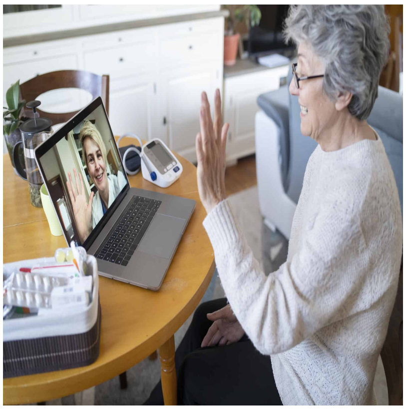

WELL Health Stock Zoomed 15% After Earnings: Is it a Buy?

Description

In the days after **WELL Health Technologies Corp**. (TSX:WELL) reported its Q3 earnings, WELL's stock price soared 15%. Today, a week later, it's come down again and is only 5% higher at this point. Yet, the fact remains – WELL Health is booming as demand from the health care industry soars.

But what is WELL Health Technologies, and why should we care? WELL Health is an omni-channel digital health company. It offers digital healthcare solutions for medical clinics and health practitioners globally. It's also Canada's largest outpatient medical clinic owner/operator and leading telehealth service provider.

We should care because WELL Health is leading the digital revolution in health care, and increasing efficiencies in patient care. And I expect WELL Health Technologies' stock price and its shareholders to greatly benefit. Let's take a look at WELL Health's quarter.

Strong revenue growth driven by acquisitions as well as organic growth

In WELL Health Technologies' third quarter result, we saw soaring revenue as patient engagement hit record numbers. In fact, total revenue increased 47% to $145.8 million. This was driven by both acquisitions and organic growth. This balanced revenue growth is a key part of WELL Health's story. It shows that there's upside from consolidation, but also from the fact that the industry is growing. This quarter, organic growth was a very strong 18%.

Beyond this, there are many additional bullish signs that show WELL Health's value. For example, management has commented that close to one in four medical providers is being supported by WELL's platform. Also, the quarter saw record patient engagement, with over 1.25 million interactions. Finally, the health solutions provider is the category leader in many areas. It's one of the top three providers of telehealth, and the only profitable one.

Profitability is improving at WELL Health

In the quarter, WELL Health’s gross margins rose to record levels – 53.6% versus 50.3% last year. This was largely driven by an increase in the higher margin virtual services revenue. In fact, total virtual services revenue increased 191%. It increased 75% organically. Virtual services accounts for 36% of revenue, and is now the largest segment for WELL Health.

Moving lower down in the income statement, EBITDA came in at $75.3 million, a 238% increase versus last year. Similarly, EBITDA margins came in at a healthy 18.8%.

WELL Health: Increased guidance reflects ongoing healthy demand

Along with the release of Q3 results, management increased its guidance once again. In fact, it’s the fourth consecutive quarter that it has done so. For 2022, revenue is now expected to exceed $565 million. This represents a growth rate of at least 87%. Also, this guidance is almost 3% higher than prior guidance.

But the most bullish of WELL Health’s guidance numbers was their three-year projection. According to management, WELL Health sees a clear line of sight to $1 billion in revenue in three years. This represents explosive growth – a 77% growth rate from 2022 revenue.

Motley Fool: The bottom line

In closing, WELL Health’s technologies and solutions offer tremendous value for the health care sector. This is evidenced in the explosive demand that the company is seeing. There’s a strong path forward, with sustainable growth ahead, as the health care sector finally digitizes. WELL Health is leading the charge. Thus, in my view, WELL Health Technologies stock is definitely a buy after another strong earnings report.

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