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EQUITY RESEARCH

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August 11, 2022 **Flash Research**

WELL HEALTH TECHNOLOGIES CORP.

Q2/F22 First Look: Solid Headline Beat And a 5% Lift To The Full Year Revenue Outlook

Outperformer

WELL-TSX, Sector: Health Care

Current Price (8/10/22):	C$3.82
Price Target (12-18 mos.):	C$6.50

Our Conclusion: *Positive.* WELL reported a strong Q2/F22, with revenue 8% above consensus and Adjusted EBITDA 14% above consensus. The strong results were driven in part by organic growth improving to over 20%, the highest organic growth results in the preceding 4 quarters. The company updated its 2022 outlook, with revenue now expected to exceed $550MM (previously expected to exceed $525MM) with Adjusted EBITDA of ~$100 million unchanged from the prior guide. We will be looking for more details regarding segmented results, sources of organic growth and improved profitability, and practice acquisition plans for the remainder of 2022 on this afternoon's earnings call at 1:00 p.m. ET.

Key Highlights

Q2 Results: WELL reported Q2/F22 revenue of $140MM, above consensus and CIBCe ($129.9MM) and better than the pre-released result of "exceeding $130MM." Organic growth of 20% was up from ~15% in the prior quarter and from 10% in Q4/21. Management noted strength across all segments through both its in-person and online channels. Gross margin (ex-D&A) of 53.8% was up from 48.9% in the prior year. Adjusted EBITDA of $26.4MM was above consensus and pre-released commentary of "exceeding $23 million". Adjusted EBITDA margin was 18.8%, 90 bps ahead of consensus and 40 bps ahead of our estimate (17.9%/18.4%).

Updated 2022 Outlook: Noting no impact from macroeconomic factors on its business, WELL increased 2022 revenue guidance by ~5% to $525MM to 'exceeding $550 million' given the strong organic growth in the quarter. Adjusted EBITDA guidance was essentially unchanged, with commentary shifting from "approaching $100 million" to "approximately $100 million". The new guidance is 4% ahead of consensus on revenue and in line with consensus on EBITDA. WELL continues to expect run-rate revenue in the U.S.-based Virtual Services businesses (WISP, Circle Medical) to exceed $130MM by the end of 2022.

Patient Visit Metrics: Total omni-channel patient visits of 833,819 represented a 109% Y/Y increase and a 8% increase over the prior quarter. MyHealth conducted 180k visits in the quarter, while Wisp recorded 152k asynchronous visits. In total, WELL achieved 1.166 million patient interactions during Q2.

Conference Call: Management will host a conference call at 1:00 p.m. ET on Thursday, August 11. Webcast: link.

All figures in Canadian dollars unless otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 2.
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 3.

Financial Summary

Exhibit 1: WELL – Financial Summary – Q2/F22

	Q2-F2022						
	Actual	CIBCe	Cons.	Q2-F2021	Y/Y%	Q1-F2022	Q/Q%
Consolidated							
Revenue ($MM)	140.3	129.9	129.9	61.8	127%	126.5	11%
Adj. EBITDA ($MM) - Operating	26.4	23.9	23.2	11.9	122%	23.5	12%
Adj. EBITDA % - Operating	18.8%	18.4%	17.9%	19.2%	-2%	18.6%	1%
Adj. EPS	0.05	0.05	0.04	0.01	NA	0.04	NA

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

Price Target Calculation

Our price target is based on a sum-of-the-parts valuation that values the omnichannel clinical assets at 12.0x EV/Adj. EBITDA and the Virtual Services business at 4.0x 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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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.
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None	NA	Sector rating is not applicable.

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CIBC World Markets Inc. Price Chart

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