

Teladoc Health

Margins over growth as BetterHelp shifts to neutral

Reiterate Rating: NEUTRAL | PO: 20.50 USD | Price: 20.49 USD

BetterHelp's 1Q guide likely creates questions

Heading into 4Q, we highlighted January Sensor Tower data trends pointing to reaccelerating growth, suggesting a path for Teladoc to beat the Street's revenue estimates for FY24. Teladoc's 1Q'24 guidance contemplating revenue declines for BetterHelp indicate that the Sensor Tower data was either incomplete or not correct. Teladoc's 4Q'23 has likely created more questions than answers, particularly around the path from here for BetterHelp. Back in July 2023, we noted that the virtual therapy market may be in the early stages of a transformation driven in part by growing awareness for virtual therapy alternatives that are covered by insurance ([link to our note here](#)). It is incredibly difficult to identify in real-time if this trend is playing out, or if a weaker consumer is the sole culprit. Importantly, BetterHelp's slower growth is not driving margin expansion as 2024's guidance contemplates flattish margins for that business. A significant cost reduction in the Integrated Care business somewhat offsets the BetterHelp slowdown and supports a nice improvement of free cash flow. Overall, our more cautious view on BetterHelp is partially offset by Teladoc's strong margin guidance for FY25. We are reducing our PO to \$20.50 from \$24 due to slower revenue growth (10x CY24E EBITDA versus 12x prior). Reiterate Neutral rating.

Adjusting estimates following 4Q results

Following results, we are reducing our 2024 revenue estimates from \$2,768.5MM to \$2,644.0MM and reducing our 2025 revenue estimates from \$2,920.9MM to \$2,751.5MM with the decrease driven by slower growth at BetterHelp and Integrated Care. We are increasing our adj. EBITDA estimates for 2024 from \$347.8MM to \$365.7MM due to better operating expense management and adj. EBITDA for 2025 from \$369.9MM to \$425.7MM for the same reasons.

Key catalysts: Capital structure, BetterHelp revs/margins

Teladoc's 2025 and 2027 convertible notes are becoming increasingly relevant as TDOC is capturing ~\$45-\$50MM of annualized interest income on nearly \$1Bn of cash. Any incremental clarity on the evolution of the capital structure will be in focus. On margins, TDOC is likely to announce more information on its operational review over the next few quarters which should enhance margins in 2024. Finally, incremental user data through 1Q can frame BetterHelp's growth trajectory for 2024 and beyond.

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)			(0.94)	(0.49)	(0.54)
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	2,049.0x	120.5x	85.4x
EV / EBITDA*	14.6x	10.9x	9.8x	8.4x	7.9x
Free Cash Flow Yield*	0.5%	5.9%	6.4%	7.4%	8.1%

* For full definitions of *IQmethod*SM measures, see page 10.

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	24.00	20.50
2024E EPS	-0.24	0.01
2025E EPS	-0.24	0.17
2026E EPS	-0.25	0.24
2024E EBITDA (m)	347.8	365.7
2025E EBITDA (m)	369.9	425.7
2026E EBITDA (m)	392.0	453.5

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

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

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

Stock Data

Price	20.49 USD
Price Objective	20.50 USD
Date Established	21-Feb-2024
Investment Opinion	C-2-9
52-Week Range	15.02 USD - 30.41 USD
Mrkt Val (mn) / Shares Out (mn)	3,278 USD / 160.0
Free Float	99.3%
Average Daily Value (mn)	73.16 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 TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

12661731

Timestamp: 21 February 2024 06:00AM EST

iQprofileSM Teladoc Health

iQmethodSM – 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

iQmethodSM – 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)
Net Income (Adjusted)	(2,748)	(32)	2	30	43
% Change	NM	98.8%	NM	NM	42.5%

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)
Free Cash Flow	17	194	210	244	265
% Change	-87.3%	NM	8.5%	16.0%	9.0%
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
Total Assets	4,345	4,392	4,430	3,971	4,081
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
Total Liabilities	2,038	2,066	2,082	1,551	1,573
Total Equity	2,308	2,326	2,348	2,419	2,508
Total Equity & Liabilities	4,345	4,392	4,430	3,970	4,081

* For full definitions of iQmethodSM measures, see page 10.

