

## Teladoc Health

# Feb. data: BetterHelp MAUs moderate; BetterSleep growing fast off a small base

Maintain Rating: NEUTRAL | PO: 20.50 USD | Price: 15.59 USD

## Feb. BetterHelp Global MAUs +10% y/y and (1)% m/m

Global BetterHelp MAUs (U.S. and International), grew 10.0% y/y and (1.0)% m/m in February, with aggregate users moderating slightly from the prior month's all-time high. February run-rate MAUs are trending 10.8% above 4Q'23 levels, significantly above TDOC's implied guidance of (1.7)% q/q at the midpoint. For reference, TDOC guided to 1Q BetterHelp revenue growth of (6)%-(3)% y/y. The increasing variability between MAU and revenue growth could be related to increased utilization of free or discounted social impact programs (although we have limited data to support this possible trend). In FY23, 3<sup>rd</sup> party advertising and marketing expenses as a percent of BetterHelp revenues grew from 49.4% to 54.2% in-line with management's commentary of lower yields on ad spend. Meanwhile, aggregate Teladoc MAUs in February also moderated from the prior month's all-time high, increasing 75% y/y and (5.2)% m/m. The recent strength in core Teladoc app trends likely reflect the 3Q'23 competitive takeaway that resulted in the addition of 4MM new lives. Maintain Neutral.

## Ad spend and virtual therapy peers in focus

February run-rate MAUs are trending ~11% above 4Q'23 which should imply sequential revenue growth in 1Q'24. However, TDOC's 1Q'24 guidance points to BetterHelp revenue declining in the LSD q/q. The combination of a more challenging end market for consumers, declining yields on ad spend, and BetterHelp's size at \$1.1Bn+ revenue creates a more challenging near-term outlook for growth. Importantly, Teladoc has indicated it will need to spend incrementally on advertising and marketing to drive revenue growth, an important consideration. Separately, TDOC's operating leverage story is being driven by its other segment, Integrated Care, and it should be able to execute on its margin expansion plan as long as BetterHelp trends remain stable.

## Could BetterSleep drive all of BetterHelp's growth in '24?

TDOC acquired Relax Melodies in 2021 and rebranded the solution to BetterSleep, a D2C app that helps users improve sleep quality and overall well-being. MAU growth began to accelerate toward the end of 2022 (Exhibit 4) and average MAUs grew by 105% in 2023. We estimate BetterSleep could contribute 1-2 percentage points of revenue growth in 2024, which would effectively represent all of BetterHelp's growth (guidance for flat to low-single-digit growth in 2024).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(17.02)	(0.19)	0.01	0.17	0.24
GAAP EPS	(84.60)	(1.34)	(0.96)	(0.77)	(0.80)
EPS Change (YoY)	NM	98.9%	NM	NM	41.2%
Consensus EPS (Bloomberg)			(0.69)	(0.35)	(0.38)
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	1,559.0x	91.7x	65.0x
EV / EBITDA*	11.4x	8.6x	7.7x	6.6x	6.2x
Free Cash Flow Yield*	0.7%	7.8%	8.4%	9.8%	10.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 18.

12 March 2024

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### Stock Data

Price	15.59 USD
Price Objective	20.50 USD
Date Established	21-Feb-2024
Investment Opinion	C-2-9
52-Week Range	14.29 USD - 30.41 USD
Mkt Val (mn) / Shares Out (mn)	2,494 USD / 160.0
Free Float	99.3%
Average Daily Value (mn)	86.52 USD
BofA Ticker / Exchange	TDOC / NYS
Bloomberg / Reuters	TDOC US / TDOC.N
ROE (2024E)	0.1%
Net Dbt to Eqty (Dec-2023A)	17.8%
ESGMeter™	High

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LSD – low single digits

D2C – direct to consumer

MAU – monthly active user

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Timestamp: 12 March 2024 05:09AM EDT

# iQprofile<sup>SM</sup> Teladoc Health

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-0.1%	0.7%	1.5%	2.2%	2.8%
Return on Equity	-29.9%	-1.4%	0.1%	1.3%	1.7%
Operating Margin	-0.5%	-0.4%	0.9%	3.4%	3.9%
Free Cash Flow	17	194	210	244	265

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	13.5x	10.1x
Asset Replacement Ratio	0.7x	0.5x	0.4x	0.5x	0.5x
Tax Rate	NM	0.3%	NM	NM	NM
Net Debt-to-Equity Ratio	26.7%	17.8%	8.7%	-1.6%	-12.1%
Interest Cover	-1.2x	-0.8x	1.1x	4.2x	5.0x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,407	2,598	2,644	2,752	2,857
% Change	18.4%	7.9%	1.8%	4.1%	3.8%
Gross Profit	1,669	1,843	1,877	1,967	2,043
% Change	20.0%	10.4%	1.9%	4.8%	3.8%
EBITDA	247	328	366	426	454
% Change	-8.0%	33.1%	11.4%	16.4%	6.5%
Net Interest & Other Income	(10)	27	18	(22)	(22)
<b>Net Income (Adjusted)</b>	<b>(2,748)</b>	<b>(32)</b>	<b>2</b>	<b>30</b>	<b>43</b>
<b>% Change</b>	<b>NM</b>	<b>98.8%</b>	<b>NM</b>	<b>NM</b>	<b>42.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(13,667)	(219)	(159)	(133)	(141)
Depreciation & Amortization	256	334	341	333	343
Change in Working Capital	(116)	10	(3)	2	2
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	13,716	225	181	204	229
Capital Expenditure	(173)	(156)	(150)	(161)	(168)
<b>Free Cash Flow</b>	<b>17</b>	<b>194</b>	<b>210</b>	<b>244</b>	<b>265</b>
<b>% Change</b>	<b>-87.3%</b>	<b>NM</b>	<b>8.5%</b>	<b>16.0%</b>	<b>9.0%</b>
Share / Issue Repurchase	13	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	(552)	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	918	1,124	1,334	1,026	1,291
Trade Receivables	211	217	232	241	251
Other Current Assets	187	148	151	156	162
Property, Plant & Equipment	30	32	11	6	2
Other Non-Current Assets	3,000	2,871	2,703	2,541	2,375
<b>Total Assets</b>	<b>4,345</b>	<b>4,392</b>	<b>4,430</b>	<b>3,971</b>	<b>4,081</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	400	421	434	451	468
Long-Term Debt	1,535	1,539	1,539	987	987
Other Non-Current Liabilities	103	107	109	113	118
<b>Total Liabilities</b>	<b>2,038</b>	<b>2,066</b>	<b>2,082</b>	<b>1,551</b>	<b>1,573</b>
<b>Total Equity</b>	<b>2,308</b>	<b>2,326</b>	<b>2,348</b>	<b>2,419</b>	<b>2,508</b>
<b>Total Equity &amp; Liabilities</b>	<b>4,345</b>	<b>4,392</b>	<b>4,430</b>	<b>3,970</b>	<b>4,081</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 18.

## Company Sector

Healthcare Technology & Distribution

## Company Description

Teladoc provides virtual access to healthcare providers with a portfolio of services covering 450 medical subspecialties from non-urgent, episodic needs like flu and upper respiratory infections, to chronic, complicated medical conditions like cancer and congestive heart failure. The company has 50MM+ subscription members across 10,000+ employers and 40+ health plans, and has completed 10MM+ visits in 2020.

## Investment Rationale

We have a Neutral rating on shares of TDOC. At current valuation, the shares trade at a premium on an EV/sales basis to unprofitable direct peers and a discount to higher-margin peers. We think shares are adequately priced weighing the risk to the behavioral health business and potential upside from GLP-1 related weight management solutions.

## Stock Data

Average Daily Volume 5,549,955

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.13A	-0.13E
Q2	-0.06A	0.04E
Q3	-0.06A	-0.01E
Q4	0.06A	0.12E

## BetterHelp MAUs slightly moderate m/m

### Feb. run-rate BetterHelp MAUs trending 11% above 4Q'23

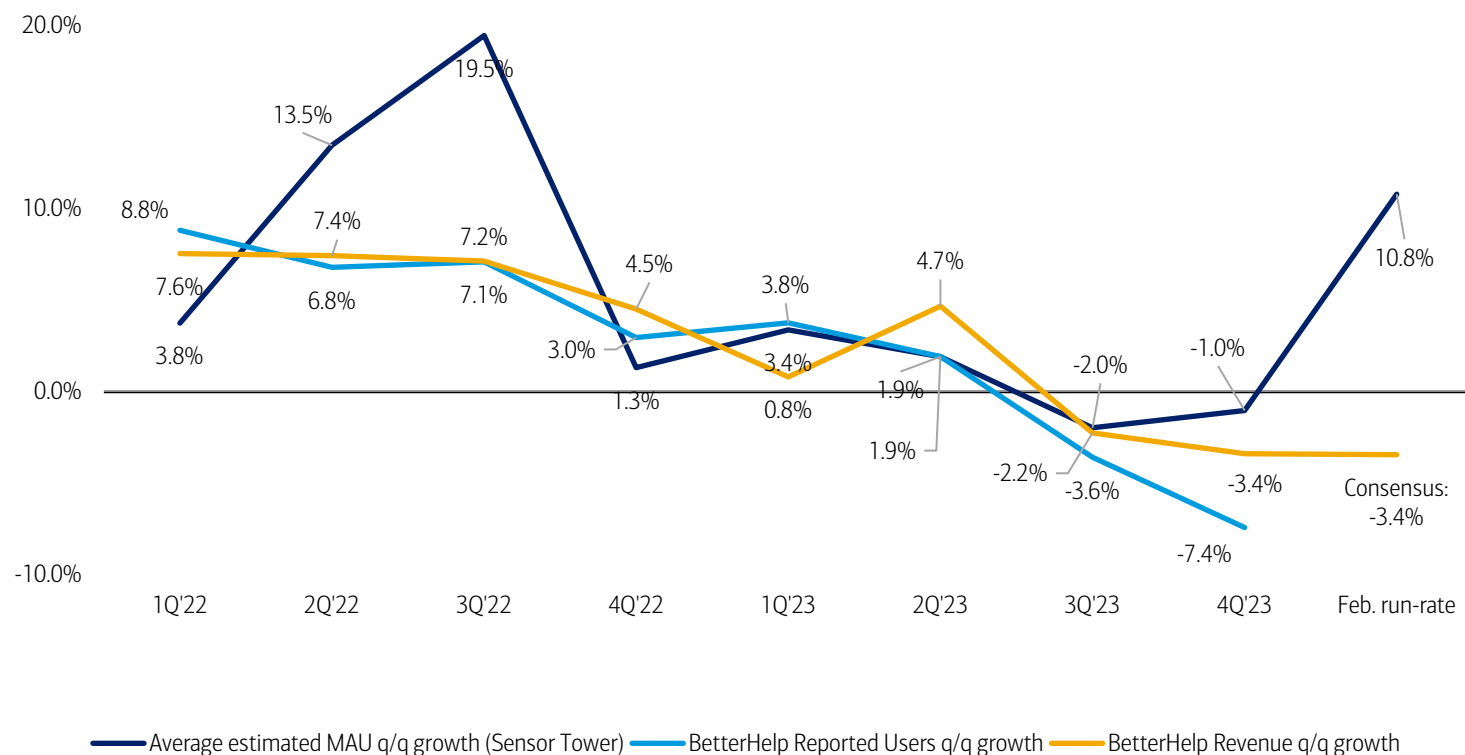
Heading into last quarter, we believed BetterHelp's revenue growth could reaccelerate to start the year given the strength in Sensor Tower MAU trends in January. Our trends in 4Q indicated that MAUs declined ~1% q/q in 4Q, which we estimated could drive a revenue decline of 1.2% q/q. However, in 4Q Teladoc reported BetterHelp users declined 7.4% q/q and revenue declined 3.4% q/q, the latter of which was more than 2% below our estimate. We have recently seen greater variability with Sensor Tower MAU and reported revenue growth which we believe could be driven by increased utilization of free or discounted therapy through social impact programs (although we have limited data to support this potential trend).

