WELL Health Looks Like the Most Undervalued Stock on the TSX

Description

One of the most basic risks that investors take on when investing in stocks is called market risk. There's always the risk that market conditions worsen and the broader stock market loses significant value, such as what we saw throughout 2022. And when these environments occur, even the best stocks can lose value, creating major opportunities for savvy investors.

WELL Health Technologies (TSX:WELL), the rapidly growing healthcare tech stock, is one of those companies.

WELL was a popular stock, especially during the early stages of the pandemic. And although it's continued to grow and consistently exceeds expectations, it's lost value for years now.

At first, it pulled back, as the pandemic faded, and investors shifted their focus toward reopening stocks and away from healthcare.

However, it also lost a tonne of value in 2022, as many tech stocks saw their valuations erode and the broader market sold off while interest rates were rapidly rising.

In recent weeks, WELL Health stock has started to recover and already actually rallied by more than 40% since its low on December 22 of last year.

However, it's still considerably undervalued while simultaneously growing at an impressive rate. So, let's look at just how cheap WELL Health Technologies is today.

WELL's growth has been spectacular and set to continue

Back in 2020, the first year of the pandemic, WELL managed to report just over $50 million in revenue. By 2021, that revenue grew to an astonishing $302 million for the year. And now, over the last 12 months, WELL has reported over $525 million in sales.

For all of 2022, analysts are estimating WELL will report sales of roughly $566 million, which would be

87% growth year over year from 2021.

Furthermore, in 2023 analysts estimate sales will grow by over 15%, but, more importantly, its profitability will continue to improve.

Plus, none of these estimates account for the potential that WELL Health stock could make more acquisitions. WELL has shown on several occasions its ability to make value-accretive acquisitions, which could allow the stock to end up growing even faster.

Therefore, when you consider this impressive and consistent growth, it's surprising to see WELL Health stock trading at such an undervalued price.

How cheap is WELL Health stock?

Despite the constant and impressive growth from WELL, it's lost a significant amount of value over the last year and a half. In the middle of 2021, for example, WELL was trading at just under $9 a share. Today, it trades at less than half that price, despite the fact that it's operations have grown significantly since then.

This just goes to show how cheap WELL is. Currently, WELL Health stock trades at a forward enterprise value (EV) to sales ratio of just 2.1 times. Meanwhile, its three-year average is 5.9 times.

Therefore, it's pretty clear just how cheap WELL is today. Furthermore, because it serves the healthcare industry, one of the most defensive industries there is, WELL has the potential to continue growing, even if the economic situation worsens.

So, it's no surprise that all five analysts who cover WELL Health stock give it a buy rating. It's also not surprising that WELL's average analyst target price is roughly $8, a more than 100% premium to where the stock trades today.

So, if you're looking for an undervalued stock to buy now, or a high-potential growth stock trading at an attractive valuation, WELL Health stock is one of the best investments that Canadians can make in this environment.

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