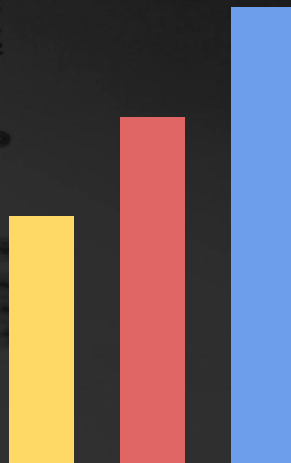


TELEDOC



INTRO & THESIS

"If you aren't willing to own a stock for *ten years*, don't even think about owning it for *ten minutes*."

- Warren Buffett



INTRO & THESIS | Company Overview

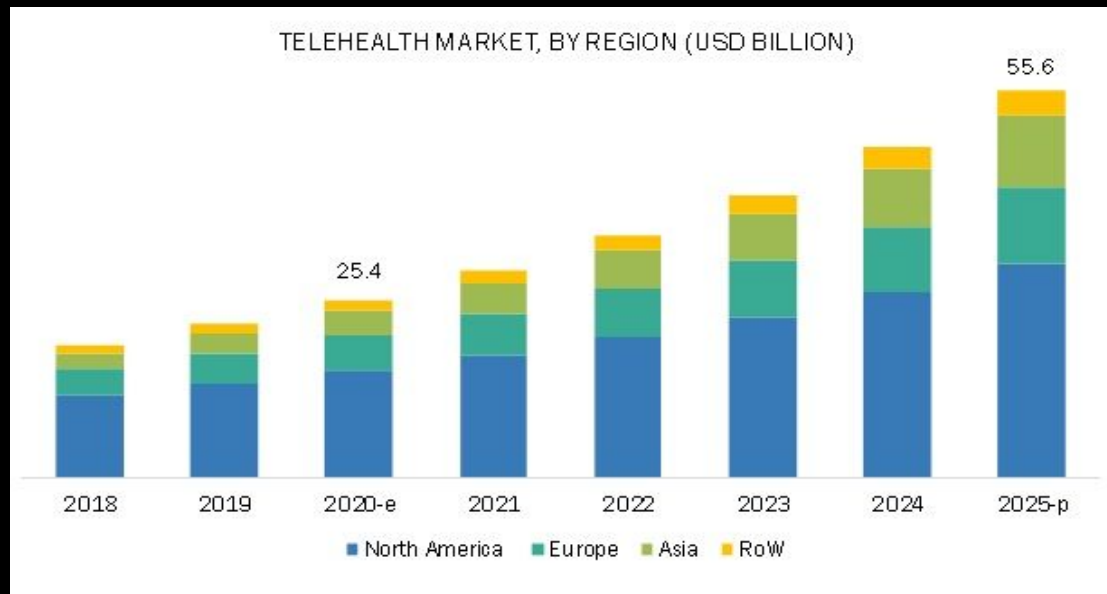
 **TELADOC**® is a telemedicine & virtual healthcare provider.

About the Company

- Founded in Texas in 2002
 - Launched in 2005
- G. Byron Brooks EE MD and Michael Gorton
- By 2007, Teladoc had one million members
- By 2014, the company's total funding reached 100 million
- In 2015 TDOC went public
- In 2020 the company is in 130 countries, and is worth over \$30 billion, and has over 27 million users

MARKET OVERVIEW

The global telehealth market is projected to reach USD 55.6 billion by 2025 from USD 25.4 billion in 2020.



MARKET OVERVIEW | Growth Factors

Reimbursement by the CMS

- CMS is making it easier for people enrolled in their services to receive telehealth

Improved Data Management

- Telehealth effectively stores and manages healthcare data

Shift to Demand Driven Healthcare

- Patients want healthcare that is more accessible

MARKET OVERVIEW | Catalysts

COVID-19

- Pandemic encouraged patients to seek non-contact care for illnesses to avoid potential COVID-19 exposure

Livongo Merger

- Livongo: remote patient monitoring
- Teladoc's clients can benefit from Livongo's services and vice versa

MARKET OVERVIEW | Competitors

1. Inovalon Holdings

- Provides cloud-based analytics and platforms for healthcare providers and pharmaceutical firms



<https://simplywall.st/stocks/us/healthcare/nasdaq-inov/inovalon-holdings/news/does-this-valuation-of-inovalon-holding-s-inc-nasdaqinov-imply-investors-are-overpaying-2/>

MARKET OVERVIEW | Competitors

2. Ontrak Inc

- AI and telehealth enabled, virtualized outpatient healthcare treatment company



<https://www.fool.com/investing/2019/10/02/3-risks-teladoc-investors-should-consider.aspx>
<https://www.macroaxis.com/invest/stock/TDOC/Teladoc-Health>

MARKET OVERVIEW | Competitors

3. HCA Healthcare

- Healthcare provider organization
- Operates the largest collection of acute-care hospitals in the U.S.



