journey to modernize the healthcare industry. Its latest acquisition in the works is Adracare, which will expand its offerings in the areas of mental health and cannabis therapy on top of its existing offerings in electronic medical records (EMR) and telehealth. Before this acquisition, the company had an annualized run-rate revenue of $68 million.

CloudMD stock double bottomed at $2.07 per share, in the last month, before appreciating 30% to $2.70. Analysts think the stock should be worth about 23% higher within the next 12 months.

Consider buying the cheap stocks before more money flows into the growing eHealth industry. If the two companies execute their strategies well, analysts will increase their price targets.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:WELL (WELL Health Technologies Corp.)

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

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