



**Teladoc**  
HEALTH

Presented by  
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Rocky Mountain Chapter

**BETTER INVESTING**  
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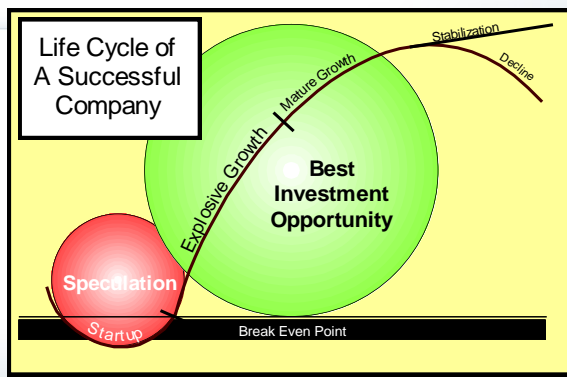
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### Life Cycle of A Successful Company



Speculation

Startup

Explosive Growth

Mature Growth

Best Investment Opportunity

Stabilization

Decline

Break Even Point

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### Small Companies Usually Have ...

- ▶ Shorter history of operations
- ▶ Shorter trading history
- ▶ More volatile stock price
- ▶ Less filings with the SEC (financial statements, etc)
- ▶ Fewer analysts covering the stock = less analysis, less frequent updates
  - VL Expanded Edition
- ▶ Crazy high P/Es

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## BUT WHAT IF THERE ARE NO EARNINGS?

- ▶ Find another company?
  - How many of you wish you had bought Amazon in 2002 or before or even in 2014?
  - Do you know that Amazon had a loss of \$.40/share in 2002?
  - Amazon did not earn a profit until 2003 (\$.09/share)
  - Amazon also had a loss in 2014 (high price: \$408, Lo: \$284)
- ▶ SSG tool will not provide you with usual helpful analysis

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## BI Members are Looking at and Buying Teledoc Health and Other Stocks with No EPS

### Most Active List: Bubbling Under

Company (Ticker)	Buy-Sells
1. Apple (AAPL)	242-138
2. Microsoft (MSFT)	116-30
3. Tesla (TSLA)	99-25
4. Amazon (AMZN)	84-38
5. Pfizer (V)	90-6
6. Disney (DIS)	38-57
7. Alphabet (GOOG)	55-30
8. Visa (V)	49-35
9. Moderna (MRNA)	64-11
10. CVS Health (CVS)	51-19
11. Intel (INTC)	45-24
12. PayPal (PYPL)	38-29

Nos. 13-40 With Buy-Sell Ratio Over 2:1 Transactions for trailing eight weeks ended Sept. 8				
Company	Ticker	Buys	Sells	Total
AbbVie	ABBV	55	6	61
Walmart	WMT	40	14	54
Johnson & Johnson	JNJ	38	10	48
Zoom Video Comm.	ZM	40	7	47
Verizon Comm.	VZ	27	11	38
Netflix	NFLX	30	7	37
Advance Micro Dev.	AMD	24	8	32
McDonald's	MCD	20	10	30
Qualcomm	QCOM	21	7	28
Teladoc Health	TDOC	25	2	27
Clorox	CLX	19	8	27
Low's	LOW	20	6	26
AstraZeneca	AZN	23	0	23
Merck	MRK	15	6	21
CrowdStrike	CRWD	17	3	20
DocuSign	DOCU	15	4	19
Novavax	NVAX	15	4	19
United Parcel Service	UPS	14	4	18

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## Why is Telehealth Growing so Rapidly?

