Why I'd Buy These 2 Healthcare Stocks Today (Besides the Cheap $10 Price)

Description

The healthcare sector isn't a top-of-mind destination for stock investors, although awareness rose in 2020 during the COVID-19 breakout. Unfortunately, healthcare is the **TSX's** worst-performing sector thus far in 2022, posting a 43.7% year-to-date loss. However, there are still buying opportunities.

If you're scouting for excellent healthcare plays in 2023, you can take positions in these two small-cap stocks for less than $10 per share. **Viemed Healthcare** (TSX:VMD) is a promising high-growth stock, while **Medical Facilities Corp.** (TSX:DR) could be your new source of passive income.

Standout performer

Viemed Healthcare, a leader in the in-home healthcare industry, is having a fantastic run in 2022. At $9.98 per share, the healthcare stock is outperforming the broader market year to date, +51.21% versus -3.47% in the year-ago period The $379.4 million company was established in 2006 and is still growing.

Today, Louisiana-based Viemed is the largest independent specialized provider of non-invasive ventilation (NIV) in the US home respiratory healthcare industry. It has a specialized focus on COPD (chronic obstructive pulmonary disease) and the aging population. With 10,000 baby boomers turning 65 daily in the US, management sees a significant market growth opportunity.

In the nine months ended September 30, 2021, total revenue jumped 19% to US$101.3 million year over year, although net income declined nearly 25% to US$3.8 million. Nevertheless, Casey Hoyt, Viemed's CEO, was happy with the robust growth. He said, "The momentum behind patient and service expansion continues to exceed expectations."

Viemed derives most of its revenue from the rental of non-invasive and invasive ventilators. In the first three quarters of 2022, they accounted for 68.8% and 77.9% of total revenue, respectively. Management's primary objective is to focus on the organic growth of the business and cement its market position in the US.

The plan is to grow the active patient base and enter new target markets through geographic expansion in the next 24 months. Management will likewise expand technology capabilities and services, and home-based product offerings. Importantly, Viemed is well-positioned to serve the growing Medicare population in the US, which is estimated to reach 70 million beneficiaries by 2025.

Dividend-payer with a unique business model

Like Viemed, Medical Facilities operates in the US and is well-positioned for growth. This $206 million company owns four specialty surgical hospitals offering non-emergency surgical, diagnostic, imaging, and pain management procedures. It also has seven ambulatory surgery centres.

The business model is unique because Medical Facilities partners with physicians who actively manage the facilities. In Q3 2022, facility and total revenue increased 6% and 3.2% year over year to US$102.2 million (same).

However, income from operations dropped 37% to US$10.4 million from a year ago due to higher consolidated operating expenses, including increases in clinical and non-clinical wages and salaries. Still, Jason Redman, Medical Facilities' President and CEO, said that while inflationary pressures impact profitability, the company's strong cash flow and balance sheet will drive financial performance.

The healthcare stock trades at $7.88 per share (-13.7% year to date) and pays an attractive 4.09% dividend.

Profitable options

Viemed and Medical Facilities are your cheapest, most profitable options in the healthcare sector for 2023. The former is a high-growth stock, while the latter is a valuable addition to your dividend stock portfolio.

CATEGORY

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