This Growth Stock Could Double in 2022

Description

2022 is shaping up to be an excellent year for stock pickers. As the government pulls back stimulus measures and the economy faces inflationary pressure, only the best companies and stocks will thrive. Meanwhile, valuations for growth stocks are finally starting to look attractive again.

Some companies have lost tremendous market value despite sustaining impressive growth rates in the underlying business. This gap between fundamentals and market price could be resolved soon. Some stocks could double if their market value meets fundamentals. Here's one tech stock that could be back in vogue shortly.

Underrated growth stock

WELL Health Technologies (TSX:WELL) has been delivering stunning performance that's been overlooked by the market. The company reported its annual earnings on March 31. Revenue jumped 502% from the prior year to $302 million. Adjusted EBITDA in the latest quarter soared 324% to $25.7 million.

It's worth noting that adjusted EBITDA was positive for the first time ever this quarter. That means the company is finally transitioning to profitability. Meanwhile, management expected the full-year revenue run rate to hit $450 million this year. Depending on acquisitions, this number could be even higher than expected.

However, the stock market seems to have overlooked this performance and impressive forecast. The stock is trading below its all-time high, which presents an opportunity.

Valuation

WELL Health stock is trading at $4.87. That's 45% lower than its all-time high from last year. At its peak, the stock was trading close to $8.88.

Put simply, the market value has declined while fundamentals have improved drastically. Part of the problem seems to be the fact that investors consider this a "pandemic stock." Virtual health care and online clinic visits were boosted by lockdowns over the past two years.

However, telehealth is a long-term trend that's here to stay. The convenience of online medical attention and pharmacies is undeniable. WELL Health is a great growth stock even if future growth moderates.

At the moment, the stock trades at roughly 10 times adjusted EBITDA per share. It's also trading at roughly 2.26 times annual revenue per share based on company forecasts. Comparable software and tech stocks are trading at much higher multiples.

Acquisitions and a potential listing in the U.S. could unlock further value. In fact, Echelon Capital Markets analyst Rob Goff has placed a $13 price target on the shares. That implies an upside potential of 166%. Put simply, this growth stock could double if the valuation catches up with fundamentals.

Bottom line

Growth stocks in the tech industry have been severely beaten down in recent months. Many are trading at less than half their value from last year. That dip is justified for the overvalued, hyped-up tech names. But some companies are achieving more than the market gives them credit for.

WELL Health stock falls in the latter category. The company has just delivered triple-digit growth and expects a reasonable revenue run rate ahead. Listing in the U.S. and acquiring more startups could propel this company further. The stock hasn't caught up with this forecast and that's an opportunity for long-term growth investors.

CATEGORY

1. Investing
2. Tech Stocks

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