

# EQUITY RESEARCH

July 13, 2023

Earnings Update

## WELL HEALTH TECHNOLOGIES CORP.

Announces CarePlus Acquisition & Increases 2023 Revenue Guidance

### Our Conclusion

WELL Health announced the acquisition of CarePlus Management, a provider of recruiting, services, and revenue cycle management for the anesthesia market. CarePlus was acquired through WELL's CRH Medical subsidiary with cash on hand, and further terms of the acquisition were not provided. However, in connection with the deal WELL increased 2023 annual revenue guidance, with revenue now expected to be \$740MM-\$760MM, 7% above the midpoint of the previous guide of \$690MM-\$710MM. We expect that revenue from CarePlus is the primary source of the increased guidance, implying that CarePlus will contribute ~\$100MM in annual revenue. Adjusted EBITDA guidance of 10%+ growth is unchanged, further implying CarePlus will contribute minimal EBITDA and that the deal will be margin dilutive to CRH and to WELL's consolidated business. We expect further details on potential synergies between CarePlus and CRH, future margin potential across CarePlus, and consideration paid during WELL's Q2 earnings call. Our sum of the parts valuation uses an EBITDA multiple on the CRH business and despite the 12% increase to our 2024E revenue forecast, our price target increases 7% from \$7.00 to \$7.50 given the more limited EBITDA contribution from CarePlus.

### Key Points

**About CarePlus:** CarePlus is headquartered in Atlanta and has three primary businesses: 1) RADAR Healthcare Providers, a full-service recruitment company that provides temporary and permanent placement anesthesia staffing solutions. The RADAR division contributes the majority of CarePlus' revenue, and CRH plans to expand the scope of RADAR to other specialties and healthcare professionals. 2) An anesthesia services division, similar to CRH's existing business, which operates in 18 ASC locations across nine states, including South Carolina, Mississippi, Alabama, South Dakota and Illinois, where CRH previously did not operate. We expect Anesthesia services to generate the majority of CarePlus' limited EBITDA. 3) Premier Choice Billing, which provides billing, revenue cycle management (RCM) and collection services for healthcare entities. RCM is a newer business and is the smallest of the three segments, likely contributing negative EBITDA as it looks to grow its footprint.

**Guidance Increased:** In connection with the acquisition announcement, WELL Health increased 2023 annual revenue guidance to \$740MM-\$760MM, 7% ahead the midpoint of the previous guide of \$690MM-\$710MM, and 7% ahead of consensus and our estimate based on the midpoint. Adjusted EBITDA guidance of 10%+ growth is unchanged, implying limited EBITDA contribution from the CarePlus business. While we expect limited EBITDA from CarePlus, we also believe that a number of WELL's businesses - including Circle Medical and WISP - are facing increased costs and margins are unlikely to return to the 18%+ levels seen prior to 2023.

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### Outperformer

WELL-TSX, Sector: Health Care

Current Price (7/13/23): C\$4.45

Price Target (12-18 mos.): ↑ C\$7.50

Previous: C\$7.00

### CIBC Estimates and Valuation

| (Dec. 31)        | 2021    | 2022    | 2023    | 2024    |
|------------------|---------|---------|---------|---------|
| Revenue(mln)     | 302.32A | 569.14A | 741.20E | 862.67E |
| Prior            |         |         | 701.20E | 771.47E |
| Adj. EBITDA(mln) | 60.4A   | 104.6A  | 115.7E  | 140.7E  |
| Prior            |         |         | 115.2E  | 130.5E  |

| Revenue(mln) | Q1      | Q2      | Q3      | Q4      |
|--------------|---------|---------|---------|---------|
| 2023         | 169.43A | 169.05E | 195.32E | 207.40E |
| Prior        |         |         | 175.32E | 187.40E |
| 2022         | 126.51A | 140.33A | 145.79A | 156.51A |

| Adj. EBITDA(mln) | Q1    | Q2    | Q3    | Q4    |
|------------------|-------|-------|-------|-------|
| 2023             | 26.7A | 25.8E | 30.5E | 32.8E |
| Prior            |       |       | 30.0E |       |
| 2022             | 23.5A | 26.4A | 27.5A | 27.2A |

| Valuation | 2021  | 2022 | 2023 | 2024 |
|-----------|-------|------|------|------|
| EV/Sales  | 3.3x  | 1.8x | 1.4x | 1.2x |
| EV/EBITDA | 16.7x | 9.7x | 8.7x | 7.2x |

### Stock Performance and Key Indicators

|                 |                   |               |               |
|-----------------|-------------------|---------------|---------------|
| Avg. Dly. Vol.: | 1,127K            | Shares O/S:   | 229.1M        |
| Market Cap.:    | C\$1,020M         | Float:        | 210.0M        |
| 52-wk Range:    | C\$2.63 - C\$5.86 | Div. / Yield: | C\$0.00/0.00% |

### TSX Composite Index vs. WELL-TSX



(Source: FactSet)

All figures in Canadian dollars unless otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 5.  
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 6.

