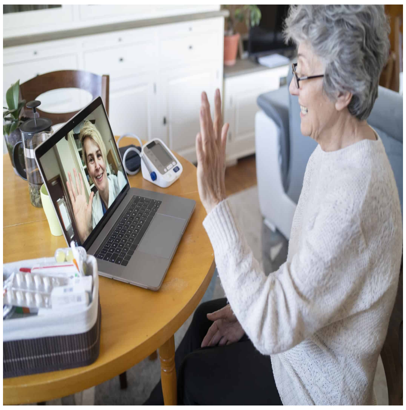

Down 83%, Is CloudMD Stock Worth the Risk in a Post-Pandemic World?

Description

CloudMD Software & Services (TSXV:DOC) used to be one of the all-star pandemic stocks. After the broad market's big drop in March 2020, telehealth companies like CloudMD stock soared in the new reality.

However, that new reality has evolved, and in-person restrictions that were once in place have become less permanent. This lead to shares of CloudMD falling significantly. In fact, it's now down about 83% from its 52-week.

But has the *business* actually changed enough to warrant this drop in the stock price? Let's take a look.

CloudMD's Q4 Earnings

CloudMD recently reported fourth-quarter results. Revenue fell slightly quarter-over-quarter to $38.7 million, though it increased 567% year over year. The decline came from the end of several COVID testing contracts, management said.

What long-term investors may be more interested in is that the company continues to grow both organically and through acquisitions. This is what led to such superior year-over-year growth, management said. CloudMD completed eight acquisitions over the full year.

The company also increased its losses to $15.1 million from $4.2 million quarter-over-quarter because of non-recurring one-time costs, management said.

"There has been significant change at CloudMD over the last couple of months, but we remain focused on profitable execution and continued growth," said Karen Adams, interim CEO and president of CloudMD. "This is evidenced in our ability to streamline operations resulting in $7.5 million in synergies which will drive our return to being adjusted EBITDA positive. At the end of this fiscal year, we find ourselves in a strong position to focus on profitable growth so we can expand our ability to help more organizations and individuals achieve their health and wellness objectives."

Analyst response

Analysts, however, expect CloudMD to keep posting EBITDA losses in the quarters ahead, and they dropped their target price for the stock. One analyst actually cut it in half, from $3 to $1.50. The average estimate remains at $2.41, as of writing.

And where is CloudMD stock at this point? At $0.45 per share. So on the surface, the company looks like a steal for investors today.

But there are a few more things to consider before you invest.

Potential risks

Trading at about 0.6 times book value with a relative strength index of 19.5, CloudMD stock certainly looks as if it's been oversold. Yet CloudMD stock is likely to continue to suffer with the reopening after pandemic lockdowns. Even with telehealth still very much a part of our lives, it's definitely not the white-hot necessity it became during COVID. And if we head into a recession, tech stocks like CloudMD could be in a poor position over the next year at least.

So while shares of CloudMD may be down now, know that they could still drop further. When a significant climb back up begins, it could be a good time to invest in this pandemic stock once more.

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