Is WELL Health (TSX:WELL) Stock Still a Multi-Bagger?

Description

Have investors missed the boat on lucrative growth opportunities? In 2020, growth stocks like **WELL Health Technologies** (TSX:WELL) delivered extraordinary returns. This year, the stock market is much more muted. Growth stocks have struggled, and even the reopening play seems to have tapped out.

It's a different economic environment. But that doesn't mean WELL Health stock and other long-term growth plays can't deliver multi-bagger returns. Here are the top three reasons why I believe the WELL Health growth story is far from over.

Telehealth is here to stay

Some pandemic trends are here to stay. Telehealth, in my opinion, is one of them. Why would you give up the convenience of speaking with a medical professional remotely? Some medical conditions and emergencies certainly need physical attention, but for general advice and prescriptions, a quick text or video call should be enough.

Telehealth has vastly improved access to healthcare for millions over the past year. WELL Health's VirtualClinic+ saw tremendous growth over 2020. This pace of adoption should continue, as more people recognize the value of telehealth in the years ahead.

The U.S. healthcare market is worth trillions

The acquisition of Silicon Valley-based Circle Medical Technologies gave WELL Health access to the American healthcare market. Healthcare services are expected to generate US$4.3 trillion (CA$5.5 trillion) by 2023. Much of that sector is still based on legacy systems and outdated infrastructure.

In other words, WELL Health has a trillion-dollar opportunity to expand its network of private clinics, medical data software and telehealth services across the continent. This vast opportunity isn't fully reflected in the company's market value.

WELL Health stock is undervalued

WELL Health stock currently trades at $7.5 — 15% below its all-time high. It's still up 6,700% over the past five years, making it one of the best-performing tech stocks in Canada.

With recent acquisitions, the WELL Health team believes they can push annual revenue run rate beyond $400 million. Meanwhile, the company is worth just $1.47 billion. In other words, the price-to-sales ratio is roughly 3.67. That's far lower than most tech or software stocks on the market right now.

WELL Health could certainly be a multi-bagger if the valuation is readjusted. The company's American peers trade at price-to-sales ratios of 15 to 17.

The team could also unlock substantial gains through mega-mergers. WELL Health has $83.25 million in cash and cash equivalents on its books. Debt is relatively low, which means there's room to add cheap, borrowed capital. Meanwhile, major investors such as Sir Li Ka-Shing could certainly support future acquisitions and med-deals.

This growth story is simply too compelling to ignore.

Bottom line

Growth stocks have had a rough ride this year. Most are trading below all-time highs. WELL Health stock is roughly 15% cheaper than it was just a few months ago. However, the growth story is as strong as ever, and the stock could be a multi-bagger if it simply receives a justified valuation. Keep an eye on this opportunity.

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