### Feb. data reflecting 10.8% q/q, significantly above guide

In February, BetterHelp global MAUs, which include both U.S. and international users, moderated slightly from the prior month's all-time high growing 10.0% y/y and (1.0)% m/m. February run-rate MAUs are trending 10.8% above average 4Q'23 levels, which should imply that BetterHelp's revenue growth is on pace for q/q growth. However, recent MAU trends appear to go against Teladoc's 4Q'23 commentary and guidance that given lower yields on ad spend 1Q'24 BetterHelp revenue is expected to decline (6%)-(3%) y/y (Exhibit 2). For the remainder of the year, TDOC's guidance assumes lower yields experienced in certain channels in 2H'23 will persist and impact growth rates in the first half of FY24.

#### Exhibit 1: Quarterly Global BetterHelp reported metrics (revenue and user growth) vs. Sensor Tower MAU growth and consensus revenue growth

We have continued to see greater variability between Sensor Tower MAU growth and reported BetterHelp revenue growth



Source: Company reports, Sensor Tower

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#### Exhibit 2: Illustrative TDOC 1Q'24 revenue bridge

The midpoint of TDOC's revenue guidance of (4.5)% y/y BetterHelp growth implies revenues decline 1.7% q/q while Sensor Tower MAUs are tracking to 10.8% q/q

1Q'23A	2Q'23A	3Q'23A	4Q'23A	1Q'24E	Implied Assumptions
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**Exhibit 2: Illustrative TDOC 1Q'24 revenue bridge**

The midpoint of TDOC's revenue guidance of (4.5)% y/y BetterHelp growth implies revenues decline 1.7% q/q while Sensor Tower MAUs are tracking to 10.8% q/q

	1Q'23A	2Q'23A	3Q'23A	4Q'23A	1Q'24E	Implied Assumptions
BetterHelp	\$279.3	\$292.4	\$285.8	\$271.3	\$266.7	Assumes (1.7)% q/q reflecting midpoint of TDOC's guidance; MAUs tracking to 10.8% q/q
Integrated Care	350.0	360.1	374.4	384.4	370.8	Assumes (3.5)% q/q reflecting midpoint of TDOC's guidance
<b>Total Revenue</b>	<b>\$629.2</b>	<b>\$652.4</b>	<b>\$660.2</b>	<b>\$655.6</b>	<b>\$637.5</b>	
<b>Guidance</b>						
Low					\$630.0	Midpoint of TDOC's guide of \$637.5MM representing 1.3% y/y growth or (2.8)% q/q
High					\$645.0	
Sensor Tower Average MAU growth q/q	3.4%	1.9%	-2.0%	-1.0%	10.8%	Sensor Tower Feb. run-rate MAUs 10.8% q/q
Sensor Tower Average MAU growth y/y	42.0%	27.6%	4.7%	2.3%	9.6%	
<b>Reported BetterHelp Users (thousands)</b>	<b>467</b>	<b>476</b>	<b>459</b>	<b>425</b>	<b>412</b>	
Growth q/q	3.8%	1.9%	-3.6%	-7.4%	-3.2%	Midpoint of revenue guide implies users decline 3.2% q/q
Growth y/y	22.3%	16.7%	5.0%	-5.6%	-11.9%	
<b>BetterHelp Revenue (\$ millions)</b>	<b>\$279.3</b>	<b>\$292.4</b>	<b>\$285.8</b>	<b>\$271.3</b>	<b>\$266.7</b>	
Growth q/q	0.8%	4.7%	-2.2%	-5.1%	-1.7%	
Growth y/y	21.4%	18.4%	7.9%	-2.1%	-4.5%	Assumes midpoint of TDOC's guide of (6)%-(3)% growth
Revenue per User	\$598.0	\$614.2	\$622.7	\$638.3	\$647.9	
Growth q/q	-2.8%	2.7%	1.4%	2.5%	1.5%	Assumes 1.5% growth q/q
<b>Integrated Care</b>						
Growth q/q	-3.0%	2.9%	4.0%	2.7%	-3.5%	
Growth y/y	4.4%	4.2%	8.1%	6.6%	6.0%	Assumes midpoint of TDOC's guide of 5%-7% growth
<b>Total Revenue</b>						
Growth q/q	-1.3%	3.7%	1.2%	-0.7%	-2.8%	
Growth y/y	11.3%	10.1%	8.0%	2.8%	1.3%	

Source: Company filings, Visible Alpha, BofA Global Research estimates

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**BetterHelp seeing diminishing marginal return on ad spend**

In 4Q'23, BetterHelp revenue and margins were below Teladoc's expectations primarily attributed to lower yields on marketing spend. Teladoc experienced returns on social media advertising spend that were below target in 2H'23, which was a departure from trends through 1H'23. Teladoc provided in their 10-K additional disclosures around third-party advertising and marketing expenses primarily related to BetterHelp which shows in FY23 marketing expenses represented 54.2% of BetterHelp's revenue, reflecting an incremental 473bps from FY22 (Exhibit 3). The increase in marketing expenses is in-line with management's commentary of seeing lower yield on marketing spend and reflects the diminishing marginal return on ad spend. BetterHelp's revenue growth is dependent on incremental ad spend for new member acquisition, which is somewhat gated by the returns that Teladoc can receive from an efficiency perspective. This dynamic combined with the strategy to focus on growth internationally could suggest market saturation in the U.S. and higher levels of churn in 4Q'23 and 1Q'24. To a lesser extent, Teladoc disclosed BetterHelp refunds in FY23 which represented 8.2% of BetterHelp's revenues, an increase of 44bps from the prior year. While refunds as a percentage of revenue increased from the prior year, this represented a relatively small portion of revenues. In FY24, this metric could become more relevant to track should refunds increase meaningfully from current levels.

**Exhibit 3: Additional disclosures on BetterHelp provided in Teladoc's 10-K**

In FY23, third-party advertising and marketing expenses as a % of BetterHelp revenue increased 473bps y/y

	2021A	2022A	2023A	Comments
Integrated Care	\$1,300.9	\$1,373.9	\$1,468.8	
BetterHelp	721.2	1,019.6	1,133.6	
Other	10.6	13.3	-	
<b>Total Revenue</b>	<b>\$2,032.7</b>	<b>\$2,406.8</b>	<b>\$2,602.4</b>	
Refunds	\$67.0	\$79.2	\$93.0	The BetterHelp service provides for member refunds and are recorded as a reduction of revenue.
Refunds growth		18.2%	17.4%	
Refunds as a % of BetterHelp revenue	9.3%	7.8%	8.2%	
Incremental Refunds / Revenue y/y		-152 bp	44 bp	
Third-Party Advertising and Marketing Expenses	\$297.0	\$503.9	\$613.9	Predominately related to the BetterHelp segment and, to a lesser extent, communications and campaigns to the Integrated Care segment's Clients and members.

**Exhibit 3: Additional disclosures on BetterHelp provided in Teladoc's 10-K**

In FY23, third-party advertising and marketing expenses as a % of BetterHelp revenue increased 473bps y/y

	2021A	2022A	2023A	Comments
Third-Party Advertising and Marketing Expenses growth		69.7%	21.8%	
Third-Party Advertising and Marketing Expenses as a % of BetterHelp revenue	41.2%	49.4%	54.2%	
Incremental Third-Party Advertising / Revenue y/y		824 bp	473 bp	

Source: Company filings, BofA Global Research

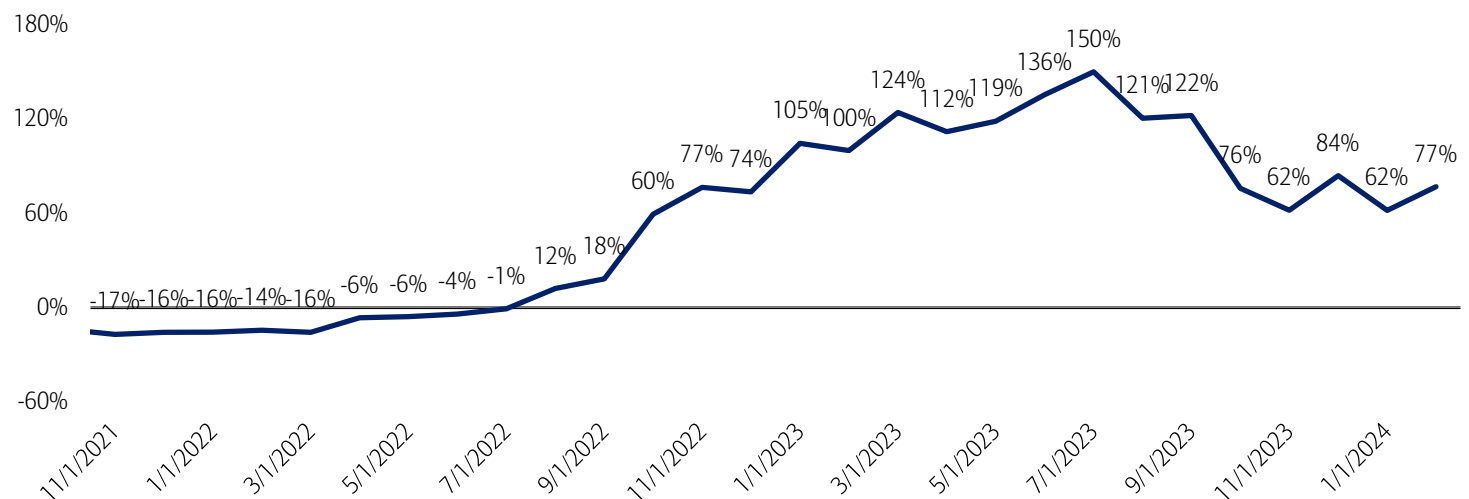
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**BetterSleep is small, but contributing to growth**

