Is Well Health (TSX:WELL) Stock a Good Buy After Earnings?

Description

WELL Health (TSX:WELL) stock is down 8% the day after it reported its second-quarter earnings. However, this plunge barely dents the stock's incredible run this year. Even at today's lower price, WELL Health stock is up an astounding 183% year to date.

As I've mentioned before, this is my favourite telehealth stock. In fact, I'm holding onto my stake despite the volatility, because I believe the long-term potential for this company is truly enormous.

The latest quarterly figures provide us an update on the company's progress. With this in mind, here's a closer look at the numbers and whether WELL Health stock is still a great buy for potential investors today.

Second-quarter update

The company reported $10.5 million in revenue and $4.2 million in gross profit over the second quarter. Those figures represent 43% and 88% year-on-year growth, respectively.

Diving deeper into the numbers, the underlying businesses are growing at even faster rates. Revenue from the software-as-a-service (SaaS) segment of the group expanded 1,212% over the past year. Total telehealth visits expanded 730% to more than 124,800 over the past three months.

In short, the company is firing on all cylinders and seems to be growing rapidly. However, WELL Health stock plunged, because the growth numbers were just short of analyst expectations. Analysts were expecting earnings to be just 3% higher than what was reported. This is probably why the stock has lost 8% of its value today.

Exciting new developments

Instead of focusing on analyst expectations and quarterly numbers, I prefer to focus on the bigger picture over the long term. From this perspective, the company seems to have made some critical and exciting strides over the past few months.

In July, the company reported that it would convert all its outstanding debentures into common stock. This means the company's debt will be effectively eliminated by the end of August. Without a debt burden, the company should have lower interest expenses and better profitability going forward.

WELL Health also reported $24.5 million in cash and cash equivalents on its balance sheet. This pile of cash should help the company acquire more small startups to bolster its technology.

In fact, the team acquired Cycura this month. The startup provides cybersecurity solutions for medical data that meet provincial Ministry of Health standards. This acquisition indicates WELL Health's continued efforts to expand its services.

The team also launched a new subsidiary called WELL Digital Health Apps (WDHA) to manage its upcoming portfolio of healthtech and telehealth apps. It seems like the company is preparing for a wider basket of digital health solutions in the near future.

WELL Health stock valuation

These exciting developments and impressive growth numbers should help investors estimate the fair value for WELL Health stock. At the moment, the stock trades at a price-to-sales ratio of 15.7. That's reasonable for a company that could *double* sales by next year and become profitable in just a few more quarters.

The opportunity for revolutionizing healthcare is worth trillions of dollars. WELL Health is still in an early phase of this journey, which is why I'm still long on this stock.

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