# Why WELL Health (TSX:WELL) Stock Surged 22% Yesterday

### Description

Telehealth challenger **WELL Health Technologies** (TSX:WELL) has been on an acquisition spree for the past few years. Every new acquisition expands its platform's capabilities and potential target market. The latest one, announced yesterday, boosted WELL Health stock by a whopping 22%.



Here's a closer look at the latest acquisition and the company's path forward.

## Growth via acquisitions

Most technology companies grow in one of two ways: intrinsic innovation or extrinsic acquisitions. In other words, they either create innovative new services or acquire smaller firms with unique and innovative products. An ideal tech company focused on growth applies both strategies.

That's what WELL Health seems to be doing. Over the past five years, the company has acquired over 11 startups. These include Trinity Healthcare, Cycura Medbase Software, and Indivica. Last year, the acquisition of Circle Medical helped the WELL Health team enter the U.S. market.

This year, the team seems to be advancing this U.S. entry further. WELL Health acquired **CRH Medical**, a company focused on products and services for the treatment of gastrointestinal diseases. The deal is worth US$369.2 million (CA$471 million) and could add significantly to WELL Health's top line and bottom line.

CRH's footprint is spread across 13 states in the U.S. and thousands of medical practitioners in this niche. According to WELL Health, the acquisition should enhance revenue per share by roughly 120% and EBITDA per share by almost 800% in 2021. In other words, the deal creates tremendous value for shareholders.

## Funding

The deal is partly financed by a private placement led by billionaire investor and early investor Mr. Li Ka-shing. Along with a consortium of financial institutions, these private investors have deployed $295.5 million into WELL Health's book.

This is a clear green flag. WELL Health has bagged a deal that is likely to create value for shareholders and entrenches its platform in the largest healthcare market in the world. It's also being funded by sophisticated investors with deep pockets and an unimpeachable track record.

## WELL Health's stock valuation

The private placement led by Mr. Li Ka-Shing was sealed at $9.8 per share. Meanwhile, WELL Health stock currently trades at $9. That means smart money investors believe the stock is undervalued.

The CRH deal could be the clearest indication yet that WELL Health's top line is about to surge in 2021. This acquisition alone should push the company far above its target $100 million in annual sales. Meanwhile, its market capitalization is $1.46 billion, which implies a price-to-sales ratio of under 14.6. That's a fair ratio for a company growing this rapidly.

To sum up, WELL Health stock seems undervalued when you account for its access to debt and equity financing and the potential for rapid growth via acquisitions.



## Bottom line

WELL Health stock surged 22% yesterday after it announced a major acquisition. Deals like these add tremendous value for shareholders. The stock hasn't priced this in yet, which creates an opportunity for retail investors.

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