Within the BetterHelp segment, Teladoc primarily generates revenue from users that pay a fee to access therapists/psychiatrists. However, Teladoc added a disclosure in 2023's 10-K that it also generates revenue from users on the BetterSleep app. For reference, Teladoc acquired the sleep app, Relax Melodies, in November 2021 and rebranded the app to "BetterSleep". BetterSleep provides sleep content such as soothing sounds, music, meditations, and bedtime stories to help improve sleep quality and overall well-being. Disclosures around BetterSleep have been limited, but February Sensor Tower data is showing an inflection in MAU growth with aggregate MAUs at an all-time high, reflecting growth of 77% y/y or 5% m/m (Exhibit 4). Management also noted in 3Q'23 that changes in revenue per user from period-to-period is primarily a reflection of mix including the growth of a direct-to-consumer sleep asset that's small, but growing faster. The BetterSleep app offers three pricing tiers: \$9.99/month, \$59.99/year, and lifetime of \$249.99. Given BetterSleep's relatively low pricing tiers compared to BetterHelp's pricing of \$65-\$90 per week (monthly cost of \$260-\$360), we believe the BetterSleep contribution to the segment will likely represent a small portion of revenues for FY24. We will continue to monitor BetterSleep app trends for potential signs of incremental segment contribution.

**Exhibit 4: U.S. BetterSleep Monthly Active User growth trends, 2021-2024**

Aggregate BetterSleep MAUs in February were at an all-time high, growing 77% y/y or 5% m/m



Source: Sensor Tower

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**BetterSleep could contribute 1-2% of FY24 segment revs**

It is difficult to estimate how much BetterSleep could have contributed to BetterHelp's revenue in 2023, but we attempt to analyze Sensor Tower data for the potential contribution for 2024. Sensor Tower estimates BetterSleep generated \$6.0MM of revenue in 2022 and \$10.8MM in 2023 indicating BetterSleep contributed 0.4 percentage points to BetterHelp's 10.8% y/y revenue growth in 2023. Based on the implied revenue per average MAU of \$10.00 on the low-end and \$12.00 on the high-end,



we conservatively estimate that BetterSleep could represent ~1-2% of revenues in 2024. On the low-end, we assume BetterSleep maintains its February run-rate MAUs through FY24 (16.4% q/q growth in 1Q'24 and flat growth through the remainder of 2024). On the high-end we assume BetterSleep continues to see 16.4% q/q growth in each quarter of 2024. Taken together, in 2024 we estimate (1.2)%-(0.5)% revenue growth for BetterHelp excluding BetterSleep. We continue to track MAU trends for signs of further inflection as the contribution to 2024 could be even greater. This would indicate that BetterHelp's non sleep product may be seeing weaker revenue performance than we previously thought.

#### Exhibit 5: Sensor Tower BetterSleep revenue estimates (2022-2023) and potential 2024 contribution to the BetterHelp segment

We estimate BetterSleep could contribute 1-2% of FY24 BetterHelp revenues

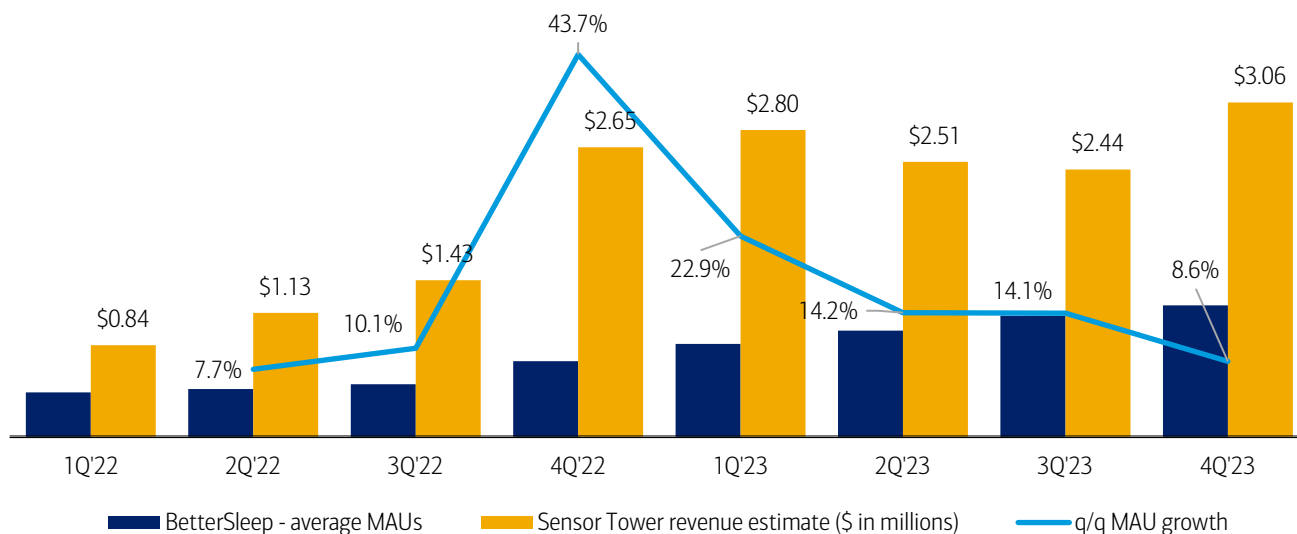
	1Q'22	2Q'22	3Q'22	4Q'22	2022	1Q'23	2Q'23	3Q'23	4Q'23	2023	2024E	
											Low	High
BetterSleep revenue estimate (\$ in millions)	\$0.8	\$1.1	\$1.4	\$2.6	<b>\$6.0</b>	\$2.8	\$2.5	\$2.4	\$3.1	<b>\$10.8</b>	<b>\$14.0</b>	<b>\$21.4</b>
y/y growth						235.3%	122.1%	70.8%	15.5%	<b>78.9%</b>	<b>29.4%</b>	<b>97.9%</b>
Implied revenue per user (based on average MAUs)	\$2.06	\$2.59	\$2.98	\$3.83	<b>\$12.01</b>	\$3.30	\$2.59	\$2.21	\$2.54	<b>\$10.49</b>	<b>\$10.00</b>	<b>\$12.00</b>
BetterHelp revenue (\$ in millions)	\$230.0	\$247.0	\$265.0	\$277.0	<b>\$1,019.0</b>	\$279.3	\$292.4	\$285.8	\$271.3	<b>\$1,128.7</b>	<b>\$1,125.9</b>	<b>\$1,125.9</b>
BetterSleep as a % of total BetterHelp revenue	0.4%	0.5%	0.5%	1.0%	<b>0.6%</b>	1.0%	0.9%	0.9%	1.1%	<b>1.0%</b>	<b>1.2%</b>	<b>1.9%</b>
BetterHelp revenue y/y growth						21.4%	18.4%	7.9%	-2.1%	<b>10.8%</b>	<b>-0.2%</b>	<b>-0.2%</b>
BetterHelp revenue growth ex-BetterSleep						20.6%	17.9%	7.5%	-2.2%	<b>10.4%</b>	<b>-0.5%</b>	<b>-1.2%</b>

Source: Company reports, Sensor Tower, BofA Global Research estimates

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#### Exhibit 6: Sensor Tower MAU growth and quarterly revenue estimates, (1Q'22-4Q'23)

Sensor Tower data estimates BetterSleep revenue of \$6.0MM in 2022 and \$10.8MM in 2023



Source: Sensor Tower

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## Prioritization of B2B efforts from competitors

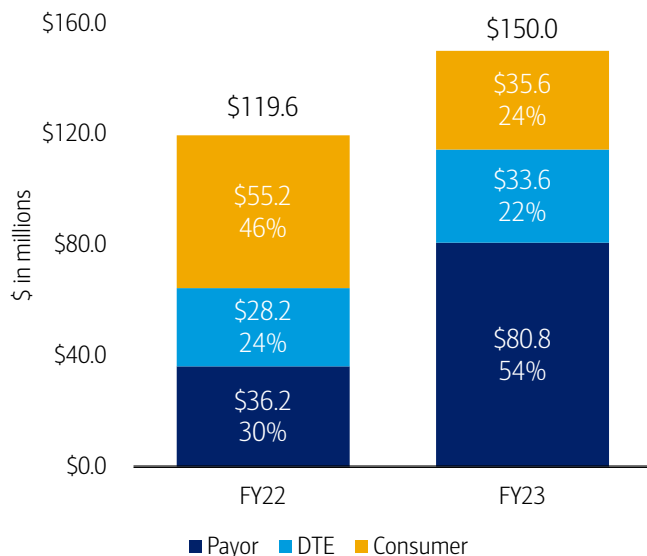
Over the past two years, virtual health competitors such as Talkspace (TALK, not covered) have refocused efforts away from the direct-to-consumer (D2C) market and towards the enterprise market. In FY23, TALK deprioritized the consumer category (where members pay out-of-pocket) which represented 24% of total revenues, down from 46% from the prior year. This was offset by rapid growth within the Payor segment

which grew an impressive 138% y/y (or 15% q/q) in 4Q'23 representing over half of FY23 revenues compared to 30% in FY22 (Exhibit 7). In 2024, the company expects to continue expanding in the growing payor market that is estimated to grow at a 5% compounded annual growth rate through 2032 to \$137Bn. The company also plans to expand within their Medicare program in addition to pursuing business-to-business (B2B) opportunities with employers, governments, and universities. TALK provided a 3-year financial outlook of sustained compounded revenue growth of 20-25% driven by continued payor expansion, higher capture rates from broadening referral networks, and enhancing digital capabilities.