**WELL Health Technologies Corp. (WELL-TSX) — Outperformer**

Price (7/13/23) C\$4.45 12-18 mo. Price Target C\$7.50

Sector: Health Care

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| Per Share Data              | 2021         | 2022         | 2023E        | 2024E        |
|-----------------------------|--------------|--------------|--------------|--------------|
| EPS                         | (0.23)       | 0.01         | (0.16)       | (0.10)       |
| Diluted EPS                 | (0.23)       | 0.01         | (0.16)       | (0.10)       |
| Adj. EPS Dil.               | 0.06         | 0.25         | 0.25         | 0.33         |
| Wgt Avg # of Shares         | 190.9        | 220.7        | 232.3        | 232.7        |
| FD Number of Shares         | 190.9        | 220.7        | 232.3        | 232.7        |
| Income Statement            | 2021         | 2022         | 2023E        | 2024E        |
| <b>Revenue</b>              | <b>302</b>   | <b>569</b>   | <b>741</b>   | <b>863</b>   |
| Cost of Goods Sold          | 149          | 266          | 360          | 414          |
| <b>Gross Profit</b>         | <b>154</b>   | <b>303</b>   | <b>381</b>   | <b>449</b>   |
| Gross Margin %              | 50.84%       | 53.29%       | 51.45%       | 52.00%       |
| Tot Operating Exp           | 128          | 225          | 270          | 302          |
| <b>Adj. EBITDA</b>          | <b>60</b>    | <b>105</b>   | <b>116</b>   | <b>141</b>   |
| Adj EBITDA Margin           | 20.0%        | 18.4%        | 15.6%        | 16.3%        |
| thereof Depreciation        | 38           | 55           | 66           | 78           |
| thereof Amortization        | 0            | 0            | 0            | 0            |
| <b>Net Income</b>           | <b>(44)</b>  | <b>1</b>     | <b>(38)</b>  | <b>(22)</b>  |
| <b>Adjusted Net Income</b>  | <b>11</b>    | <b>55</b>    | <b>58</b>    | <b>76</b>    |
| Cash Flow Statement         | 2021         | 2022         | 2023E        | 2024E        |
| <b>Net CFO</b>              | <b>22</b>    | <b>77</b>    | <b>82</b>    | <b>113</b>   |
| Capex                       | (3)          | (6)          | (8)          | (8)          |
| Acquisitions                | (491)        | 0            | (41)         | 0            |
| <b>Net CFI</b>              | <b>(500)</b> | <b>(38)</b>  | <b>(56)</b>  | <b>(8)</b>   |
| Change in Debt              | 66           | (49)         | (15)         | (20)         |
| Equity Raised               | 298          | 32           | 0            | 0            |
| <b>Net CFF</b>              | <b>453</b>   | <b>(53)</b>  | <b>(55)</b>  | <b>(60)</b>  |
| <b>Net Cash Flow</b>        | <b>(25)</b>  | <b>(14)</b>  | <b>(30)</b>  | <b>45</b>    |
| <b>Free Cash Flow</b>       | <b>6</b>     | <b>38</b>    | <b>33</b>    | <b>65</b>    |
| Balance Sheet               | 2021         | 2022         | 2023E        | 2024E        |
| Cash & ST Investment        | 62           | 49           | 19           | 64           |
| Accounts Receivable         | 66           | 79           | 104          | 121          |
| <b>Total Current Assets</b> | <b>142</b>   | <b>151</b>   | <b>146</b>   | <b>207</b>   |
| Net PP&E                    | 83           | 83           | 84           | 82           |
| Intangible Assets           | 1,037        | 1,071        | 1,052        | 965          |
| <b>Total Assets</b>         | <b>1,277</b> | <b>1,319</b> | <b>1,298</b> | <b>1,270</b> |
| <b>Tot Curr Liab</b>        | <b>137</b>   | <b>137</b>   | <b>151</b>   | <b>175</b>   |
| LT Int-Bearing Debt         | 291          | 263          | 254          | 234          |
| <b>Total Liabilities</b>    | <b>569</b>   | <b>504</b>   | <b>493</b>   | <b>469</b>   |
| <b>Shareholders' Equity</b> | <b>708</b>   | <b>815</b>   | <b>805</b>   | <b>801</b>   |
| Minority Interest           | 90           | 83           | 75           | 63           |

Source: Company reports, FactSet, and CIBC World Markets Inc.

