

Teladoc Health

4Q results mixed, with FY24 revenue below and EBITDA bracketing consensus

Maintain Rating: NEUTRAL | PO: 24.00 USD | Price: 21.03 USD

4Q mixed with FY24 guide key focus on call

Teladoc's 4Q results missed consensus and BofA's estimates on revenue, but was above on adj. EBITDA. BetterHelp revenue and adj. EBITDA came in below consensus while Integrated Care revenue missed and Integrated Care adj. EBITDA beat consensus. Heading into the quarter, the key investor focus was around BetterHelp's revenue growth and near-term trajectory of the segment's margins given the recent reacceleration of Monthly Active User (MAU) trends ([link to report here](#)). TDOC beat consensus estimates on marketing in the quarter (\$147.2MM vs. consensus of \$150.5MM) likely reflecting efficiencies from the seasonal reduction of ad spend during the holidays. FY24 revenue guidance of ~3% y/y growth at the midpoint was below consensus estimates of ~6% y/y growth while FY24 adj. EBITDA of \$370MM at the midpoint was above consensus of \$369MM. During the call we look for more color on segment growth trajectory and marketing spend trends, and how those factor into FY24 guidance and three-year outlook. We maintain our Neutral rating ahead of the 5:00PM ET call.

4Q revenue below and EBITDA above BofA/consensus

4Q'23 revenue of \$660.5MM was below Visible Alpha consensus estimates of \$671.3MM and BofA's estimate of \$672.6MM. BetterHelp revenue of \$276.2MM came in below consensus of \$284.6MM and BofA's estimate of \$281.1MM. Integrated Care revenue of \$384.4MM was below consensus of \$385.8MM and BofA's estimate of \$391.5MM. Adj. EBITDA for the quarter was \$114.4MM, above consensus of \$111.8MM and BofA's estimate of \$113.7MM.

TDOC's FY24 revenue below St, adj. EBITDA brackets St

Teladoc introduced FY24 revenue guidance of \$2,635-\$2,735MM, below Visible Alpha consensus estimates of \$2,775.7MM and BofA's estimate of \$2,768.5MM. TDOC expects FY24 adj. EBITDA of \$350-\$390MM, bracketing consensus of \$368.8MM and above BofA's estimate of \$347.8MM. TDOC guided to FY24 Integrated Care revenue growth of low to mid-single digits and adj. EBITDA margin expansion of 150-250bps. TDOC guided to FY24 BetterHelp revenue growth of flat to low-single digits and adj. EBITDA margin expansion of flat +/- 50bps. For 1Q'24, TDOC expects revenue of \$630-\$645MM, below consensus of \$673.8MM. 1Q'24 adj. EBITDA guidance of \$52-\$62MM is below consensus of \$67.5MM. Finally, TDOC provided a three year outlook of low to mid single digit annual consolidated revenue growth including mid-single digit Integrated Care and low single-digit BetterHelp annual revenue growth; and 50-100bps of annual margin expansion, and at least \$425MM of adj. EBITDA for FY25.

Key topics for the call

The biggest question on the call will be the reasons why BetterHelp revenue growth is expected to decline in 1Q and how the company expects to drive growth in that business over the remaining 3 quarters of the year. Another key focus will be revenue and margin expectations embedded in the new three year outlook.

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20 February 2024

Equity

Allen Lutz, CFA
Research Analyst
BofA
+1 646 855 4380
allen.lutz@bofa.com

Hanna Lee
Research Analyst
BofA
+1 646 855 3682
hanna.y.lee@bofa.com

Dev Weerasuriya
Research Analyst
BofA
+1 646 855 5707
dev.weerasuriya@bofa.com

Stock Data

Price	21.03 USD
Price Objective	24.00 USD
Date Established	2-Jan-2024
Investment Opinion	C-2-9
52-Week Range	15.02 USD - 30.41 USD
Mrkt Val (mn) / Shares Out (mn)	3,365 USD / 160.0
Free Float	99.3%
Average Daily Value (mn)	72.02 USD
BofA Ticker / Exchange	TDOC / NYS
Bloomberg / Reuters	TDOC US / TDOC.N
ROE (2023E)	0%
Net Dbt to Eqty (Dec-2022A)	26.7%
ESGMeter™	High

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Price objective basis & risk

Teladoc Health (TDOC)

We have a \$24 price objective on shares of TDOC, based on approximately 12x our CY2024E EBITDA estimate (1.5x EV/sales). This represents a modest premium to its unprofitable peer group on an EV/sales basis (1.0x-2.0x), which we believe is warranted given TDOC's positive FCF. On an EV/EBITDA basis, this represents a discount to higher-margin peers. The most significant long-term risk factor, in our view, is growing competition across core virtual therapy/telemedicine/chronic care management and the ability to drive paid membership growth in line with consensus expectations.

Risks to our price objective are a) slower-than-expected utilization growth, b) execution risk around the behavioral health business, c) the competitive landscape/pricing, and d) failure to adequately integrate new acquisitions to the platform.

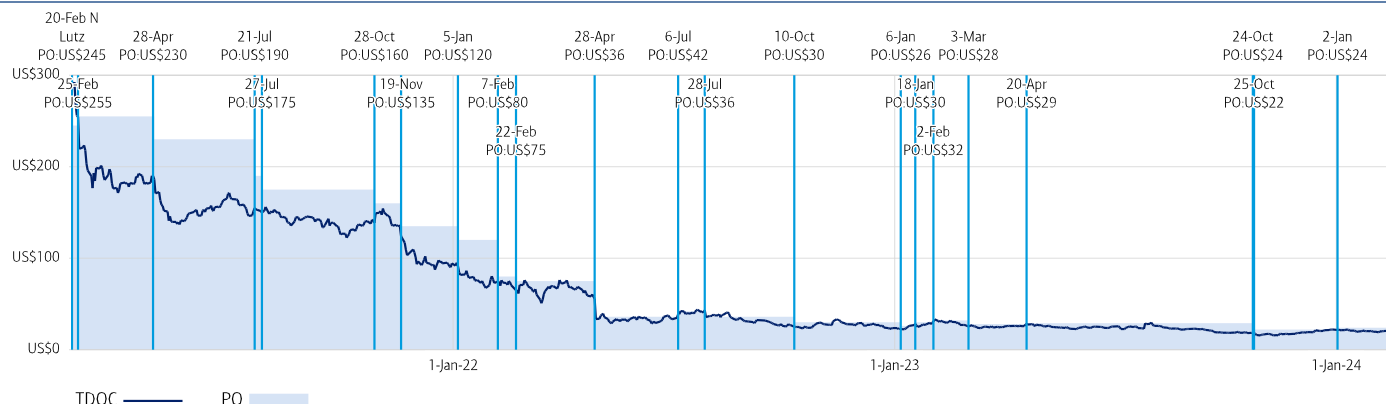
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Teladoc (TDOC) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

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Sell	807	22.84%	Sell	383	47.46%

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