In contrast, BetterHelp remains focused on the D2C market with management noting at a recent competitor conference that it has no immediate plans to pivot away from its current strategy. We continue to believe that [in-network coverage of virtual therapy could impact the attractiveness of cash pay options such as BetterHelp over time](#) (see report). With an in-network model, developing relationships with payers can take time and the collections process may be more challenging compared to a cash pay model which provides faster top-line growth. However, longer-term an in-network model can result in higher patient volumes, improved returns given growth is not dependent on ad spend and is less susceptible to macroeconomic trends due to more stable demand. TALK's growth will be important to monitor over 2024 as consumers awareness of insurance coverage options for virtual therapy expands. BetterHelp's ability to attract and retain customers could be pressured in 2024 with growing awareness of in-network virtual therapy offerings.

#### Exhibit 7: TALK revenue and % composition, 2022-2023

TALK continues to pivot away from D2C and towards the enterprise market

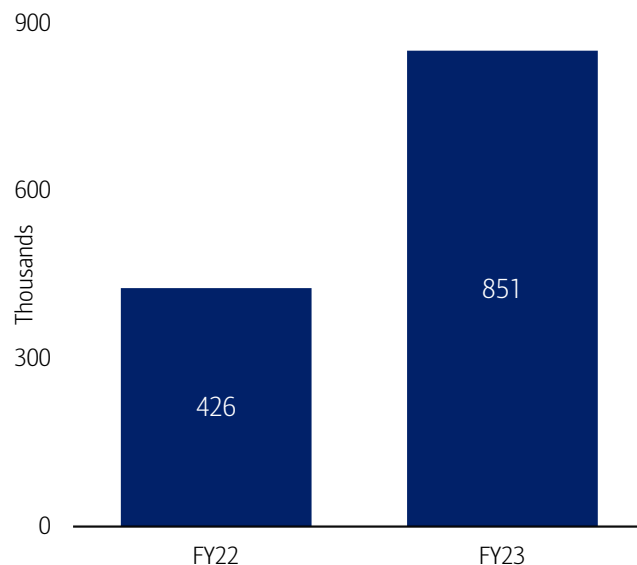


Source: Company presentations

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#### Exhibit 8: TALK Payor Sessions, 2022-2023

In FY23 the number of completed payor sessions grew 99.8%



Source: Company presentations

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## Social impact programs/partnerships driving MAU growth?

BetterHelp frequently partners with non-profit organizations, celebrities, and professional athletes to offer free or discounted therapy through social impact programs. We believe that one explanation for the recent inflection in MAU growth could be partially attributed to the increased utilization of one or more of these programs (although we have limited data to support the uptake of these programs). Over the past 18 months, BetterHelp has offered free mental health care and support in response to the war in Ukraine, Hurricane Ian, Uvalde shooting, and Midwest flooding among other crises. Additionally, BetterHelp offered six months of free therapy to those affected by





the war with Israel and Gaza, with BetterHelp's Israel Support page stating that "the service is available to anyone impacted, regardless of location and nationality". As of March 2024, BetterHelp's website states that it has given \$65.7MM in discounts and financial aid to cover therapy costs for low-income individuals and provided 95,647 free months of therapy donated to communities in need. While there is limited data to validate the utilization of these types of initiatives, we note this could be one possible driver of variability between Sensor Tower MAUs and reported revenue growth.

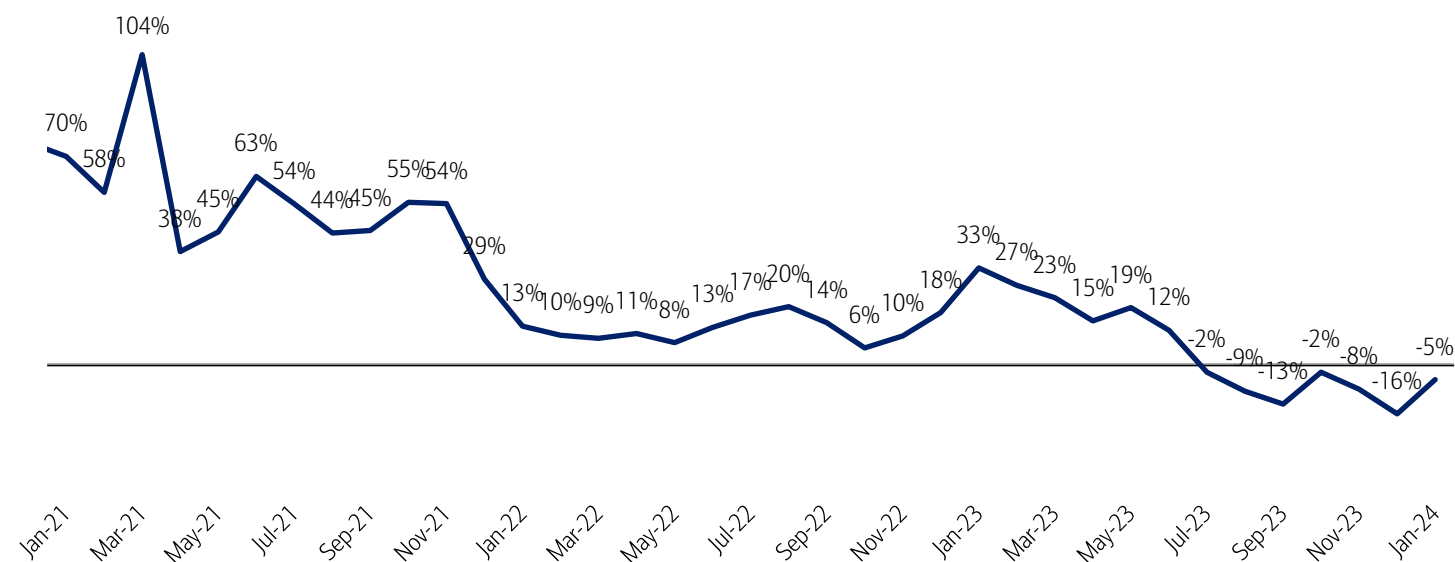
## BetterHelp Web Traffic Trends

### Jan. BetterHelp average web traffic visits +32% m/m

We also tracked web traffic visits for BetterHelp.com for directional trends. While we found limited statistically significant correlation between web traffic growth and revenue growth (Exhibit 10), we observed that in some quarters web traffic appears to have accelerated at faster rates than revenue growth. January web traffic visits increased 32.1% m/m, representing a 4.9% y/y decline. January run-rate web traffic visits are trending 25% above average 4Q'23 levels. January is showing a significant inflection in web traffic visits similar to the recent all-time highs reflected in the January Sensor Tower MAU data.

#### Exhibit 9: BetterHelp.com web traffic visits, 2021-2024

Web traffic visits declined 5% y/y in January, representing a 32% sequential increase



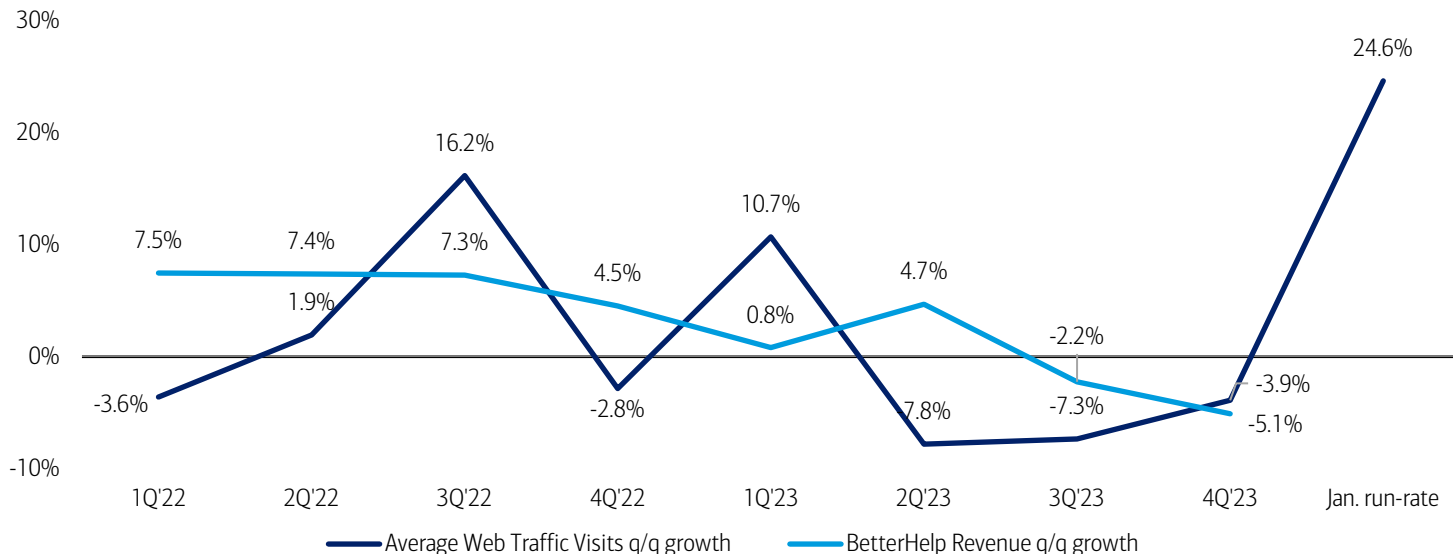
Source: Similar Web

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**Exhibit 10: Average web traffic growth compared to quarterly BetterHelp revenue growth**

While there appears to be limited statistically significant correlation, web traffic data grew (3.9)% q/q in 4Q vs. 4Q reported BetterHelp revenue growth of (5.1)% q/q