**Company Profile**

WELL Health operates with a goal of consolidating and modernizing the primary healthcare space through the use of technology-enabled services and digital experiences.

**Investment Thesis**

1) Strategic M&A In The Primary Care Space Drives Accretive Growth 2) CRH Acquisition Provides Cash Flow To Fund Growth Initiatives; 3) Virtual Services Businesses Continue To Grow At Elevated Rates With Improving Profitability; 4) Benefitting from increased Canadian government healthcare funding.

**Price Target (Base Case): C\$7.50**

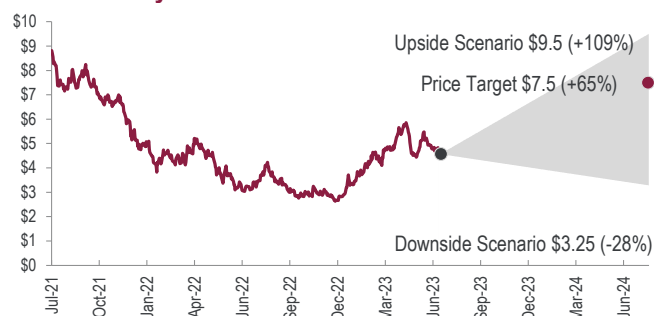
Our price target is based on a sum-of-the-parts valuation on our 2024E forecasts that values the scaled up clinical and technology businesses at 11.0x EV/Adj. EBITDA and the higher growth Circle Medical and WISP virtual services business at 3.0x EV/Sales.

**Upside Scenario: C\$9.50**

Our upside scenario is based on 13x EV/2024E Adj. EBITDA on the scaled clinical and technology business and a 4.0x EV/2024E Sales on the Circle Medical and WISP virtual services revenue.

**Downside Scenario: C\$3.25**

Our downside scenario is based on 8x EV/2024E Adj. EBITDA on the scaled clinical and technology business and a 1.0x EV/2024E Sales on the Circle Medical and WISP virtual services revenue.

**Scenario Analysis:**

## Changes To Our Model

We have updated our model to reflect the CarePlus acquisition and the increase to 2023 guidance. As a result of the increased revenue forecast with minimal margin contribution, our margin expectations for the CRH business decrease from 33% to 28%.

### Exhibit 1: WELL – Changes To Our Model, 2022A-2024E

|                   | Revenues (\$MM) | EBITDA - Operating (\$MM) | Cash Flow From Operations (\$MM) | Adjusted EPS |
|-------------------|-----------------|---------------------------|----------------------------------|--------------|
| <b>2022A</b>      | 569             | 105                       | 77                               | 0.25         |
| <b>2023E</b>      |                 |                           |                                  |              |
| CIBC est. – new   | 741             | 116                       | 82                               | 0.25         |
| CIBC est. – prior | 701             | 115                       | 82                               | 0.24         |
| Consensus         | 700             | 116                       | 84                               | 0.26         |
| <b>2024E</b>      |                 |                           |                                  |              |
| CIBC est. – new   | 863             | 141                       | 113                              | 0.33         |
| CIBC est. – prior | 771             | 131                       | 105                              | 0.29         |
| Consensus         | 776             | 134                       | 112                              | 0.37         |

Source: Company reports, FactSet and CIBC World Markets Inc.

## Environmental, Social and Governance (ESG) Metrics for WELL-TSX

## CIBC ESG Metrics

| Governance Metrics        | 2017 | 2018 | 2019 | 2020 | 2021  |
|---------------------------|------|------|------|------|-------|
| Insider Ownership         | NA   | NA   | NA   | 23%  | 10.3% |
| Board Gender Diversity    | NA   | NA   | NA   | 20%  | 20%   |
| Separation of Chair & CEO | NA   | NA   | NA   | NO   | NO    |
| Dual-class Ownership?     | NA   | NA   | NA   | NO   | NO    |
| Disclose ESG Data?        | NA   | NA   | NA   | NO   | YES   |

| Social Metrics     | 2017 | 2018 | 2019 | 2020 | 2021  |
|--------------------|------|------|------|------|-------|
| CEO Comp./Mkt Cap* | NA   | NA   | NA   | NA   | \$3.7 |
| Diversity Targets  | NA   | NA   | NA   | NA   | NO    |
| Women Managers     | NA   | NA   | NA   | NA   | 20%   |

| Environmental Metrics | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------|------|------|------|------|------|
| Emissions Intensity** | NA   | NA   | NA   | NA   | NA   |
| Net-zero Targets?     | NA   | NA   | NA   | NA   | NO   |

\*CEO Compensation is shown as per thousand dollars of market capitalization

\*\*Emissions Intensity calculated as total emitted CO2e divided by million \$ of CAD revenue

