Should You Buy WELL Health (TSX:WELL) at These Levels?

Description

Amid the pandemic, the demand for telehealthcare services rose, as people were afraid to visit hospitals, benefiting **Well Health Technologies** (TSX:WELL). The increased demand for the company's services drove its financials and stock price.

In the first three quarters of 2020, its top line rose 43.8%, while its adjusted EBITDA losses contracted by around 40%. Driven by its strong fundamentals and high-growth prospects, the company's stock rose 410% last year. So, is there more upside to WELL Health's stock price? Let's first look at the company's growth prospects.

Telehealthcare's outlook

Telehealthcare services' demand could be sustained, even in the post-pandemic world, given its accessibility, convenience, and cost-effectiveness. *Fortune Business Insights* expects the global telehealthcare market to grow at an annualized rate of 25% over the next seven years to reach US$559.5 billion by 2027. So, the sector offers strong growth prospects.

Meanwhile, WELL Health focuses on expanding its telehealthcare service business. In the fourth quarter, the company acquired Circle Medical, which provides omnichannel healthcare services in the United States. Circle Medical's revenue in November exceeded $1 million and was also profitable. The company's management hopes Circle Medical's December performance to be better than November.

In Canada, WELL Health has enhanced its virtual care product offering by combining Tia Health and VirtualClinic+. It also acquired ExcelleMD during the fourth quarter, which expanded its omnichannel service to Quebec. In its recent update, the company's management stated that it expects the Canadian telehealthcare business to report record revenues in the fourth quarter.

Other growth prospects

WELL Health has expanded its Allied Health business by acquiring a major stake in Easy Allied Health.

It is also working on acquiring Adracare, which provides an omnichannel practice management platform to around 6,800 healthcare practitioners across several countries.

It also acquired DoctorCare and Source 44 during the fourth quarter. DoctorCare, which utilizes its proprietary software and systems to deliver BaaS (billing as a service) to around 2,000 physicians across Canada, has expanded WELL Health's Billing and BackOffice business unit operations. Meanwhile, Source 44 could enhance its cybersecurity revenues and expertise.

WELL Health has also created a market place for digital health applications called "apps.health," which hosts more than 25 apps. The company expects to host over 60 apps by mid-2021.

WELL Health is also continuing with its aggressive acquisition strategy and has signed several letters of intent to acquire clinical and digital assets. With no debt and cash of $85 million, its balance sheet also looks strong.

Given its recent acquisitions, WELL Health's annual revenue rate has increased to over $94 million, indicating a 92% growth from an annualized run rate of $49 million in the third quarter. Further, the management also expects the company to report positive adjusted EBITDA in the fourth quarter of 2020.

Bottom line

Amid the recent surge in its stock price, WELL Health's valuation has shot up, with its forward enterprise value-to-sales multiple standing at 18.3. However, given its growing addressable market, increasing market share, and accretive acquisitions, I expect WELL Health to deliver superior returns over the next three years.

Analysts look bullish on the stock, with all nine analysts following the company giving a buy rating. Meanwhile, the average price target stands at $9.91, representing a 12-month return potential of over 23%.

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