Source: Similar Web, Company Reports, BofA Global Research

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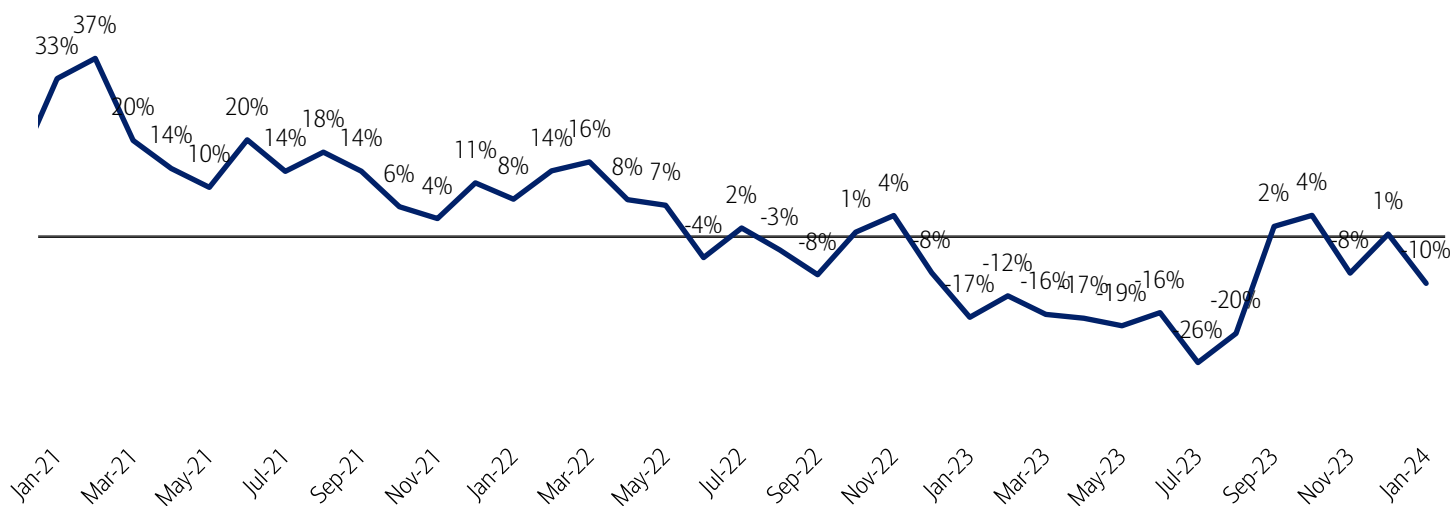
**Jan. BetterHelp website duration down 20.0% m/m**

Additionally, we tracked average website visit duration for BetterHelp and observed visit duration tends to decelerate at rates substantially faster than revenue (Exhibit 12).

January average duration decreased 10% y/y representing a 20.0% m/m decline. January run-rate average website duration is trending 22% below average 4Q'23 levels. For reference, average visit duration is calculated as the time elapsed between a user's first landing on the homepage to the last action on a website during a visit. We note that the data includes "bounced visits" when a user visits but does not interact with the site and the average visit duration is recorded as zero.

**Exhibit 11: Betterhelp.com average duration, 2021-2024**

Website average duration declined 10% y/y in January following an increase of 1% in December

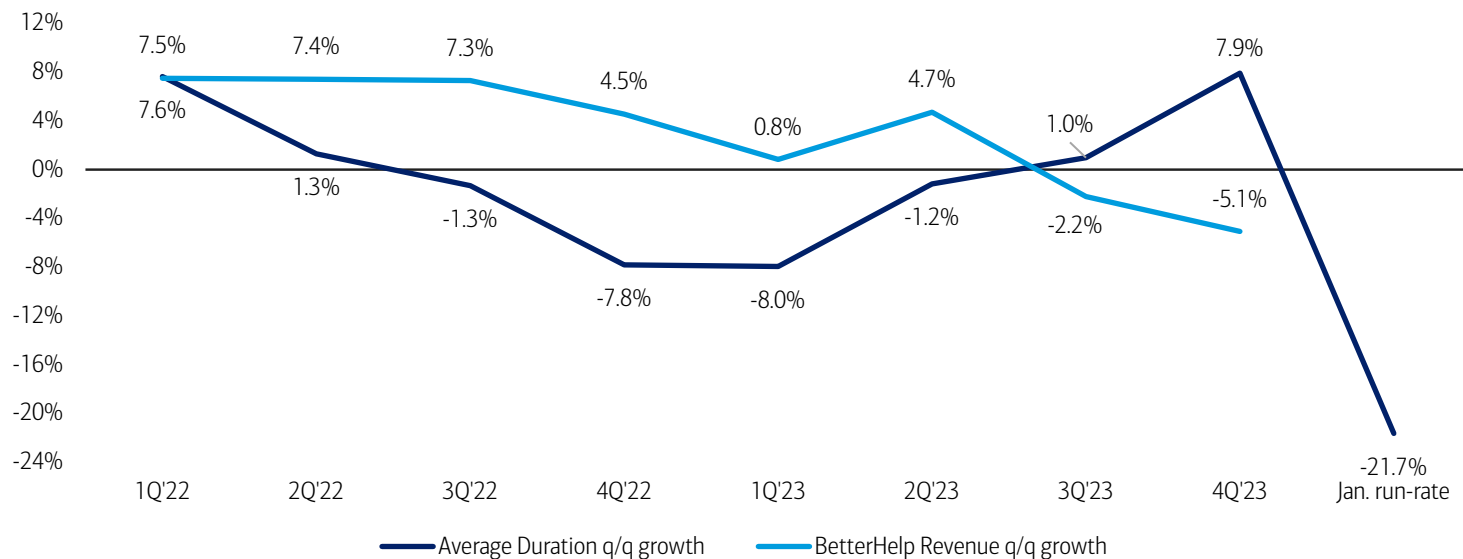


Source: Similar Web

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**Exhibit 12: BetterHelp q/q revenue growth vs. average duration q/q growth**

January run-rate average duration is 22% below the 4Q'23 average



Source: Similar Web, Company Reports, BofA Global Research

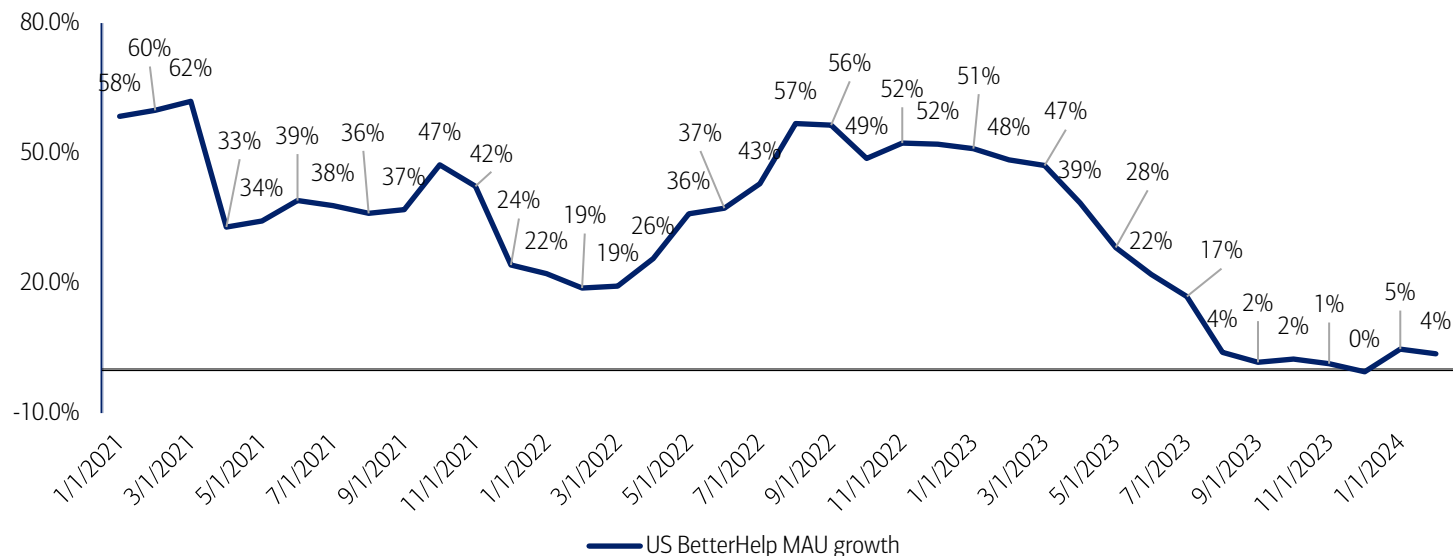
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**U.S. BetterHelp: Feb. MAUs decline m/m****U.S. BetterHelp MAUs in February decline 2.7% m/m**

U.S. BetterHelp MAUs increased 3.7% y/y and (2.7)% m/m in February with aggregate users declining sequentially from the prior month's an all-time high. February run-rate MAUs are averaging 7.0% above the 4Q'23 average.

**Exhibit 13: U.S. BetterHelp Monthly Active User growth trends, 2021-2024**

BetterHelp MAUs in February grew 4% y/y (representing a 2.7% decline m/m)

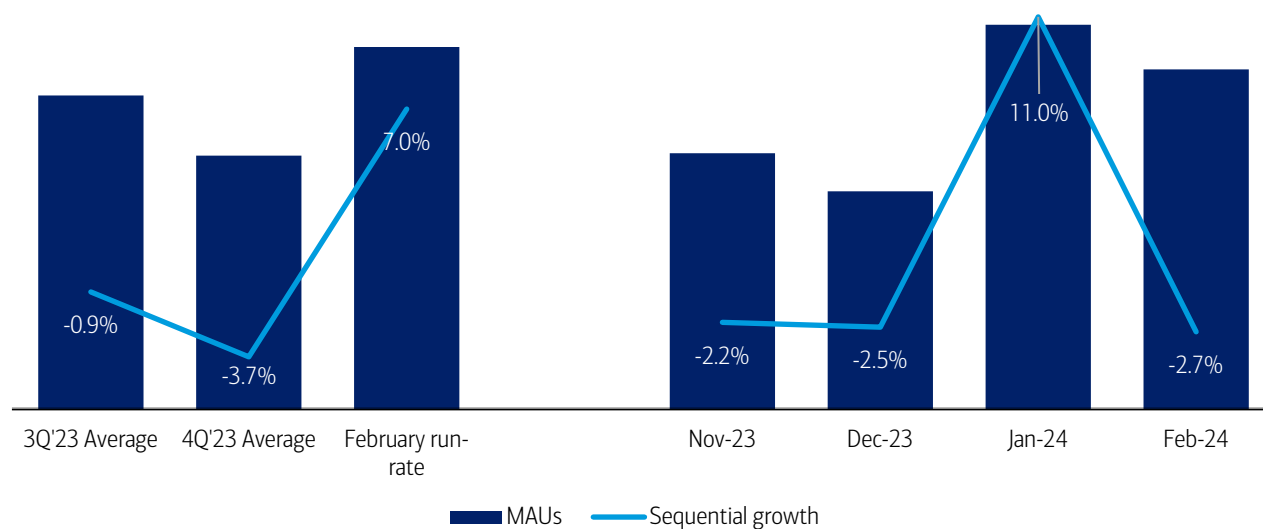


Source: Sensor Tower

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**Exhibit 14: U.S. BetterHelp Monthly Active Users (3Q'23 to February 2024)**

