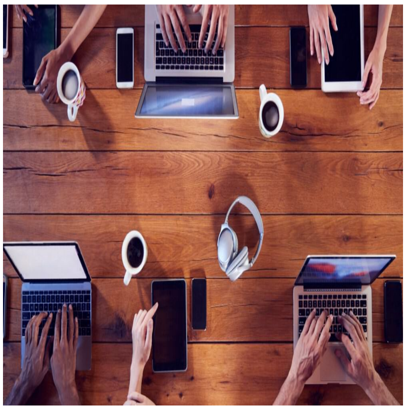

Why WELL Health (TSX:WELL) Stock Is Surging 17% This Week

Description

Telehealth star **WELL Health Technologies** (TSX:WELL) stock is quickly regaining lost ground. Over the past six days, the stock has surged 17%. It's now within striking distance of its all-time high of $9.84. Here's why this stock is gaining attention again and how far this rally could stretch in the year ahead.

WELL Health stock rebound

WELL Health stock has been tightly correlated with the tech sector and stay-at-home stocks over the past year. Over the course of 2020, the company gained 500% in market value primarily driven by the adoption of the company's virtual healthcare and medical data services.

However, with the pandemic receding and growth stocks collapsing, WELL Health stock took a dip too. It's been down roughly 25% from its all-time high in February. However, there are a number of reasons why WELL Health doesn't deserve this correlation.

For one, healthcare technology is insulated from the economy. WELL Health's traction and adoption are not impacted by economic growth or interest rates. Second, the stock isn't overvalued like the rest of the tech sector. While high-flying e-commerce and electric vehicle stocks trade at double-digit multiples of annual sales, WELL Health stock is trading at a forward price-to-sales ratio of around four.

Finally, the company's growth is driven by acquisitions and expansion in the United States. Yesterday, WELL Health's CEO Hamid Shahbazi announced that the team has sealed a deal to acquire MyHealth for $206 million. This deal makes WELL Health "…the largest owner-operator of outpatient medical clinics and the leading multi-disciplinary telehealth service provider in Canada," according to Shahbazi's tweet.

News about this acquisition was the perfect catalyst for the stock. It's up 15% since yesterday. WELL Health seems to have plenty of room to grow further.

Room to grow

Currently worth about $1.6 billion, WELL Health is still a tiny challenger in a massive market. The healthcare technology sector in North America is worth hundreds of billions. Across the world, this market could be worth trillions.

The adoption of virtual healthcare and telehealth services was spurred by the pandemic, but it's here to here to stay now. The convenience of receiving medical attention via video calls is undeniable. Meanwhile, WELL Health is backed by heavyweight investors like Hong Kong billionaire Sir Li Ka-shing. This means it has plenty of dry powder to keep acquiring small firms like MyHealth to sustain this pace of growth.

Before its latest acquisition, WELL health was on track to generate $300 million in annual recurring revenue. Now, the acquisition probably pushes that number higher. Assuming the stock deserves a price-to-sales ratio of eight to 10, WELL Health stock could easily double in market value by the end of the year.

Bottom line

WELL Health stock is surging again as news of its latest acquisition is made public. The purchase of MyHealth makes the company the largest private healthcare provider in Canada. This model is also being expanded in the U.S., which means investors have plenty of growth to look forward to.

If the team can achieve its revenue growth targets and the market can offer a more reasonable valuation ratio, the stock could double before the end of the year.

CATEGORY

1. Investing
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