Could WELL Health Stock Be the Next Couche-Tard?

Description

Have you been visiting the doctor during the pandemic? Why not video call them instead? Telehealth has reinvented the healthcare industry by providing instant medical service at the patient's fingertips. The COVID-19 pandemic has accelerated the digitization of the healthcare space, with telehealth visits rising from approximately 11% to 46% in the Unites States. Thanks to its remote efficiency and client-centered care, digital health is shaping up to be the gold standard — even after the pandemic.

WELL Health Technologies (TSX:WELL) is often the first to come up in discussion as a leader in the Canadian digital healthcare and telehealth space. The burgeoning health company has been on a hot streak of growth in the past few years with dozens of acquisitions, including CRH Medical and, most recently, telehealth and diagnostic powerhouse MyHealth.

The MyHealth deal marks WELL's 10th acquisition this year, officially making the company the largest owner-operator of outpatient medical clinics in Canada. It is no wonder investors have been drawing parallels to **Alimentation Couche-Tard**, a fellow Canadian brand that is no stranger to rapid international growth. In fact, Couche-Tard is now one of the largest convenience store retailers in the world. If you'd invested in Couche-Tard in 2001, you would have experienced cumulative returns of over 2,200% in the last 20 years.

Now, analysts are expecting a similar trajectory for WELL stock, as it gears up to take on the largest healthcare market in the world.

WELL Health stock likely to IPO in the U.S.

WELL recently announced a partnership with renowned law firm Fenwick & West, which helped companies like **Facebook**, **Amazon**, **Cisco**, and **Coinbase** with their IPOs. During its last earnings call, WELL Health confirmed it's exploring options to list on the NASDAQ.

A U.S. IPO is an exciting prospect for WELL given that its peers south of the border are currently trading at much higher multiples, making this a unique opportunity for investors.

WELL's billionaire backer, Hong Kong investor Li Ka-Shing, has played a vital role in the company's long string of acquisitions, such as CRH Medical, with a $100 million equity investment in partnership with Horizon Ventures. In light of its recent M&A strategy, this suggests that the current valuation of WELL Health Technologies is, in fact, attractive. Also, it’s clear that with partnerships such as the one with Mr. Li, there is potential for WELL to go global, which again would be similar to Couche-Tard’s trajectory.

The recent acquisitions reveal WELL’s affinity for rapid growth. MyHealth alone is expected to generate an annual revenue run rate of approximately $100 million with EBITDA margins exceeding 20%. Upon closing, Well Health’s combined pro forma revenue will be approaching $400 million and $100 million in EBITDA on a run-rate basis. In the healthcare industry with extremely high barriers to entry, numbers like these are hard to come by.

What’s next for investors?

Not only will these acquisitions bolster the company’s finances, but they will be the first step into a strategic growth plan that will provide WELL Health Technologies access to the U.S. health tech market. This bold step will expand WELL Health’s client base and prospective market into the most prominent digital health region in the world.

Bay Street Analysts predict this growth in the health technology market, and WELL’s acquisition of CRH Medical will improve the company’s bottom line, allowing it to report earnings of $0.08 per share in 2022 compared to a loss of $0.03 per share in 2019.

WELL’s stock is currently trading at $7.06, while analysts have a 12-month target price of $11.66. For investors interested in an innovative yet undervalued company, WELL Health Technologies is one to keep on your radar.

WELL Health currently operates in five countries and has a strong presence in the U.S. and Canada, where it generates more than $100 million on both sides of the border. It’s evident that the company is following the same path as Couche-Tard, which has become a dominant player in its industry globally, and the same can be expected from WELL Health.

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