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 3,570,690

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

4Q'23 call takeaways

Prepared Remarks

- 75% of bookings were upsells or expansion of existing clients
- Expect to grow adj. EBITDA margins and cash flow
- Removing \$85MM of expenses
- Have line of sight into at least \$425MM of EBITDA in 2025
- Leader in whole-person virtual care
- 4Q'23 results:
 - Consolidated EBITDA grew 22% y/y
 - Integrated Care (IC) in line with expectations – segment margins expanded 230bps to 14.6%. Driven by operating leverage
 - BetterHelp (BH) – margins expanded 210 bps with 11% adj. EBITDA growth
 - Revenue and margins were below expectations given lower yields on marketing spend
 - Social media advertising spend returns below target – a departure from 1H
 - Guidance considers lower return on ad-spend continues in 2024
 - Integrated care
 - 3% sequential revenue growth, FY revenue growth of 7%
 - Chronic care revenue growth biggest contributor
 - Increase of 14% members in chronic care. Biggest drivers were hypertension followed by diabetes. Diabetes compromised ~50%, hypertension by 30%, and 10% each on others
 - Avg. Rev/member decreased \$0.02 y/y in 4Q. Excluding member adds, rev/member increased \$0.06
 - BetterHelp
 - Adj. EBITDA margin of 21.2%, up 210bps y/y
 - FY revenue growth of 11%
- Long-term outlook:
 - Integrated care:
 - Half of Integrated Care (IC) is from U.S. virtual business



- A largely a replacement market at this point. Has consistently taken share in the market, and fairly penetrated. Expect Low-single digit (LSD) growth moving forward.
 - Other half of IC revenue is from chronic care and international.
 - Only 16% of general medical client base has access to one or more chronic care products, up from 12% from a few years ago. Long runway for chronic care growth
 - Chronic care revenue growth of Mid-Single Digit (MSD) growth
 - Presence in Canada gives visibility into 2024 growth
 - Expect this segment to drive majority of margin growth in the next 3 years
- BetterHelp
 - Overall demand for mental health continues to rise. Consumer preference for virtual a tailwind
 - As a direct to consumer (D2C) business – new member acquisition gated due to return on investment (ROI) on ad spend
 - Increasing focus on growing outside the U.S.
 - International revenue was roughly 15% of FY23 business (mostly in English speaking countries)
 - Hired a new leader to drive growth outside the U.S. – expect international growth particularly in 2H'24
 - Expect low single digit (LSD) growth with limited margin improvement
- Continue to invest in technology and data to improve engagement. Expect to continue to make sizable investments in product/tech and data
- Expect \$35MM of cost savings in FY24 and \$43MM in GAAP savings including stock-based comp
- Guidance:
 - FY24
 - Revenue of \$2,635 - \$2,735MM (1.5 – 5% growth)
 - Adjusted EBITDA of \$350 - \$390MM
 - Net loss per share of (\$1.10) - (\$0.80)
 - Free cash flow (FCF) of \$210 - \$240MM
 - U.S. Integrated Care Members of 90 – 92MM

- Integrated Care:
 - Low-MSD revenue growth
 - Adj. EBITDA margin expansion of 150-250bps y/y
- BetterHelp:
 - Flat to LSD revenue growth y/y
 - Flat to +/- 50bps of adj. EBITDA margin expansion
- Delay in business to business (B2B) engagement due to technical issue in mapping a new population
- Expect cumulative effect to have an impact in FY24 revenue of \$20MM. approx. 140bps of IC segment growth – reflected in the guide
- 1Q'24
 - Revenue of \$630 - \$645MM
 - Adjusted EBITDA of \$52 - \$62MM
 - Net loss per share of (\$0.55) - (\$0.45)
 - U.S. Integrated Care Members of 89.5 - 90.5MM
 - Integrated Care:
 - 5-7% revenue growth
 - Adj. EBITDA margin 10.5-12%
 - BetterHelp:
 - (6%) – (3%) revenue growth
 - 5.5-6.5% adj. EBITDA margin
- Three-year outlook
 - Low to MSD consolidate revenue growth w/ MSD IC and LSD BH revenue
 - 50-100bps of annual margin expansion and at least \$425MM in EBITDA by 2025
- Capital allocation priorities
 - Tuck-in M&A – large base of clients gives unique ability to bring new products to clients
 - Debt paydown – convert due in 2025, allows flexibility to retire issue
 - Share buybacks – flexibility to do strategic buybacks

