WELL Health (TSX:WELL) Looks an Excellent Buy After its Solid 2nd-Quarter Performance

Description

Yesterday, **WELL Health Technologies** (TSX:WELL), a tech-enabled healthcare company that empowers and supports healthcare practitioners and their patients, reported a solid second-quarter performance, outperforming analysts' revenue expectations. Its revenue came in at $61.8 million, 10.8% higher than analysts' expectations of $55.8 million. Along with its top-line growth, the company adjusted EBITDA, and net losses per share also improved year over year.

Supported by its solid second-quarter performance, its stock price rose to a high of $8.16 before closing at $8.01, representing a rise of 5.1%. Despite the surge, the company still trades 0.5% lower for this year. So, should you buy WELL Health at these levels? First, let's look at its second-quarter performance in detail.

WELL Health's solid second-quarter performance

Year over year, WELL Health's revenue grew an impressive 484%, thanks to its acquisition of CRH Medical and a 432% increase in its virtual services revenue. The company had 559,008 omnichannel patient visits during the quarter, with virtual patients representing 56.7% of it. Year over year, the number of patients visited increased by 173%, supported by growth in both in-person and virtual visits.

Meanwhile, WELL Health's gross margin also improved from 40% to 48.9% due to the accretive acquisition of CRH Medical and an increase in higher-margin virtual services revenue. Supported by higher revenue and improvement in the gross margin, its adjusted EBITDA came in at $11.9 million compared to a loss of $0.5 million in the previous year's quarter. Further, WELL Health has also agreed with a syndicate of lenders to raise around $300 million through various debt facilities. So, the company is well equipped to fund its growth initiatives.

WELL Health's outlook looks healthy

Amid the pandemic, more people opted for telehealthcare services. However, given its accessibility and convenience, I expect the demand to sustain, even in the post-pandemic world, benefiting WELL Health. Meanwhile, the company has also ventured into the lucrative U.S. market through the acquisition of CRH Medical. Besides, CRH Medical has also made three more acquisitions, increasing its ambulatory surgical centres to 75 that are spread across the United States.

Meanwhile, WELL Health also acquired Intrahealth Systems, ExecHealth, MyHealth, and a 51% stake in Doctors Services Group. Supported by these acquisitions, its management estimates that its annualized revenue and EBITDA run-rate have reached $400 million and $100 million, respectively. Further, the company could continue with its future acquisitions, given its strong financial position. So, WELL Health's outlook looks healthy.

Bottom line

Over the last five years, WELL Health has delivered impressive returns of 7,180%. Despite the surge, its valuation looks reasonably attractive, thanks to its accretive acquisitions and strong organic growth. Currently, the company's EBITDA run-rate stands at $100 million. With its market capitalization standing at $1.635 billion, its price-to-EBITDA stands at 16.36, which is attractive for a high-growth company like WELL Health.

So, given the favourable market environment, its accretive acquisitions, and attractive valuation, I believe WELL Health would be an excellent buy for investors with two years of the investment horizon. Meanwhile, analysts are also bullish on the stock. Of the 13 analysts following WELL Health, 12 have given a "buy" rating, while the remaining analyst has issued a "hold" rating. Analysts' consensus price target stands at $11.77, representing an upside potential of 46.9%.

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