



Why This Digital Health Stock on the TSX Remains a Solid Long-Term Pick!

Description

Investing in growth stocks remains one of the top strategies for equity investors to build long-term wealth. Growth stocks generally grow revenue and earnings at a higher pace compared to the broader market. This allows them to derive outsized gains over a period of time.

One such company on the **TSX** is **WELL Health Technologies** ([TSX:WELL](#)) which has been a top-performing stock ever since it went public back in 2016. WELL Health stock has returned a staggering 7,000% since its IPO. So, a \$1,000 investment in WELL Health soon after its Initial Public Offering (IPO) would be worth over \$70,000 today.

However past returns don't matter much for future investors. We need to see if the stock remains a top bet for 2021 and beyond.

WELL Health aims to disrupt the telehealth space

WELL Health wants to consolidate and modernize primary healthcare assets by leveraging digital technologies and processes to improve patient experience and operational efficiency. It believes that technology can be used to solve several challenges plaguing the healthcare space in Canada. Digital tools such as virtual care, waiting room automation as well as precision medicine can improve care delivery and increase clinic operational efficiency.

The company is now the largest owner of healthcare clinics in British Columbia that includes a chain of 20 medical clinics and a majority stakeholder position in an integrative care clinic known as Spring Medical. WELL Health also operates five clinics in Quebec post its acquisition of ExcellenceMD.

It is one of Canada's leading digital health companies and has grown top-line at a rapid clip by focusing on accretive acquisition over the years. In the Allied Health space, Well Health is a majority stakeholder in both SleepWorks which treats sleep disorders, and Easy Allied Health which is a mobile team of allied healthcare professionals.

WELL Health has over 2,800 clinicians that provide virtual care services while it is also the third-largest EMR (emergency medical record) provider in Canada.

Recent acquisitions will drive revenue

On April 4, WELL Health completed the acquisition of Intrahealth which is an enterprise-class EMR provider that has a global customer base across Canada, Australia, and New Zealand. It made a seed investment into a start-up fertility clinic in March, while in February, WELL Health completed an upsized offering amounting to \$302.5 million to fund the acquisition of CRH Medical.

WELL Health [recently completed](#) the acquisition of CRH Medical which was valued at US\$373 million. This was the company's largest-ever acquisition to date. CRH reported revenue of US\$36.8 million in the December quarter, indicating year-over-year growth of 21%. In fact, CRH sales in the last year were close to US\$120 million and the company also enjoys a healthy EBITDA margin of 40%, while its free cash flow margin is 25%.

Acquiring CRH will allow WELL Health to gain a foothold in the U.S. which is the largest digital health market in the world. WELL Health is optimistic that CRH Medical will improve its cash flow position which in turn will help the former focus on similar acquisitions without having to dilute shareholder wealth by raising additional capital.

Strong revenue growth

WELL Health's acquisition-based business model has ensured its top-line growth has been phenomenal. In 2018, the company reported sales of \$5.9 million. WELL Health increased sales to \$32.8 million in 2019 and \$50.24 million in 2020. Similar to several other growth companies, WELL Health continues to report an operating loss as it has sacrificed profit margins to increase market share and revenue.

In 2020, its operating loss stood at \$10.4 million which was 20.7% of total sales. Comparatively, its operating loss accounted for 35% of total sales in 2018 and 19% of sales in 2019.

Bay Street analysts expect WELL Health sales [to rise by](#) a whopping 353% to \$227.6 million in 2021 and by 44% to \$328 million in 2022. This growth in revenue will allow WELL Health to turn profitable as analysts expect the company to report earnings per share of \$0.08 in 2022 compared to a loss of \$0.03 per share in 2019.

The stock is trading at a price of \$7.2 at the time of writing and analysts have a 12-month price target of \$11.66. It shows us that WELL Health stock has significant upside potential and is trading at a discount of 62% right now.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/09/27

Date Created

2021/05/06

Author

araghunath

default watermark

default watermark