Q&A



- Integrate care – are bundled programs the reason growth is lower? Can 100% of base have access to chronic care?
 - Will continue progress in converting clients
 - Had a temporary mapping issued – caused to pause marketing for 3 weeks. \$20MM or 140bps of IC growth impact. Centered in chronic care program.
 - As booked business last year, meaningful amount came through of in-year revenue last year. Some starting not in January, but in late 1st beginning of 2nd quarter
 - Chronic care revenue will be driver of growth in IC
 - More bundled programs been sold. Higher revenue, but lower revenue/member
- Assumptions on BetterHelp revenue? Back-half ramp and color on yield? Macro in outlook?
 - Customer acquisition cost (CAC) trends assumed some deterioration in 4Q, BH grew toward lower part of guidance range
 - Saw pressure in CAC in social media. Felt impact in 2H'24. Outlook for 2024 is that higher CACs persist. Will get a benefit in 2H'24 in international markets (shifting \$'s to international market). COGS slightly higher in international, while CACs lower, but nets to be same margins as U.S. business
 - Lower-end of guidance assumes some deterioration, higher-end assumes some improvement
 - New member acquisition is gated by acceptable rates of return on spend
 - Pressure on CACs in back half of 2023, 1H'24 has more challenging comp, but 2H has lower bar
- Efficiency of \$35MM benefit of EBITDA? Why benefit is 2H loaded?
 - Most of the benefit of cost efficiency is on IC side
 - IC will see more margin expansion
 - \$35MM benefit on adj. EBITDA basis. Across number of different areas, offshoring, automation, 3rd party supplier spend. See them ramp through the year
- More details on chronic care mapping issue?
 - Record client implementations in 2024. Implementations come with complexity. Had issue with mapping data in January. # of impacted users were small, but halted wider implementation. Delayed consumer engagement 3-4 weeks. Delay ripples through to \$20MM impact for FY24
 - No new issues in marketing. Caution by TDOC to halt programs, but actual scale of issue is small

- Ad-yield on Betterhelp, when did you observe deterioration? How about 2024?
 - Observed yields coming lower than expected in 2H'23. Talked about it in 3Q earnings call
 - Trends have persisted through 2H'23 and still persisting. Factored into guidance for FY24
 - Generally, see an improvement in January, so monitored closely, but CACs were stubbornly higher
- What does the sale pipeline look like for cross-sell/conversions? How often does this come up? Decision making among clients to add chronic care?
 - Pipeline really early in the year. Sell through pipeline at end-of-year and refresh pipeline.
 - Salesforce is split into new business reps (new clients) and account managers/upsellers.
 - Upselling tends to happen with health plans as enter new geographies or lines of business (Medicare Advantage)
 - Adoption for chronic care programs goes through evolution – some clients have programs, so replacement. Equally as frequently, clients don't have a chronic care solution.
 - Working on solutions like bundling to accelerate penetration. Guide is based on existing trends.
- Cost savings program – 50-100bps of margin expansion. Cost savings alone can give 150bps in 2024?
 - 2024 – includes \$35MM of cost savings. Margins in 2024, seeing some modest pressure on gross margin line from higher clinical costs. Expected ramping up of Primary 360 (P360) volume. Added about \$30MM of P360 in 2023. Visit volumes expected to ramp up through 2024- so pressure in 2024 vs. 2023. Delta is offset by leverage from OpEx and tech/general and administrative (G&A).
- Any portfolio actions in efficiency program? Or incremental?
 - No significant portfolio changes contemplate in guidance. Anything would be incremental to that
 - Looking across business for profitability and where to place investments
 - Fine tuning- go-to-market strategy, service intensity
- Capital allocation?
 - Expect to continue and generate Free Cash Flow (FCF) this year
 - Uses of cash prioritization – 1)M&A – would expect to use strength of balance sheet of right M&A, 2) pay down debt – Livongo convert due in 2025, 3) share buybacks
- Why Customer Acquisition Costs (CAC) deteriorating?



