WELL Health's Newest Acquisition Is Key

Description

The telehealth industry is expected to grow from a size of $61.4 billion in 2019 to $559.5 billion by 2027. This represents a compound annual growth rate (CAGR) of 25.2% over that period. This means that the companies that end up big winners in this industry should see incredible growth from today's valuations. Within Canada, the top player in this industry is **WELL Health Technologies** (TSX:WELL).

WELL Health Technologies is an operator of primary care clinics and holds a diverse portfolio of digital assets. These assets are licensed to other clinics, providing the company another avenue for profit. Throughout its history, WELL Health has chosen mergers and acquisitions as its primary method of growth. Although many investors would rather see organic growth (e.g., increasing revenues from existing business lines), this strategy has previously proven successful.

On Monday, the company announced its latest acquisition, which took the investment world by storm. What was this acquisition and what does it mean for WELL Health moving forward?

Which company did WELL Health acquire?

On February 8, WELL Health announced its acquisition of **CRH Medical** (TSX:CRH). It is a small cap company that offers products and services to the gastroenterology community. Its primary clientele is focused on the older demographic. As the aging demographic continues to increase, CRH Medical's services will continue to see larger demand.

As a result of the acquisition, CRH Medical saw its stock jump 80% on Monday after the two companies announced that WELL Health would be acquiring the business at a 25% premium. WELL Health also saw a boost in its stock price, gaining about 22% at open. It eventually closed the day at a 12% gain.

WELL Health believes that this acquisition will help accelerate the company's expansion into the United States. Currently, CRH Medical serves 69 ambulatory surgery centres and gastroenterology (GI) clinics in 13 states. In addition, it is partnered with thousands of other GI clinics in the continental 48 states. This move makes a lot of sense for WELL Health, after its majority acquisition of Circle

Medical last year.

What should investors do with their shares?

Normally, the acquired company will see a boost in its stock price after an acquisition announcement. We saw that with CRH Medical. After rising 80% in one day, one could be led to believe that the upside is very slim from this point forward. It would therefore be a good idea to exit your position. However, if you wish to continue supporting CRH Medical, the core of the business will still exist within WELL Health. So interested investors could allocate funds towards that company.

What's next for WELL Health?

The telehealth industry is massive and cut-throat. There are formidable competitors in Canada and around the world, and this acquisition keeps WELL Health as a potential winner in the space. The company still needs to expand into more primary care clinics in the future, but this is an excellent step forward for the company as it tries to establish a presence in the United States.

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Date
2025/06/29
Date Created
2021/02/10
Author
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