WELL Health: A TSX Stock That Could Outperform the S&P 500 in 2022

Description

The pandemic has acted as a massive tailwind for digital health companies such as **WELL Health Technologies** (TSX:WELL). The demand for health-tech solutions has accelerated at a rapid pace since March 2020, leading to an expanding addressable market for WELL Health and its peers.

However, investors should note that WELL stock has delivered outsized gains to long-term investors since its IPO in mid-2016. In just over five years, it has gained an astonishing 7,880% in cumulative returns. Comparatively, the S&P 500 has returned a measly 142% in this period.

While S&P 500 has gained close to 20% year to date, WELL Health has lost 1% in 2021 and is trading 13.5% below its all-time high. The ongoing pullback provides investors an opportunity to buy a quality growth stock at a lower valuation.

WELL Health stock is poised to gain momentum

As economies reopen and lockdown restrictions are lifted, it might seem investors will be wary of slowing top-line growth for WELL Health. However, the company has continued to expand aggressively via acquisitions that will allow it to increase sales by 470% year over year to $286 million in 2021 and by 61% to $461 million next year. Analysts also expect its profit margins to improve from a loss per share of $0.03 in 2020 to earnings of $0.04 per share in 2022.

WELL Health continues to grow at an enviable rate and surpassed $240 million in annualized revenue run rate in Q2 of 2021. In the second quarter, the company grew sales by 484% year over year to $61.8 million. Its currently forecast to be approaching an EBITDA run-rate of $100 million after reporting a positive adjusted EBITDA in Q4 of 2020.

What's next for investors?

WELL Health has an omni-channel approach and provides primary, allied, secondary diagnostics and specialized care to all patients. At the end of Q2, it owned and operated 74 clinics in Canada and another two clinics south of the border. Its recent big-ticket acquisition of CRH Medical equips WELL Health with 77 ambulatory surgery centres in the U.S.

Its Virtual and Technology Solutions offer software, tools, and services to medical clinics and health practitioners. These solutions include electronic medical records or EMR, telehealth platforms, billing, health applications, and cybersecurity solutions. The EMR vertical is active in five countries with more than 2,800 clinics in Canada and 15,000 practitioners.

WELL Health stock is currently valued at a market cap of $1.55 billion, which means its forward price-to-2022-sales multiple is less than four, making it an extremely attractive growth stock.

Last week, the company announced its common shares will be added to the **S&P/TSX Composite Index** increasing trading volume and liquidity. Hamed Shahbazi, Founder and CEO of WELL, “We are extremely proud and pleased to be added to the S&P/TSX Composite Index as it is a truly momentous milestone to join such a prestigious group featuring Canada’s leading companies and brands.”

Analysts tracking WELL stock have a 12-month average price target of $11.81, which is 50% above its current trading price.

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