- ▶ Concept: provide professional medical advice for non-threatening conditions via broad range of communication devices (phone, internet, etc)
- ▶ Doctor (or other qualified professional) can "visit" you on your smart phone, via an appointment or emergency basis
- ▶ Like WebMD, but have a professional on other end rather than reading something on WebMD
- ▶ Much of what happens in doctor's office doesn't need to take place physically
- ▶ Telehealth is quicker, cheaper and generally provides users with better experience

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## Emergency Departments (ED) Are Being Used to Combat Access Barriers to Care

- ▶ More and more people seeking care at the ED - approximately 141.4 million annual ED visits (CDC)
- ▶ ED use is also increasing while the number of hospital emergency departments have been decreasing
- ▶ EDs are being used for non-urgent care to combat access barriers: inability to get a primary care appointment, non-physician staff referrals and convenience
- ▶ Lack of insurance can also play a part in patients choosing the ED for non-urgent care

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## Virtual Care is Answer to Access Barriers

- ▶ Virtual care is answer to access barriers:
  - Primary care wait times: on-demand access for those patients and opens up appointment slots in primary care
  - Convenience and after-hours care: Virtual care is available on-demand
  - Cost of care and lack of insurance:
    - The Emergency Medical Treatment and Labor Act requires EDs to treat anyone regardless of their ability to pay
    - Virtual care is low-cost option for uninsured or patients who may decide to forgo treatment for common conditions due to cost
    - Health plans can offer virtual care at discounted rates or offer promo codes for patient care, making this a viable alternative for uninsured

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## Executive Order Expanding Telehealth

- ▶ August 3, 2020: President Trump signed an Executive Order aimed at expanding access to telehealth services beyond the Covid-19 pandemic
  - The EO specifically highlighted the plight of rural Americans when it comes to healthcare access

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- ▶ IPO: July 2015 (NYSE: TDOC)
- ▶ Oldest telehealth provider in the country (2002)
- ▶ 24-hour health care via mobile devices, internet, video and phone
  - Match patients with appropriate caregiver within 10 minutes
  - This rapid response time is the crux in avoiding costly visits to the emergency room – re-route patients to primary care
- ▶ 2400 employees, 450 medical sub specialties and arrangements with 50,000+ clinicians (stats before merger with LVGO)

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- ▶ Business Model: business to business strategy = sales to major employers and other healthcare providers who have a strong interest to contain costs coupled with a major effort to drive engagement by end users
  - 40% of the Fortune 500 are clients
- ▶ TDOC formula for growth:
  - Recruit more members
  - Offer more products
  - Increase utilization of clinicians
  - Facilitate more payment models
- ▶ Certified by Medicare and Medicaid as a reimbursed service in 2020

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- Company revenues: 84% generated on a contractually recurring subscription basis (per-member-per-month) and 16% from visit fees
- Earned approximately 20% of revenue internationally in 2019
- Telemedicine market = \$45B a/o 2019, expected CAGR of 19%+ between 2020 and 2026 (Global Market Insights)
- TDOC has 75% market share of US telemedicine industry
- Q120: Revenue up 41% YoY; patient visits up 92%
- Q220: Revenue up 85% from Q219; patient visits up 203%

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### TDOC is the Global Virtual Care Leader

TDOC	+2,400	+450	+40	+50,000
publicly-traded on NYSE	employees worldwide	medical sub-specialties	languages spoken	clinicians globally

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### TDOC's Track Record of Value Creation

Since the 2015 IPO, Teladoc Health Has Invested \$2B Acquiring Companies and Launched Dozens of Products and Partnerships

Teladoc Health Annual Revenue (in Millions)

<p>67% CAGR 2015-2020</p>	<p>New Clinical Services New Payment Models New Care Settings</p>	<p>&gt;90% Client Retention Rate</p>	<p>\$472 Cost Savings to Client per Gen Med Visit</p>	<p>85% 2020 YoY Revenue Growth</p>
<p>92% 2020 YoY Growth in U.S. Paid Membership</p>	<p>203% 2020 YoY Growth in Total Visits</p>	<p>Teladoc Health's acquired companies are actively selling into its legacy client base, and every major product we have developed is selling into acquired companies' legacy client bases</p>		

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### TDOC Has Driven the Evolution of Virtual Care

Urgent care → Mental health → Virtual COE → Global → Virtual first → Virtual primary care


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- ▶ IPO: July 2019 (NYSE: LVGO)
- ▶ Virtual care for management of chronic conditions, including diabetes, prediabetes, hypertension and weight management
- ▶ Started with founder's son's diabetes:
  - CDC estimates 34.2 million people in the U.S. alone have diabetes — 1 in every 10 adults
  - 7th leading cause of death, even though nearly 95% of the diagnosed cases fall into the type 2 category where people can keep blood glucose in check (healthy eating, exercise, etc.)

