



## Short-Sellers Beware! WELL Health Stock Is a Rocket That Could Be Ignited Anytime

### Description

The equity markets are trading near record highs and investors are worried about the steep valuations of growth stocks. There are several factors that might impact the stock markets in the near term that include a sluggish macro-economy as well as rising COVID-19 cases in several parts of the world. However, a few companies are well-poised to weather the storm, and one such as stock is **WELL Health Technologies** ([TSX:WELL](#)).

This Canada-based health-tech stock has a short interest ratio of 20.5, which is basically the number of shares sold short divided by the total outstanding shares in the company. Generally, a short interest ratio of over 10% is considered extremely high. However, the bulls are in favour here, and here's why.

### Well Health is part of a rapidly expanding market

While the COVID-19 pandemic decimated companies across several sectors, it acted as a tailwind for WELL Health Technologies. WELL achieved positive adjusted EBITDA in Q4 of 2020 for the first time, with adjusted EBITDA of \$0.77 million as a result of significant revenue and EBITDA contribution from its acquisitions, higher-margin software and services revenue, and improved operating efficiencies.

The demand for telehealth services rose at a stellar pace, allowing WELL Health to grow its top line by 50% year over year to \$50.2 million in 2020. Now, with its latest acquisition in the bag, the company is on a run rate approaching \$300 million and generating more than \$50 million in positive cash flow from operations.

WELL Health is focused on improving the primary healthcare industry by leveraging technology and aims to alleviate challenges faced by patients and doctors. The company claims this industry is under-digitized, making it ripe for disruption.

WELL Health owns the single largest chain of primary healthcare clinics in British Columbia and has grown via the acquisition of other such accretive digital assets over the last few years.

Acquisitions such as ExcelleMD, Cycura, Insig, and DoctorCare have given the team an expanded network of clinics in Quebec, a telehealth service, a back-office billing service, and cybersecurity capabilities.

One of the most important acquisitions, however, was that of silicon valley-based Circle Medical. This corporate action was completed last year and will allow WELL to greatly expand its exposure in the U.S. throughout 2021 with a premiere asset.

## Recent developments should keep investors interested

In February, WELL Health raised over \$300 million [via an equity offering](#) led by noted Hong Kong billionaire Mr. Li Ka-shing, WELL's CEO, board, and senior management team in order to fund the acquisition of CRH Medical.

Last week, WELL Health disclosed it completed the acquisition of CRH Medical. After including the latter's credit facility, the acquisition was valued at US\$373 million, making it WELL Health's largest-ever acquisition. Impressively, a couple of days later, WELL announced that **JP Morgan** who provides a line of credit to CRH, upsized the facility size by US\$100 million to US\$300 million.

WELL Health expects the acquisition to boost its revenue and EBITDA by a significant margin given CRH reported US\$36.8 million in sales in Q4 of 2020, a year-over-year growth of 21%. CRH generates approximately US\$120 million in annual revenue with an EBITDA margin of 40% and a free cash flow margin of 25%.

It will also help WELL gain significant traction south of the border as CRH Medical currently supports 73 ambulatory surgical centres in 15 U.S. states and thousands of gastrointestinal physicians all over the country. CRH will also provide WELL the free cash flow it needs to continue its disciplined and strategically accretive M&A program without needing to raise funds and create dilution.

On April 28, WELL Health said it intends to launch a share-repurchase program. If approved by its board of directors, the company may repurchase approximately 4.87 million common shares in the next 12-month period. Generally, a company repurchases its shares if the management believes the stock is undervalued and is trading at a price lower than its intrinsic value.

## The Foolish takeaway

We can see there are several reasons to be optimistic about the long-term prospects of Well Health Technologies and a high short interest ratio makes little sense. The stock has underperformed the market in 2021 and is down 7.5% year to date, providing investors an opportunity to buy a quality [growth stock](#) at a lower valuation.

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## Date

2025/09/27

## Date Created

2021/04/30

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