

## Background

- Teladoc Health is the leading telehealth provider in the US
- Its aim is to build a comprehensive virtual care system to improve care and reduce cost
- Founded in 2002 and had its IPO in July 2015, share price has 10x since IPO
- Has expanded through multiple acquisitions but notable was **Livongo Health** in 2020, a leader in the growing space of remote monitoring and digital therapeutics
- 50,000 clinicians, 450+ specialties, accessible from 130+ countries and 40+ languages

## Tailwinds

- The use of telehealth has been rising for the past decade, and was greatly accelerated by the coronavirus pandemic in 2020
- Telehealth offers convenience, time-savings, improved safety, and often cost-savings
- Remote monitoring and digital therapeutics use artificial intelligence plus data collected remotely, including from connected devices, to help patients manage their health better
- The combination of telehealth and remote monitoring may be a game-changer for preventative healthcare, improving health outcomes for patients, and dramatically reducing total healthcare spend

## Leadership

- Jason Gorevic has been CEO since 2009 and owns ~0.4% of the company
- Mala Murthy has been CFO since 2019, was previous CFO at American Express
- David Sides has been COO since 2019, has 25 years in the health tech sector
- Total insider ownership <1%, very low
- Have 4,000+ employees, Glassdoor rating of 4/5, and CEO approval rating of 95%

## Total Addressable Market

- Healthcare is \$9T market globally, \$3.6T in the US alone making up 14% of US GDP
- McKinsey estimate that \$250B of US healthcare spending could be virtualized, Grand View Research predict the global telehealth sector to grow 22.4% annually to \$299B by 2028
- Livongo estimate their immediate market opportunity at \$46B
- 34M people in the US have diabetes (422M globally) and 147M live with a chronic condition (40% of whom have two or more chronic conditions). Livongo report 600,000 chronic care enrolments, a tiny fraction of the potential customer base

## Customers

- Customers include healthcare plans, employers, hospitals, insurers and also direct-to-consumer, Teladoc has relationships with 40% of the Fortune 500
- At the end of 2020, Teladoc had 51.8M paid US members, in total 70M users have access
- Expect to end 2021 with 52M-54M paid US members, almost zero customer growth
- Monthly membership fees accounted for 79% of the revenue in 2020, with the remainder mostly from fees paid per visit
- Membership subscription fees depend on the number of services, and an increasing number of members are on multi-product contracts (43% as of 2020)
- In 2020, Teladoc processed 10.6M visits (8.8M in the US, 1.8M international), +156% YoY

## Optionality

- Teladoc started with general wellness and has expanded into dermatology, nutrition and mental health, services that often involve repeat visits
- Livongo started offering remote monitoring for diabetes, and has expanded into hypertension, prediabetes, weight management, and behavioural health
- \$500M additional revenue expected by 2025 from the synergies of Teladoc and Livongo
- In 2020, launched Primary360, a comprehensive “hospital at home” primary care service
- Partnered with **DexCom** to integrate their continuous blood glucose monitoring devices into the Livongo monitoring ecosystem

## Competitors

- Increasing competition from both healthcare companies and tech giants
- Other major telehealth providers include **Amwell**, **MDLive** and **Doctor On Demand**
- **Amazon** announced plans to roll out its telehealth service to all employees in the US this summer and will make the service available to other employers later in the year
- **Google** has partnered with Amwell to “transform and expand access to virtual care”

## Financials

- Revenue for 2020 was \$1.1B, +100% YoY but includes revenue from the Livongo merger
- Forecast 2021 revenues of \$1.95B-\$2B (78%-83% YoY growth)
- Difficult at this time to parse out organic growth vs growth from the Livongo merger
- Not yet profitable, earnings for past three years were (\$97.1M), (\$98.9M) and (\$485.1M)
- Market cap of \$29B, P/S 15.8, total cash \$786.7M, total debt \$1.5B