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- ▶ 2018: pioneered Applied Health Signals – proactive approach
  - Uses AI+AI approach — aggregate, interpret, apply, and repeat
  - Platform derives signals from its devices, coaches, and web assets to drive behavior change in members
  - Active role in daily life of members – frequent nudges and regulating monitoring of their condition
- ▶ Clients: insurers, largest self-insurers, & government who then offer program to their members on a per-participant-per-month subscription service
- ▶ Fully scalable – now also includes hypertension, prediabetes, weight management and behavioral health

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- ▶ Merger brings together 2 of dominant digital healthcare solutions providers
- ▶ They serve many of same type of customers:
  - both have large base of managed health insurers and self-managed enterprises
  - only 25% overlap of customers = opportunity to cross sell to each others customers
- ▶ TDOC can upsell its remote consultation to LVGO health insurers and self managed employers
  - LVGO was already developing partnership with Doctors on Demand and MD Live to do telemedicine consultations for behavior health and diabetes medication management

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- ▶ TDOC docs can cross market LVGO's monitoring solution to their ~70+ million patients
- ▶ LVGOs high daily engagement helps counter the risk that TDOC members will abandon telemedicine if patients want to return to live consultations with their docs post-pandemic
- ▶ Market: Estimated 140 million US adults have a chronic health condition, and 40% have more than 1 condition
  - Periodic condition monitoring is perfect for remote visit
- ▶ TDOCs international presence (175 countries) = springboard for LVGO

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**Benefit for health insurers and self managed employers:**


- Quicker and cheaper consultations for sudden issues
- ~\$45/remote visit vs. more than double for in person visit
- Chronic disease = high cost to insurers
- Greater insurance acceptance and higher reimbursement

**Benefit for patients:**

- Ease of scheduling and access = patient more likely to utilize a virtual consultation and not wait until forced to go to urgent care
- Lowers ultimate treatment cost

**TDOC will actually lower overall cost of long term patient care**

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### LVGO Accelerates and Amplifies TDOC's Growth Strategies

STATEGIES ENHANCED BY LIVONGO

Expand footprint and distribution	Clinical services innovation	Accelerate consumer adoption	Broaden role in healthcare delivery
<ul style="list-style-type: none"> <li>Existing distribution channels</li> <li>Product cross-sell/upsell</li> <li>Government programs</li> <li>Direct-to-consumer</li> <li>Global markets leadership</li> </ul>	<ul style="list-style-type: none"> <li>Virtual primary care</li> <li>Integrated behavioral health solutions</li> <li>Virtual Center of Excellence specialty services</li> <li>Chronic care</li> <li>Clinical quality leadership</li> </ul>	<ul style="list-style-type: none"> <li>Integrated, intuitive consumer experiences</li> <li>Engagement science and surround sound investments</li> <li>Virtual first experience</li> <li>Expanding access points and modalities</li> </ul>	<ul style="list-style-type: none"> <li>Health system use cases</li> <li>Insurer scope of services</li> <li>In-home solutions</li> <li>Integration with local delivery system</li> </ul>

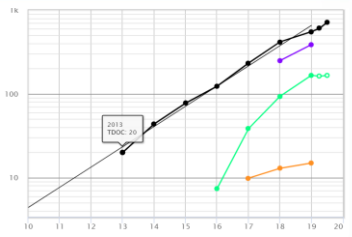
Accelerates plan to deliver above-market growth in a rapidly evolving industry and strategic environment