February MAUs declined 2.7% m/m, with February run-rate MAUs averaging 7.0% above average 4Q'23 levels



Source: Sensor Tower

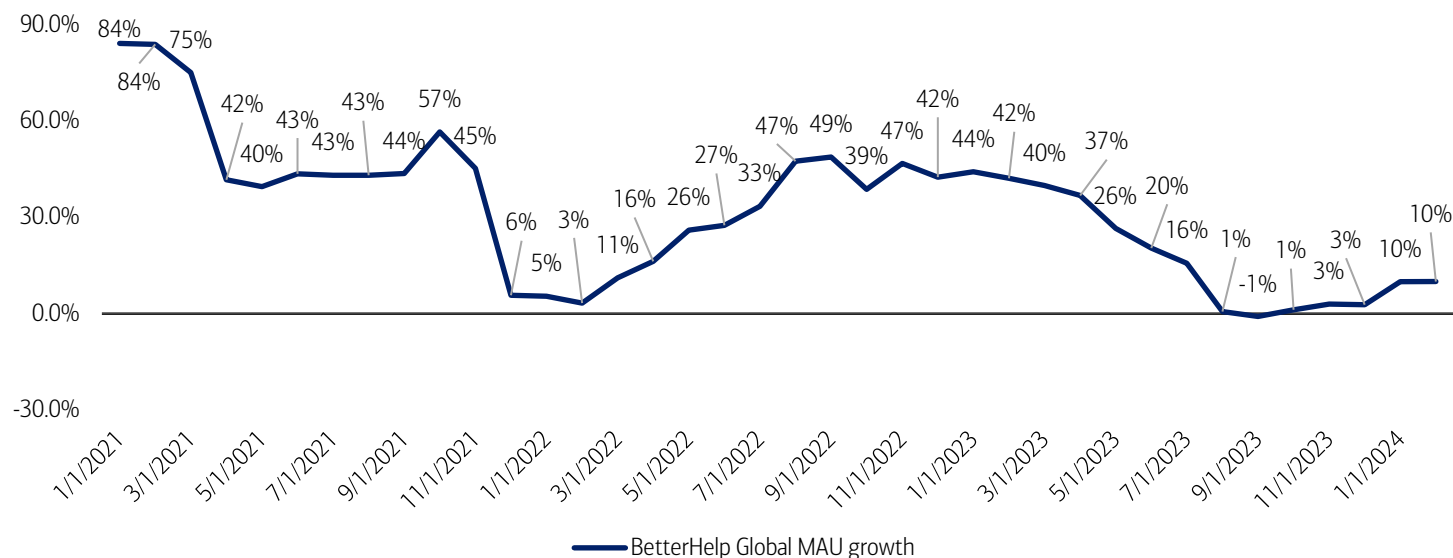
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**Global BetterHelp MAUs decline from prior month's high**

In February, combined U.S. and International BetterHelp MAUs declined 1.0% m/m representing 10.0% y/y growth. Aggregate February MAUs saw a slight sequential decline from the prior month's all-time high. February run-rate MAUs are trending 10.8% above average MAUs in 4Q'23.

**Exhibit 15: Global BetterHelp Monthly Active User growth trends, 2021-2024**

Global BetterHelp MAUs grew 10% y/y in February, representing a 1.0% m/m decline

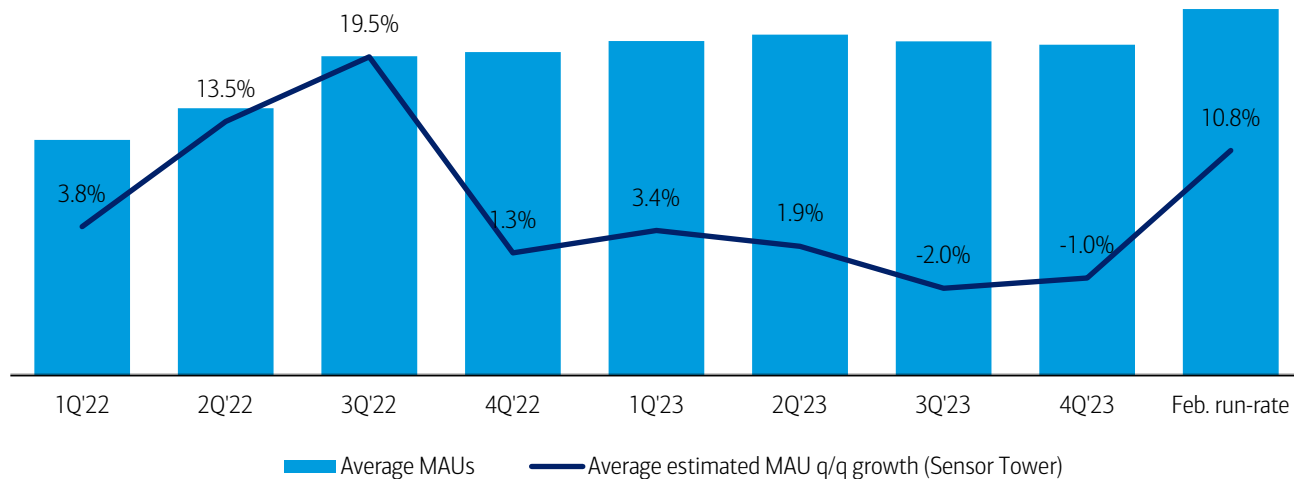


Source: Sensor Tower

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**Exhibit 16: Global BetterHelp Monthly Active User quarterly growth trends, 2022-2024**

Global BetterHelp February run-rate MAUs are trending 10.8% above the 4Q'23 average



Source: Sensor Tower

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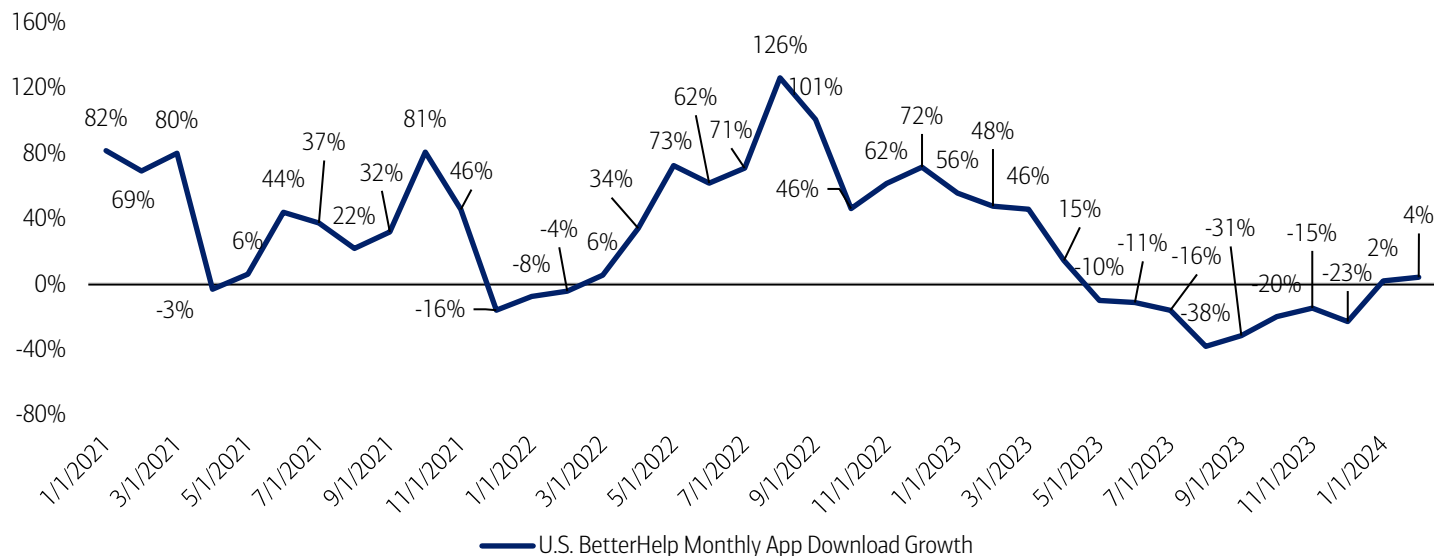
**U.S. BetterHelp app downloads decline sequentially**

U.S. BetterHelp app downloads in February increased 4.2% y/y and declined 12.4% m/m.

Aggregate February app downloads declined 31% from the prior all-time high in August 2022.