- Not seeing significant competitor driving up the rates
- Lots of advertisers in general going after population
- When marginal dollar on ad-spend inflects, pull back spend

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
BUY				
	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
	R1 RCM	RCM	RCM US	Allen Lutz, CFA
NEUTRAL				
	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
UNDERPERFORM				
	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



iQmethodSM 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 & 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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

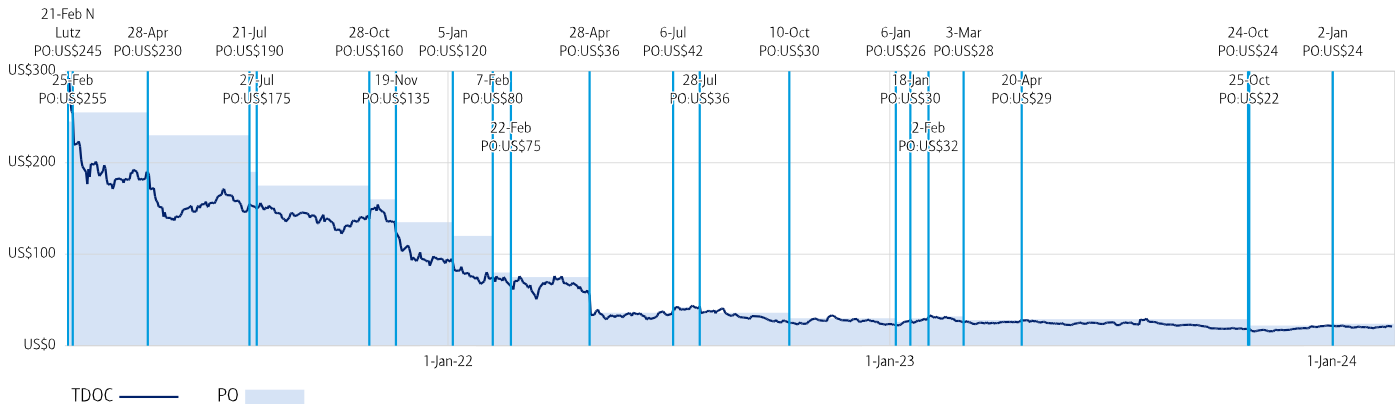
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, iQmethodSM are service marks of Bank of America Corporation. iQdatabase[®] is a registered service mark of Bank of America Corporation.

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 ^{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)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

^{R1} 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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} 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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Teladoc.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Teladoc.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel



expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofA Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may

be more or less positive than a stock's fundamental equity rating.

BoFA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BoFA or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BoFA or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BoFA Securities, through business units other than BoFA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BoFA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BoFA for the provision of research services for a separate fee, and in connection therewith BoFA may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BoFA has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BoFA). If such recipient uses the services of BoFA in connection with the sale or purchase of a security referred to herein, BoFA may act as principal for its own account or as agent for another person. BoFA is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BoFA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BoFA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BoFA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BoFA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BoFA Securities. BoFA Global Research information is distributed simultaneously to internal and client websites and other portals by BoFA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BoFA Securities.

Materials prepared by BoFA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BoFA Securities, including investment banking personnel. BoFA Securities has established information barriers between BoFA Global Research and certain business groups. As a result, BoFA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BoFA Global Research personnel's knowledge of legal proceedings in which any BoFA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BoFA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BoFA or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BoFA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BoFA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BoFA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BoFA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BoFA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BoFA Securities is under no obligation to update this information and BoFA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BoFA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BoFA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BoFA or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BoFA Securities nor any officer or employee of BoFA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.