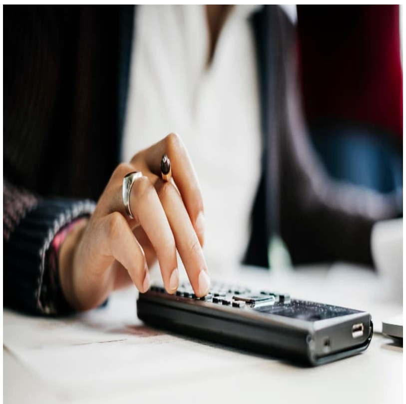

Telehealth: Buy the Dip

Description

With the health crisis receding, investors seem to have lost their appetite for telehealth stocks. Some of the biggest players in this industry have lost nearly half their value in recent months. Canada's telehealth stocks have held up slightly better, but are still trading below their all-time-highs.

If this dip is worth buying into or is the telehealth industry a losing play as the economy reopens? Here's a closer look.

Telehealth is here to stay

It's worth noting that there was a surge in the number of virtual clinic appointments booked last year. However, physical clinics were not shut during the lockdown. People could visit their family doctor and get the medical attention they needed throughout the pandemic. However, many *chose to visit virtually.* This is because a video call with a doctor is clearly more convenient.

Convenience is what makes these services sticky and is probably why the industry has plenty of runway ahead, despite the concerns of investors. The ongoing dip potentially creates an opportunity.

Telehealth stocks

WELL Health Technologies (TSX:WELL) is still the market leader in Canada. The stock is trading 17% lower than its all-time-high, but its underlying fundamentals remain as strong as ever. The company is expanding its footprint in the U.S. this year and is on track to exceed its $300 annual revenue run rate. Meanwhile, its market value is just four times higher at $1.25 billion.

The WELL health team clearly believes the stock is undervalued, which is why they've initiated a Normal Course Issuer Bid (NCIB) to buy back shares.

CloudMD Software & Services Ltd. (TSXV:DOC) is another one of the telehealth stocks that has felt the full force of the broader tech sell-off. After a 200% rally in 2020, the stock is down by about 30% year to date. Amid the recent pullback, there is no disputing that the company has a solid growth path going by its acquisitions over the past year.

CloudMD has carved a niche for itself as a leading provider of cloud-based software for medical practitioners. The company offers telehealth services, an employer healthcare platform, and a mental health solution. Its telehealth solutions are currently being used by over 500 clinics and 4,000 licensed practitioners.

With the world unlikely to revert to the traditional methods of seeing healthcare providers in person, CloudMD remains well-positioned to see strong demand for its telehealth solution. After acquiring company after company last year, the company now has a solid growth path with revenue expected to surge with this strategy.

CloudMD Prospects

Aggressive acquisition strategies mean CloudMD can now operate as a telehealth provider in several industries. Its annualized run rate has already crossed the $60 million mark. Meanwhile, the team is actively diversifying its revenue streams which is another green flag for investors.

That being said, the recent pullback means the stock is fairly valued. The stock is trading at just abopve seven times annualized revenue. The company is expected to deliver superior returns over the long run, given the favorable industry trends supported by an aggressive acquisition strategy.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:WELL (WELL Health Technologies Corp.)
2. TSXV:DOC (CloudMD Software & Services Inc.)

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