WELL Health Posts Record Earnings: Should You Buy the Stock Today?

Description

WELL Health (TSX:WELL) is a Vancouver-based company that operates as a practitioner in the digital health space. Back in the summer of 2020, I'd suggested that investors should zero in on the telehealth sector in the face of the COVID-19 pandemic. Today, I want to examine the stock after its recent earnings release. Moreover, we'll look at how the telehealth space has evolved to start this decade.

WELL Health and its peers have been throttled over the past year

Shares of WELL Health have plunged 27% in 2022 as of close on May 12. The stock has declined 44% in the year-over-year period. Back in October 2021, I'd recommended this Canadian healthcare stock as an undervalued play before the New Year.

Investors should be excited about the future of digital health. Telehealth involves the use of digital information and communication technologies to remotely access healthcare services. Demand for these services soared during the pandemic as human beings sought to adjust to lockdowns and new restrictions. Indeed, results from this company and others have illustrated just how explosive this sub-sector has been since the beginning of the 2020s.

Will the stock turn the corner after this earnings release?

WELL Health unveiled its first-quarter 2022 earnings on May 11. It reported quarterly revenues of $126 million — up a whopping 395% in the year-over-year period. What was behind this terrific jump in revenues? Acquisitions and solid organic growth of 15% year over year. The company delivered improvement across all business segments in primary and specialized care and in online and in-person channels. That is a great sign going forward. This was doubly impressive considering that this business usually suffers from seasonality at this point in the year.

The company's omni-channel Patient Services revenue increased 657% to $88.4 million. Moreover, Virtual Services revenue grew 174% to $38.1 million. WELL Health posted adjusted gross profit of $69.4 million — up from $10.0 million in the first quarter of 2021. Better yet, adjusted EBITDA climbed to $23.5 million in the first quarter of 2022 compared to $0.5 million in the prior year. Adjusted net income rose to $8.6 million or $0.04 per share — up from an adjusted net loss of $2.4 million, or $0.01 per share, in Q1 2021.

Should you look to buy WELL Health stock today?

WELL Health stock is trading in favourable value territory compared to its industry peers. Investors should still be interested in seeking exposure to the burgeoning telehealth space. Precedence Research recently projected that the telehealth market would reach about $224 billion by 2030. That would represent a strong CAGR of 18.8% over the forecast period that stretches from 2021 to 2030.

Management also gave investors an outlook snapshot in its first-quarter report. It expects strong organic growth to drive a big jump in revenues in the year-over-year period. Shares of WELL Health currently possess an RSI of 27. That puts this top healthcare stock in technically oversold territory at the time of this writing. It is not too late to pounce on that discount.

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