$1,000 Invested in Well Health's IPO Would Be Worth This Much Today

Description

Investing in initial public offerings (IPOs) can help early shareholders create long-term wealth. Typically, a company issues additional equity shares via an IPO to fund its expansion plans, driving revenue and earnings higher over time.

But investing in IPOs is a high-risk strategy, as these stocks generally trade at a premium. So, if the company consistently misses Bay Street analyst estimates, it will result in an accelerated selloff in share prices.

Let's see how much wealth **Well Health Technologies** (TSX:WELL) created for shareholders as a publicly listed company.

Well Health went public in 2016

Shares of Well Health were listed on the TSX back in April 2016 at $0.11. In fewer than seven years, WELL stock has returned 2,580% to investors, easily outpacing the broader indices in this period. So, an investment of $1,000 in Well Health's IPO would be worth almost $26,800 today.

Comparatively, the S&P 500 index and the TSX have returned 113% and 83%, respectively, to investors since April 2016.

But past returns should not matter much to current or future investors. Moreover, WELL stock is currently trading 71% below all-time highs and can easily move lower if market sentiment deteriorates in 2023. Let's see if Well Health remains a top buy for potential shareholders right now.

Is Well Health a buy or sell?

Well Health offers several omni-channel healthcare services in Canada and the United States. It is among the largest providers of anesthesia services to gastroenterologists in 48 states south of the border. Well Health's healthcare business in the U.S. supports more than 1,000 practitioners.

It also supports 2,500 clinicians in Canada and is the largest outpatient medical clinic owner-operator in the country. Over the years, Well has successfully built a robust end-to-end healthcare system ranging from primary care, allied care, diagnostics, and specialist care, among others.

Well Health has focused on highly accretive acquisition to drive top-line growth higher in recent years. Its sales have risen from $32.8 million in 2019 to $302 million in 2021. The company expects to end 2022 with more than $560 million in sales and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) of $560 million.

Well Health should deliver consistent profits going forward, which will be used to fund future acquisitions, reinvest in organic growth or initiate share buybacks.

In the first nine months of 2022, Well Health more than doubled its sales to $412.6 million. Its gross margin in the last three quarters also improved to 54.1% compared to 48.3% in the year-ago period.

What's next for WELL's stock price and investors?

Valued at a market cap of $611 million, WELL stock is priced at less than 1.2 times forward sales, which is quite cheap for a growth stock. The ongoing market volatility might drive Well Health shares lower in 2023. But the company's enticing valuation, widening profit margins, and enviable revenue growth make it a top bet right now.

Analysts remain bullish on WELL stock and have a 12-month price target of $7.66, which indicates an upside potential of almost 200% from current price levels. It makes sense to allocate a small portion of your equity portfolio toward this small-cap growth stock.

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