## CIBC Quantitative Scorecard

| Within Sector  |      |       | Within S&P/TSX Comp. |      |       |
|----------------|------|-------|----------------------|------|-------|
| Style          | Rank | Delta | Style                | Rank | Delta |
| Value          | 4    | 0     | Value                | 174  | -8    |
| Momentum       | 6    | -3    | Momentum             | 225  | -38   |
| Quality        | 3    | 0     | Quality              | 144  | +3    |
| Market         | 7    | 0     | Market               | 233  | -1    |
| Low Volatility | 4    | -1    | Low Volatility       | 174  | 0     |
| Growth         | 8    | 0     | Growth               | 223  | +4    |

Note: Ranking out of 8 stocks

Note: Ranking out of 239 stocks

## General Notes Behind the Quantitative Scorecard

Delta refers to the change in the ranking over the past month. Number of stocks "Within Sector" is defined by the number within the GICS. In the "Within S&P/TSX" category, we use all stocks in the S&P/TSX Composite. For detail on the Quant Factors included in each style above, please contact the CIBC Portfolio Strategy Team.

The table above is based upon quantitative, statistical, and mathematical analysis and is not intended to serve as a fundamental recommendation.

## Sustainalytics ESG Risk Rating

22.4

Updated on  
Oct 7, 2022

-5.6

Momentum

Medium Risk



## Sustainalytics ESG Risk Rating Ranking

| UNIVERSE                        | RANK<br>(1 <sup>st</sup> = lowest risk) | PERCENTILE<br>(1 <sup>st</sup> = lowest risk) |
|---------------------------------|---|---|
| Global Universe                 | 5432/15361                              | 36th  |
| Healthcare<br>INDUSTRY          | 186/604                                 | 31st  |
| Medical Services<br>SUBINDUSTRY | 48/108                                  | 44th  |

## CIBC Technical Scorecard

| Factor     | TSM<br>Score | Factor         | TSM<br>Score |
|------------|--------------|----------------|--------------|
| TSM        | 4            | Momentum       | A            |
| Beta       | 0.9          | MACD           | B            |
| Volatility | ↗            | Alpha (Sector) | A            |
| Trend      | ↑            | Alpha (Index)  | B            |
| RSI        | Neutral      |                |              |

## General Notes Behind the Technical Scorecard

**TSM:** The Trendspotting Matrix uses technical factors to score uptrend durability.

**Momentum and alpha** metrics compare performance over one-month, one-quarter and one-year timeframes, outputting a rating from A to D.

**Trend/Volatility** metrics measure price deviations relative to underlying moving averages.

**RSI** is an oscillator that provides mean-reversion estimations.

**MACD** is a momentum indicator rated from A to D based off the strength of its signal.

The table above is based upon a technical methodology that examines the past trading patterns and trades and is not intended to serve as a fundamental recommendation.

Source: Sustainalytics, Compustat, FactSet, Bloomberg and CIBC World Markets Inc.

## Price Target Calculation

Our price target is based on a sum-of-the-parts valuation on our 2024 forecasts that values the scaled up clinical and technology businesses at 11.0x EV/Adj. EBITDA and the higher growth Circle Medical and WISP virtual services business at 3.0x EV/Sales.

## Key Risks To Price Target

Risks include: 1) shifting valuation environment, 2) stagnating organic growth, 3) inability to cross-sell digital solutions, 4) the competitive environment worsens and 5) regulatory challenges in the healthcare business.

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| Stock Ratings  | Abbreviation | Description   |
|----------------|--------------|---|
| Outperformer   | OP           | Stock is expected to outperform similar stocks in the coverage universe during the next 12-18 months.                 |
| Neutral        | NT           | Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.       |
| Underperformer | UN           | Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.               |
| Tender         | TR           | Shareholders are advised to tender shares to a specific offer as we do not believe a superior offer will materialize. |
| Not Rated      | NR           | CIBC World Markets does not maintain an investment recommendation on the stock.                                       |
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| Sector Ratings | Abbreviation | Description   |
|----------------|--------------|---|
| Overweight     | O            | Sector is expected to outperform the broader market averages.               |
| Marketweight   | M            | Sector is expected to equal the performance of the broader market averages. |
| Underweight    | U            | Sector is expected to underperform the broader market averages.             |
| None           | NA           | Sector rating is not applicable.  |

Note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.

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| Neutral             | 127   | 43%     | Neutral                    | 127   | 100%    |
| Underperformer      | 6     | 2%      | Underperformer             | 6     | 100%    |
| Tender              | 0     | 0%      | Tender                     | 0     | 0%      |
| Restricted          | 6     | 2%      | Restricted                 | 6     | 100%    |

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