Alert: This Telehealth Stock Is Now a Bargain

Description

CloudMD Software (TSXV:DOC), an underrated telehealth stock, caught some attention in 2020. The stock more than tripled in value as it got swept up in the tech frenzy. However, the excitement has now faded away. DOC stock is down 53% from its all-time high in February. While the company is worth half as much, its underlying fundamentals are stronger than ever.

Here's why this telehealth stock could be a bargain opportunity for growth investors in the months ahead.

CloudMD's edge

CloudMD's stock performance makes it clear that investors considered telehealth a "COVID trend." In other words, they expect the demand for remote healthcare and virtual appointments to fade as the economy reopens and things normalize.

But I disagree with this notion. Access to healthcare professionals via video and chat is simply too convenient. The digitization of medical attention is a long-term trend that was simply boosted by the pandemic, not defined by it. This means that CloudMD's advantages in virtual diagnostics and consultations are poised to last forever with or without COVID-19.

A string of recent acquisitions, including that of VisionPros for $60 million, has positioned the company on a path to robust growth. CloudMD still looks like a key player in the digitization of the healthcare industry. That's an opportunity worth several trillion dollars.

Consequently, CloudMD Software should continue to grow its revenue at a triple-digit pace. There's plenty of room to attract new users, enter new geographies and offer innovative services to enhance the experience.

Valuation

In the most recent quarter, the telehealth company delivered $15.7 million in revenue with adjusted EBITDA at a negative $0.7 million. Its annualized revenue run rate stands at over $140 million. Meanwhile, the company's market capitalization stands at $337 million. In other words, CloudMD stock is trading at a forward price-to-revenue ratio of 2.4. That makes it considerably undervalued.

At $1.47 a share, CloudMD is relatively cheap for any investor looking to gain exposure on the tech side and healthcare side. At the current valuation, the forward price-to-earnings multiple of 102 looks affordable.

Bottom line

Bargains in the tech sector are rare. Investors are simply too excited about the prospects of FinTech, crypto, electric vehicles, and e-commerce right now. However, telehealth seems like a different story. Investors may have tossed these stocks in the "COVID fad" basket. That could be an opportunity.

Robust telehealth stocks like CloudMD are severely beaten down. The company is trading for less than half its value seen earlier this year. Meanwhile, revenue continues to expand at an astonishing pace. Right now, you can buy the stock for just two times annual revenue. That's a bargain for long-term growth investors. Don't miss out!

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