WELL Health Technologies Is a Great Buy After a 25% Pullback

Description

WELL Health Technologies (TSX:WELL) has been under pressure for a large chunk of 2021. With shares fresh off a 25% pullback, venturesome Canadian investors looking to punch their ticket to a digital health play may finally have their chance to jump in.

For those unfamiliar with the name, WELL Health is a Vancouver-based omnichannel virtual health technology company that exploded onto the scene during the pandemic.

WELL stock popped over 550% from a buck and change back in March 2020 to its February 2021 peak at nearly $9 before pulling back to $6.85, where shares currently sit today. The company is a promising up-and-coming mid-cap with a $1.34 billion market cap, and, in many ways, its growth story seems to rhyme with that of **Teledoc**, one of the hottest virtual healthcare plays on the planet.

Catch WELL Health Technologies stock while it takes a breather

Investors are right to be exciting about WELL Health. Digital health is one of the hottest growth segments out there. Any time you've got a massive total addressable market (TAM) and a technological disruptor that could carve out a large position of the market for itself, you could be looking at a potential multi-bagger.

After the stock's incredible past-year run, WELL's valuation metrics have swollen considerably. The stock currently trades at just north of 20 times sales. That's not cheap by any stretch of the imagination. But for the kind of growth you'll be getting from the name, I'd argue that WELL stock isn't nearly as expensive compared to most other hyper-growth tech stocks out there, especially after the recent pullback. In any case, I see WELL stock as boasting a slight premium over its peers in the digital health arena.

A solid quarter dampened by broader growth sell-off

WELL Health clocked in some solid numbers for the first quarter of fiscal 2021. Revenue grew by

150% to $25.6 million, thanks partly to tremendous strength in its software & services segment, which experienced an incredible 345% in year-over-year growth to $7.6 million. Adjusted EBITDA came in at $0.5 million versus the $0.2 million loss posted over the same quarter last year.

As impressive as the growth numbers were, they failed to move the needle on shares, as Mr. Market had continued to punish growth stocks. On the EPS front, WELL missed the mark with a $0.04 loss, which was two pennies more than the $0.02 loss that the Street was calling for. It was an earnings beat at a time when the market was not even rewarding blowout earnings for top growers.

As WELL Health continues pursuing M&A opportunities in the broader digital health space, I suspect investors will be rewarded for their patience. The recent acquisition of innovative gastroenterology (GI) firm CRH Medical is going smoothly and looks to be in great hands under the leadership of WELL Health CEO Hamed Shahbazi.

WELL stock is doing incredibly well!

At just 5.2 times book, I think contrarians have a lot to gain by scooping up a few WELL shares after the latest pullback, which is likely unwarranted and overblown. There’s no telling when the market will stop punishing growth, but when rates settle down, and growth stocks finally bottom on, I’d look for WELL stock to be one of the quickest to bounce.

It’s a rare gem on the TSX that I think is more than worthy of a premium price tag, given its incredible momentum.

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Date
2025/09/29
Date Created
2021/05/27
Author
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