**Exhibit 17: U.S. BetterHelp app downloads, 2021-2024**

App downloads increased 4% y/y, representing a 12.4% m/m decline in February



Source: Sensor Tower

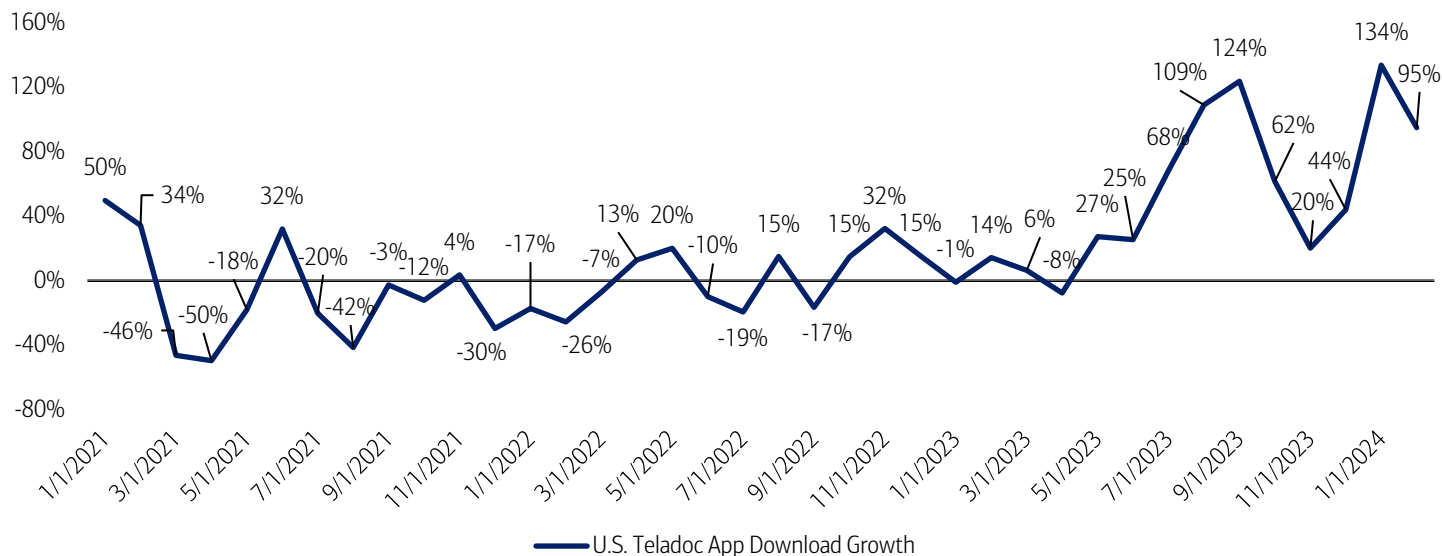
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**TDOC app downloads see sequential decline**

Aggregate core Teladoc app downloads in February declined from the prior month's all-time high reflecting growth of 95% y/y and (19.3)% m/m. February run-rate app downloads are averaging 26% above the 4Q'23 average.

**Exhibit 18: U.S. Teladoc monthly app downloads, 2021-2024**

Downloads decreased 19% sequentially and increased 95% y/y in February



Source: Sensor Tower

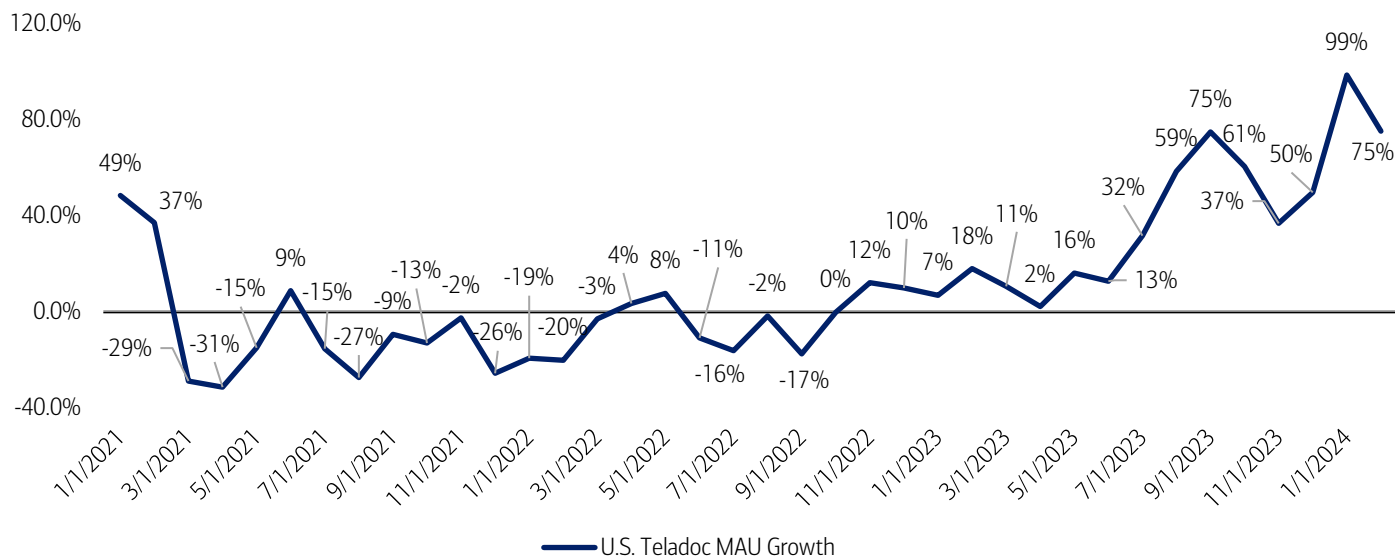
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**Teladoc MAUs decline from prior month's all-time highs**

Aggregate Teladoc total monthly active users declined from the prior month's all-time high increasing 75% y/y and (5.2)% m/m in February. February run-rate average MAUs are trending 24% above average levels observed in 4Q'23.

**Exhibit 19: U.S. Teladoc Monthly Active User growth trends, 2021-2024**

MAUs in February increased 75% y/y, reflecting (5.2)% m/m growth



Source: Sensor Tower

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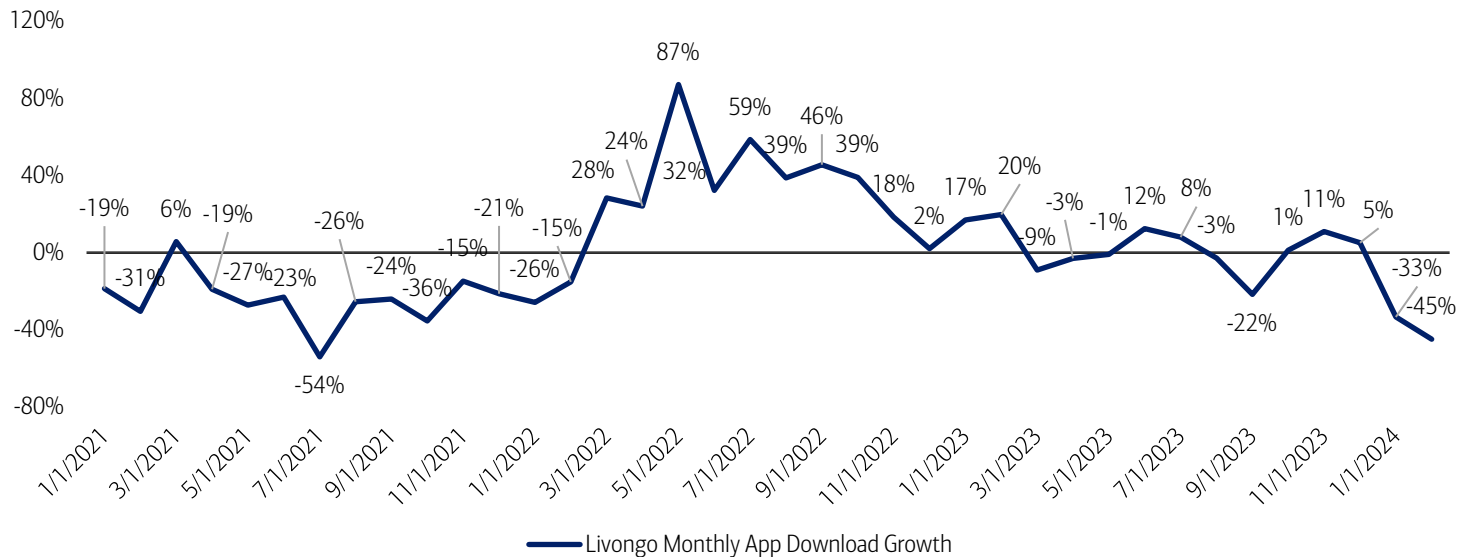
**Livongo app downloads decline sequentially**

Livongo's app downloads in February declined 10% m/m representing a 45% y/y decline. February run-rate app downloads are trending 24% below average levels observed in 4Q'23.



**Exhibit 20: Livongo monthly app downloads, 2021-2024**

Downloads in February declined 45% y/y and declined 10% m/m



Source: Sensor Tower

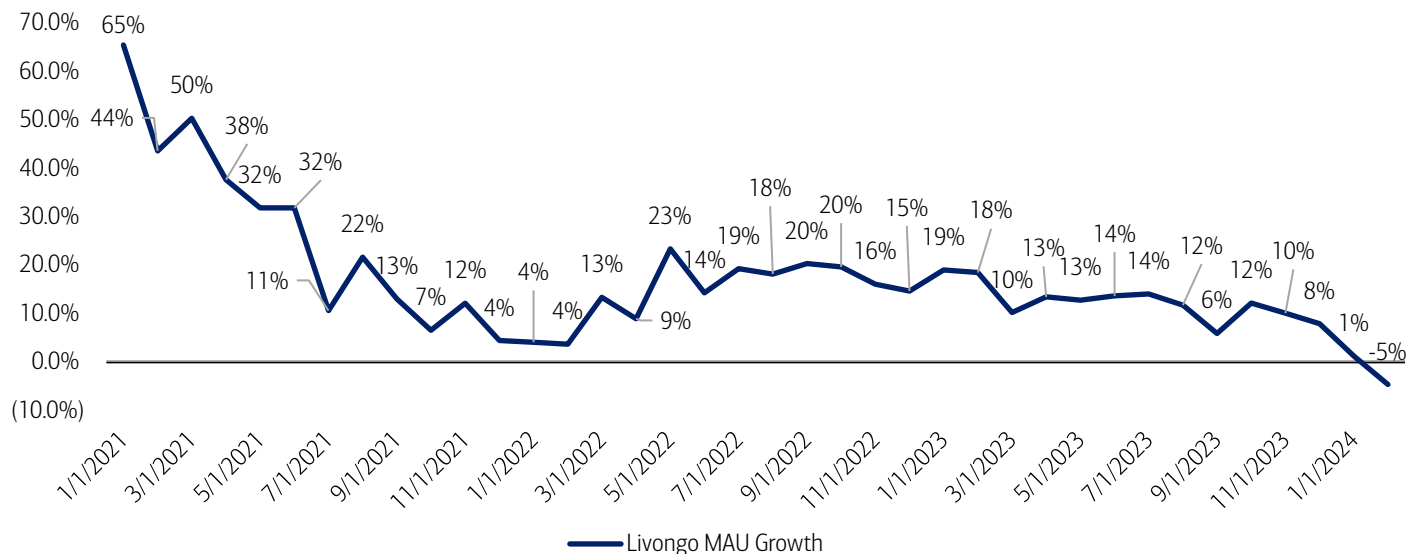
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**Livongo MAUs decline 4.6% y/y and decline 3.9% m/m**

Livongo's total monthly active users declined 4.6% y/y and declined 3.9% m/m in February with aggregate users 12% below the all-time high in May 2023. February run-rate MAUs are trending 4% below average levels observed in 4Q'23.

