Is Well Health Stock a Buy in December 2022?

Description

The current year has been extremely brutal for growth stocks across sectors. The triple whammy of rising inflation, supply chain disruptions, and higher interest rates has dragged valuations of several growth stocks lower in 2022.

But the pullback offers investors the chance to buy quality stocks at a depressed valuation and benefit from outsized gains once the market recovers. One such beaten-down [TSX tech stock] is **WELL Health** ([TSX:WELL]). Down 70% from all-time highs, this Canadian health-tech company is currently valued at a [market cap] of $623 million. Let's see if WELL stock is a buy in December 2022.

Well Health is a top TSX growth stock

Despite its market-trailing performance in 2022, WELL Health has created massive wealth for long-term investors. WELL Health went public in April 2016 and has since returned over 2,300% to investors in the last six years.

Deploying an acquisition-based business model, the company has increased sales from $10.6 million in 2018 to $302.3 million in 2021. Better still, Well Health expects to end 2022 with sales of $565 million. Comparatively, its bottom line could improve from an adjusted EBITDA (earnings before interest, tax, depreciation and amortization) loss of $1.2 million in 2018 to an EBITDA profit of $100 million in 2022. WELL Health expects to end 2023 with an annual revenue run rate of $700 million.

WELL Health aims to leverage technology and positively impact health outcomes by empowering health practitioners and their patients. It has successfully created a robust end-to-end healthcare system in Canada. South of the border, it provides omnichannel healthcare services and solutions in specialized markets.

WELL Health emphasized that more than 21,000 practitioners purchase its products or services and its annual run rate for patient interactions stood at 4.7 million. Over 90% of the company's revenues are of a recurring nature, enabling WELL Health to generate cash flows across market cycles.

What next for WELL stock and investors?

WELL Health is likely to focus on highly accretive acquisitions to gain traction in the rapidly expanding digital health market. It has already acquired 50 companies since inception, enabling the company to grow its sales by 177% annually in the last two years.

WELL Health has built a solid practitioner enablement platform from which it derives predictable revenue. Its powerful network effects are primarily driven by the acquisition of physical as well as digital healthcare assets.

Given Bay Street's revenue estimates for 2023, WELL stock is priced at less than 1 times sales, which is really cheap for a profitable growth stock. Analysts tracking the company remain bullish on WELL Health and expect shares to rise by almost 200% in the next 12 months.

The Foolish takeaway

WELL Health has multiple secular tailwinds that should allow the company to outpace the broader markets in the upcoming decade. It's currently on track to report free cash flow of $50 million in the next 12 months, making it one of the most undervalued growth stocks on the TSX right now.

WELL Health's cheap valuation, widening profit margins, and acquisition-based business model suggest it is a top buy for December 2022.

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