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### Competitors – SSG+




Historical Sales	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth(%)
Teladoc Health (TDOC)	---	---	20	44	77	123	233	418	553	---	74.6%
Sio Young Intl (SY)	---	---	---	---	---	7	38	93	167	---	178.6%
ZHONGCHAO (ZCMD)	---	---	---	---	---	10	13	15	---	---	23.1%
GoodRx Holdings (GDRX)	---	---	---	---	---	---	---	250	388	---	55.6%
Peer Group Average	256	295	344	339	343	351	400	385	425	500	6.0%

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### SWOT Analysis




**Strengths** – Internal factors that may positively influence company performance

**Weaknesses** – Internal factors that may negatively influence company performance

**Opportunities** – External factors that may positively influence company performance

**Threats** – External factors that may negatively influence company performance

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## Strengths

- ▶ First mover advantage = important in a field like this
- ▶ Pre-Covid: both TDOC and LVGO growing rapidly = people were already adopting digital health
- ▶ Competing companies are significantly smaller and incapable of offering physician visits on demand
  - As largest provider in a market = health insurers and self-funded employers have a vested interest in TDOC succeeding
- ▶ Potential competitors do not have the knowledge base necessary to navigate complex healthcare-related regulations and secure healthcare approvals in all 50 states = large hurdle for a potential competitor

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## Weaknesses

- ▶ The success of the merger will depend on the ability of Teladoc and Livongo to combine their businesses in a manner that facilitates growth opportunities and realizes cost savings
- ▶ The actual integration may result in additional and unforeseen expenses
- ▶ Could face challenges growing its customer base or cross-selling incremental services to scale its business

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## Opportunities

- ▶ Emergence of technology platforms solving massive structural challenges in other industries has highlighted the need for similar solutions in healthcare
- ▶ Changing consumer behavior to where consumers access virtual healthcare as their first point of entry
- ▶ Key competitive differentiator = ability to drive behavior change on a global scale to deliver the best virtual healthcare services in the industry

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## Threats

- ▶ Patients reluctant to divert from comfortable and usual practice of wanting to see a doctor in person – virtual solution means little unless end-users/patients choose to use the service
- ▶ Post pandemic, virtual visits may not continue at the same high rate as during the pandemic
- ▶ Heavily regulated industry and closely scrutinized by federal, state and local governments – directly dependent upon laws governing remote healthcare, the practice of medicine and healthcare delivery
- ▶ State medical boards have established new rules or interpreted existing rules regarding telehealth in a manner that has limited or restricted TDOC's ability to conduct its business as it was conducted in other states

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## Post Merger Forecasts

- ▶ Revenue Forecasts:
  - 30-40%: TDOC *pre-merger* organic growth forecast for 2021
  - 35%+: TDOC *post-merger* 2021 growth forecast = sales estimate of \$2.1B
  - 17.5%: VL *pre-merger* 5-yr revenue growth forecast
- ▶ 3-5 yr price projections (VL 9/4/20):
  - 355 (high) 215 (low)

2023-25 PROJECTIONS			
	Price	Gain	Ann'd Total
	(\$)	(+)(%)	Return
High	355	44%	7%
Low	215	(-21%)	7%

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## Opportunity For Growth Is There, Even if No Earnings

- ▶ Broad based momentum story for both TDOC and LVGO from a revenue growth perspective – Pre-COVID, both companies growing and people already adopting digital health
- ▶ TDOC has defined a new category in which it exists, almost alone (e.g., 75% market share of US telemedicine industry) – no one else has anywhere near the breadth of capabilities = high barriers to entry by others (no moat, per M\*, but “trend:positive”)
- ▶ Leader in all client channels: health plans, employers, direct-to-consumer, hospitals, domestic, international
- ▶ Not just delivering care services via virtual platform – its actually being able to do it with data/AI per LVGO’s platform

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## After this Study, What Are Your Thoughts?

- ▶ I’m considering adding TDOC to my portfolio
- ▶ I don’t want to invest in a company with no earnings
- ▶ TDOC doesn’t fit my portfolio
- ▶ Will put on my watch list

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## Next Model Club

November 17, 2020

7 PM (MDT)

Register at [rmchapter.org](http://rmchapter.org)

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