**Exhibit 21: Livongo Monthly Active User growth trends, 2021-2024**

February MAUs declined 5% y/y and 3.9% m/m



Source: Sensor Tower

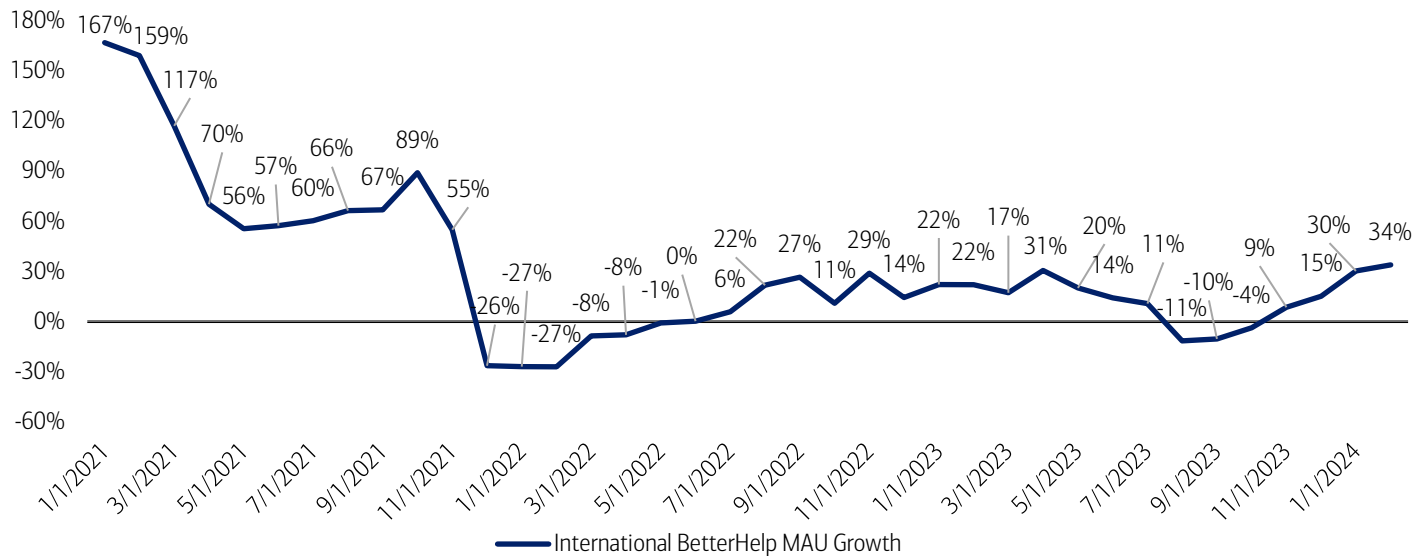
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**Ex-US BetterHelp MAU growth of 34% y/y**

February monthly active users for international BetterHelp increased 34% y/y, representing another month of positive growth following y/y declines from August 2023 through October 2023.

**Exhibit 22: Ex-U.S. BetterHelp Monthly Active User (MAU) growth, 2021-2024**

International MAUs grew 34% y/y in February



Source: Sensor Tower

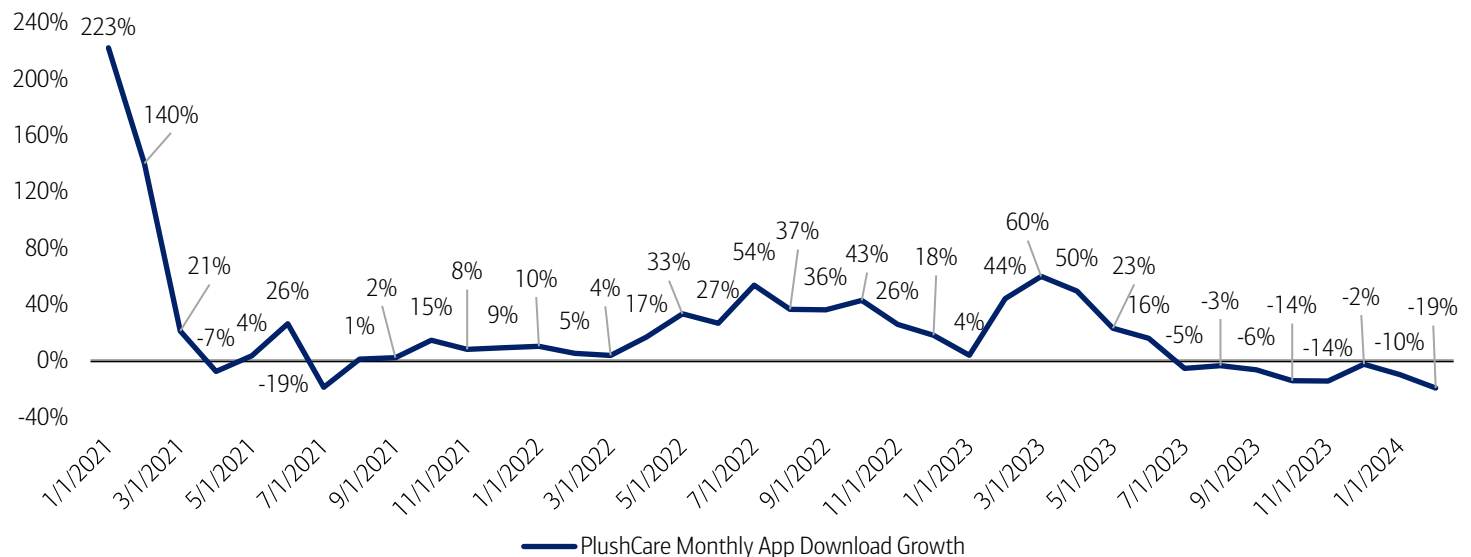
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**PlushCare app downloads (19)% y/y and (5)% m/m**

PlushCare (owned by Accolade) is a BetterHelp peer that provides virtual primary care and mental health treatment services for patients. In February, PlushCare's app downloads declined 19% y/y and declined 5% m/m with aggregate app downloads 36% below the all-time high in March 2023.

**Exhibit 23: PlushCare monthly app downloads, 2021-2024**

Downloads in February declined 19% y/y and declined 4.6% m/m



Source: Sensor Tower

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## Price objective basis & risk

### Teladoc Health (TDOC)

We have a \$20.50 price objective on shares of TDOC, based on approximately 10x our CY2024E EBITDA estimate (1.4x 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.

## Analyst Certification

I, Allen Lutz, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Healthcare Technology & Distribution Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Accolade	ACCD	ACCD US	Allen Lutz, CFA
	American Well Corp	AMWL	AMWL US	Allen Lutz, CFA
	Cencora Inc	COR	COR US	Allen Lutz, CFA
	CVS Health	CVS	CVS US	Allen Lutz, CFA
	Definitive Healthcare Corp	DH	DH US	Allen Lutz, CFA
	dentalcorp	YDNTL	DNTL CN	Allen Lutz, CFA
	Envista	NVST	NVST US	Allen Lutz, CFA
	HealthEquity Inc	HQY	HQY US	Allen Lutz, CFA
	Hims & Hers	HIMS	HIMS US	Allen Lutz, CFA
	McKesson	MCK	MCK US	Allen Lutz, CFA
	Omniceil Inc.	OMCL	OMCL US	Allen Lutz, CFA
	Patterson Companies	PDCO	PDCO US	Allen Lutz, CFA
	Progyny	PGNY	PGNY US	Allen Lutz, CFA
<b>NEUTRAL</b>				
	Cardinal Health	CAH	CAH US	Allen Lutz, CFA
	Dentsply Sirona, Inc.	XRAY	XRAY US	Allen Lutz, CFA
	Doximity Inc	DOCS	DOCS US	Allen Lutz, CFA
	Teladoc Health	TDOC	TDOC US	Allen Lutz, CFA
<b>UNDERPERFORM</b>				
	GoodRx	GDRX	GDRX US	Allen Lutz, CFA
	Henry Schein	HSIC	HSIC US	Allen Lutz, CFA
	Owens & Minor	OMI	OMI US	Allen Lutz, CFA
	Premier, Inc.	PINC	PINC US	Allen Lutz, CFA
	Walgreens Boots Alliance	WBA	WBA US	Allen Lutz, CFA



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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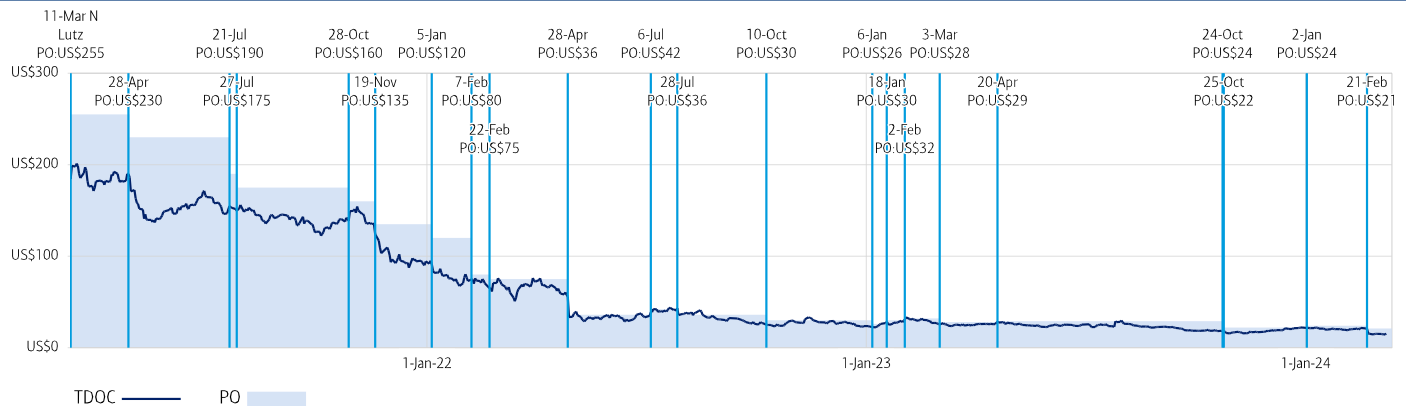
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# Disclosures

## Important Disclosures

### Teladoc (TDOC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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