Is WELL Health Stock a Buy in January 2023?

Description

WELL Health Technologies (TSX:WELL) has developed an innovative practitioner enablement platform that allows healthcare professionals to provide omnichannel patient services. It offers end-to-end practice management tools, including virtual care and digital patient engagement capabilities. The company witnessed solid growth during the pandemic, as people feared moving out.

However, with the easing of restrictions, investors fear a slowdown in its growth. Rising interest rates and recession fears have also caused the company's stock price to decline by 42% in 2022. On the back of the steep correction, let's assess whether one should start accumulating the stock or wait for some more time.

First, let's look at its performances in the first three quarters of 2022.

Performance in the first three quarters of 2022

Despite the growing challenges, WELL Health has maintained its growth, with its revenue growing by 121% in the first nine months of 2022. The company's solid organic growth and strategic acquisitions drove its top line. The company had 1.25 million omnichannel patient interactions in the third quarter, representing an annualized run rate of five million. Its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) also grew by 123% to $77.4 million. Meanwhile, its adjusted net earnings for the three quarters stood at $41.2 million.

The company generated around $47.5 million in cash from its operations in the first three quarters. The company had $52.4 million of cash and cash equivalents as of September 30. So, the company looks well equipped to fund its growth initiatives.

Now, let's look at its growth prospects.

WELL Health's growth prospects

Along with the convenience and accessibility the telehealthcare service offer, the development of innovative product offerings and growing internet penetration could drive the telehealth market in the coming years. Grand View Research projects the global telehealthcare market to grow at a CAGR (compound annual growth rate) of 24% from 2023 to 2030.

Amid the expanding addressable market, WELL Health is looking at expanding its footprint both in Canada and the United States. In August, the company acquired INLIV, specializing in consumer preventative health and integrated health services. The acquisition would strengthen its position in Calgary, Alberta.

Meanwhile, in September, it acquired Grand Canyon Anesthesia, which consists of over 100 anesthesia providers. Through this acquisition, the company is now operational in 18 states of the United States. Amid its healthy growth and solid third-quarter performance, the company's management raised its 2022 revenue guidance by $15 million to $565 million. It expects its revenue run rate to reach $700 million by the end of next year. So, the company's growth prospects look healthy.

Conclusion

The Federal Reserve of the United States has indicated that it would continue the monetary-tightening initiatives this year. So, interest rates could remain elevated in the near to medium term. So, I expect growth stocks, including WELL Health, to experience volatility in the near term. However, investors with over three years of an investment time frame can look to accumulate WELL Health to reap high returns in the long run. Amid the recent selloff, its valuation has declined to attractive levels, with its next 12-month price-to-earnings multiple standing at 11.

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