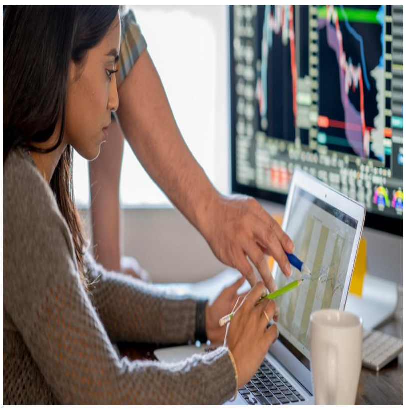

2 Stocks That Lost More Than They Deserved

Description

The TSX's wild ride continues in June, as rising inflation spook investors. Canada's primary stock market index is a step away from a bear market following significant declines in the last two days. Unfortunately, the overall negative sentiment abruptly sent share prices lower.

Healthcare is the worst-performing sector, although **WELL Health Technologies** (TSX:WELL) seems underserving of its underperformance. Similarly, **Primo Water** (TSX:PMRW)(NYSE:PMRW) in the consumer staples sector is down 25.53% year to date when it shouldn't be. Given their depressed prices, both stocks are buying opportunities for value investors.

Fantastic position

WELL Health has already given investors a glimpse of what to expect in Q2 2022. In Q1 2022, total revenue increased 395% to $126.5 million versus Q1 2021. Net loss for the quarter was $2.31 million, or 307% lower compared to the net loss from a year ago.

Hamed Shahbazi, WELL's chairman and CEO, said, "Both April and May have thus far reflected record revenue performances for WELL and setting the stage for a strong fiscal Q2 performance. Our revenue growth continues to be resilient while we leverage structural advantages in our business as the largest owner operator of outpatient clinics in Canada."

The $699.97 million digital health company is also one of the largest owner-operator of outpatient clinics in Canada. Its business across the border in the U.S. is starting to thrive. Shahbazi added, "Patient visits continue to be a strong leading indicator for WELL's business, and we continue to see significant growth on a sequential and year-over-year basis."

In May 2022, its virtual services businesses in the U.S. reported robust growth (+484%) in patient visits. According to Shahbazi, WELL Health is in a fantastic position to be opportunistic in the market and generate long-term value for shareholders. Apart from the healthy balance sheet, management has a balanced focus on growth and profitability.

The healthcare stock currently trades at $3.15 per share (-35.85% year to date). However, market analysts covering WELL Health forecast the price to climb 281% to $8.86 in 12 months, or back to its 52-week high.

Razorblade revenue model

Primo Water provides sustainable drinking water solutions to clients in North America and Europe. The financials of this $2.65 billion company are starting to show remarkable improvement from the global pandemic. In Q1 2022 (quarter ended April 3, 2022), revenue increased 10% to US$526.1 million versus Q1 2021.

Management reported a net loss of US$6.7 million, which represents a 66% year-over-year decline. Tom Harrington, Primo Water's CEO, said, "Our first quarter performance gives us confidence in achieving our 2022 outlook of 9% to 10% revenue growth and an Adjusted EBITDA of between US$410 million and US$420 million."

Primo Water describes its recurring razorblade revenue model as unique. The competitive advantage of the said the revenue model is the industry leading line-up of sleek and innovative water dispensers. They are sold through retailers and online at various price points.

This consumer staples stock trades at $16.46 per share and pays a decent 2.19% dividend. The payout can compensate for the price drop while waiting for the eventual rebound.

Slump should end soon

WELL Health and Primo Water should be in the watchlists of value investors. As their businesses normalize, expect the slump of the stocks to end.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PRMW (Primo Water)
2. TSX:PRMW (Primo Water)
3. TSX:WELL (WELL Health Technologies Corp.)

PARTNER-FEEDS

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