Why This Healthcare Stock Surged Over 10% Yesterday

Description

The COVID-19 pandemic has drawn many more eyeballs to the healthcare sector. In January, I'd discussed some of the best healthcare stocks that investors could target in 2021. One of the healthcare stocks I was highest on was **WELL Health Technologies** (TSX:WELL). I'd recommended investors pick up WELL Health back in September 2020. Its shares have climbed over 330% from the prior year. The stock had been somewhat stagnant to start 2021. However, it surged on the back of a big announcement today. In this piece, I want to discuss why WELL Health has gained momentum and why it is headed higher in the future.

How the COVID-19 pandemic has transformed health care

Telehealth involves the use of digital information and communication technologies to access healthcare services remotely. Services like these were already on the rise with the improvement of communication technology in recent years. The COVID-19 pandemic has forced millions to work and manage from their homes. This has resulted in a huge spike in the use of telehealth services. WELL Health is one healthcare stock that has benefited immensely from this trend.

In late December, Fortune Business Insights released a report on the telehealth market. It estimated that the global telehealth market stood at $61.4 billion in 2019. Fortune estimated that the global telehealth market would reach nearly $560 billion by 2027. That would represent a mouth-watering CAGR of 25% over the forecast period.

What caused this healthcare stock to soar today?

Shares of WELL Health have climbed 11% in mid-afternoon trading on February 8. On the same day, the company announced that it had entered an arrangement agreement to acquire all outstanding shares in **CRH Medical Corporation**. CRH Medical provides anesthesia services for patients undergoing endoscopic procedures in the United States and Canada. Its shares had dropped 51% from the prior year. WELL Health bought its outstanding shares at a 25% premium.

This acquisition will bolster WELL Health's exposure to the United States. This allows the company to apply its digitization and modernization of healthcare clinics to GI practices south of the border. Moreover, it will receive a boost from CRH's cash-flow generation and profitability.

Investors can expect to see WELL Health's fourth-quarter and full-year 2020 results in late March. In Q3 2020, the company reported record quarterly revenues and profits. Its adjusted EBITDA loss shrank to $153,488. WELL Health's outlook for the fourth quarter was boosted after recent acquisition including Cycura, Easy Allied, DoctorCare, and others. Moreover, this company boasts an excellent balance sheet.

This healthcare stock is well positioned for big growth in the 2020s. Investors should be on the hunt for exposure to the telehealth space. WELL Health is a terrific pick on the TSX right now. Healthcare has proven to be one of the most explosive sectors in the early part of this decade. The years following the pandemic should prove to be transformative for WELL Health and many of its peers.

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