WELL Health vs. CloudMD: Which TSX Growth Stock Should You Buy Right Now?

Description

In the past decade, growth stocks have crushed the broader indices, driven by a spectacular bull run in the equity markets. While the COVID-19 pandemic decimated the stock market in early 2020, the snap-back rally pushed major indices to record highs, primarily due to growth stocks in the technology space.

The ongoing pandemic has also acted as a tailwind for several companies, such as **WELL Health** (TSX:WELL) and **CloudMD** (TSXV:DOC). The shift towards telehealth solutions has accelerated in the last 15 months due to the need for social distancing and economic lockdowns imposed by several countries. However, this trend is likely to continue in 2021 and beyond, making WELL Health and CloudMD solid long-term bets.

WELL Health has gained 8,700% since IPO

WELL Health has been on an absolute tear since its IPO five years back. WELL stock has returned a staggering 8,700% after it went public, which means a $1,000 investment just after its IPO would be worth close to $88,000 today.

This astonishing growth has been supported by a strong uptick in sales and improvement in profit margins. WELL Health has increased sales from $5.9 million in 2018 to $50.24 million in 2020. Comparatively, its operating loss stood at $2.09 million in 2018, or 35.4% of sales, while in 2020, the company reported an operating loss of $10.4 million, or 20.7% of sales.

WELL Health has aggressively acquired companies in the last two years that have contributed to its top-line growth. After we account for its recent acquisitions of CRH Medical and MyHealth, WELL's combined pro forma sales will be close to $400 million, while its EBITDA would be $100 million on a run-rate basis.

Analysts tracking WELL stock forecast 2021 sales to rise by 427% to $265 million and by 60% to $423 million in 2022. Its bottom line is also expected to improve from a loss per share of $0.03 in 2020 to earnings per share of $0.06.

WELL Health stock is valued at a price-to-2022-sales multiple of 4.6, which is really cheap considering its growth estimates.

CloudMD stock is valued at a market cap of $535 million

Shares of CloudMD have gained 144% since its IPO in late 2017. However, CMD stock is currently trading 27% below its record high, providing investors an opportunity to buy the dip. In the first quarter of 2021, CloudMD sales were up 187% year over year at $8.8 million. It ended the quarter with a gross margin of 41%, which was attributed to a strong revenue mix.

Similar to WELL Health, CloudMD has also grown inorganically, and the company closed five acquisitions in the March quarter, adding $13 million in annualized sales.

CloudMD has experienced early adoption in its Enterprise Health Solutions division, which has bagged $5 million in new multi-year contracts in the March quarter.

During the earnings call, company CEO Dr. Essam Hamza said, “CloudMD already has a revenue run rate of over $120 million, and through highly profitable acquisitions coupled with organic growth and realization of cost synergies, we expect to be profitable in the second half of 2021.”

The final takeaway

Both WELL Health and CloudMD are exciting bets for investors looking to beat the market. However, if I have to choose a winner, it would have to be WELL Health given its larger revenue base and lower valuation metrics.

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2. TSXV:DOC (CloudMD Software & Services Inc.)

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