<https://www.fool.com/investing/2019/10/02/3-risks-teladoc-investors-should-consider.aspx>

<https://www.macroaxis.com/invest/stock/TDOC/Teladoc-Health>

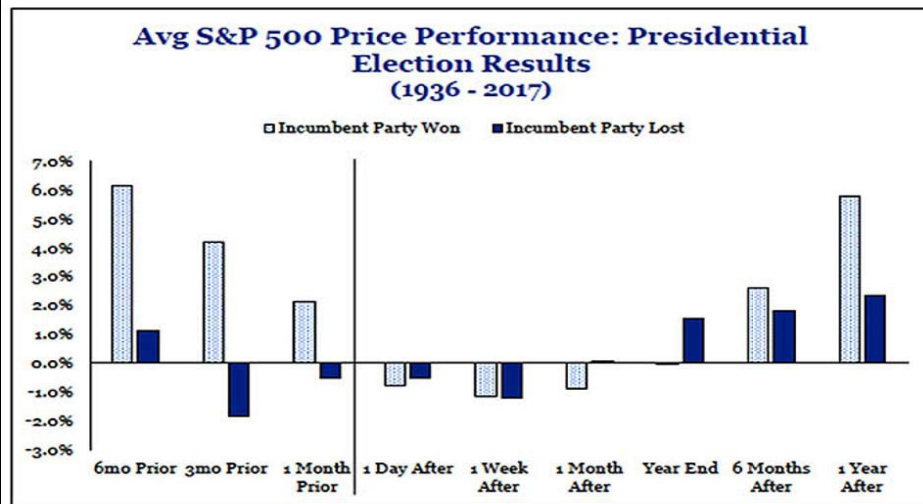
<https://www.fool.com/investing/2019/09/27/will-amazon-care-sink-teladoc-health-or-boost-it.aspx>

MACROECONOMIC FACTORS

Effect of Political Parties

- Increased volatility during election years due to uncertainty
- Incumbent vs challenger
- Political sweep vs split

THE S&P 500 HAS BEEN A GREAT INDICATOR OF PRESIDENTIAL ELECTIONS 3 MONTHS OUT



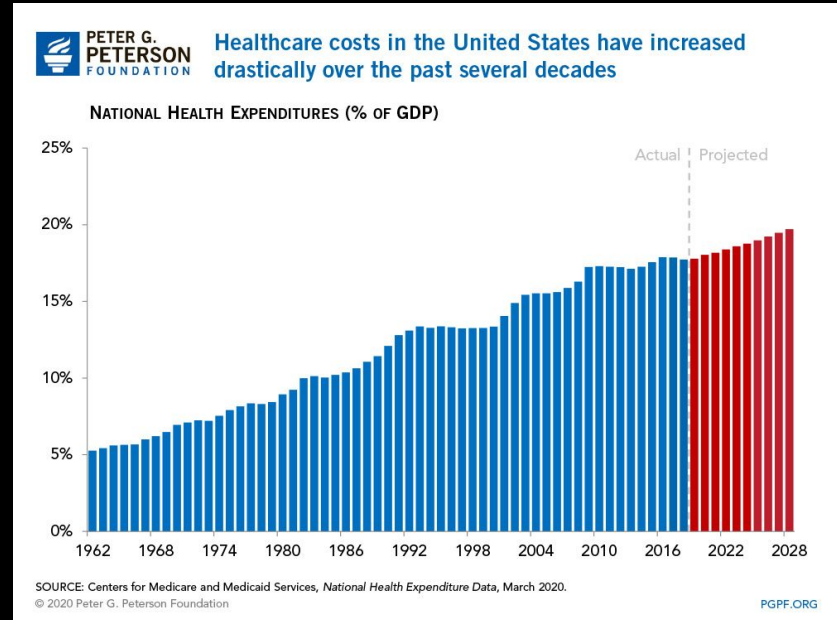
source: Strategas Research Partners

<https://www.forbes.com/sites/kristinmckenna/2020/08/18/heres-how-the-stock-market-has-performed-before-during-and-after-presidential-elections/?sh=43bb24454f86>

MACROECONOMIC FACTORS

COVID-19 & Healthcare

- COVID-19 and presidential election effect on market
- COVID-19 reveals pressure on already expensive healthcare system
 - High administrative waste
 - Hospitals as profit center
- Telemedicine on the rise



<https://www.investopedia.com/terms/p/presidentialelectioncycle.asp>
https://www.pgpf.org/chart-archive/0251_healthcare_costs

RISKS | Overview

Predictive Analysis Bear Market

- Trades at high multiples
 - Higher valuation means less room for error and therefore carry greater inherent risks
- Revenue concentration
- Challenges expanding customer base/ cross-selling services to scale

Predictive Analysis Bull Market

- Merger with Livongo is strategic
- Teladoc can increase revenues to 70-million-member base
 - Increase the stickiness of its employment and payer clients
 - Cross selling opportunity
- Compounded annual growth rate
 - Estimated at 30-40% over the next three years; estimated revenue synergy of \$500 million for 2025
- Valuations are justified



RISKS | Business Models

Business Model

- 6 main departments:
 - Telehealth
 - Guidance and Support
 - Mental Health Services
 - Integrated Virtual Care
 - Platform and Program Services
 - Expert Medical Services
- Fast service, less than 8 minute wait time
- 55000 professionals speaking over 40 languages
- Insurance companies, health plans, and individual selling

RISKS | Partnerships

Partnerships and Reach

- Acquires major competitors to secure competitive advantage
- Livongo (8/5/20), InTouch Health (1/12/20), TelaDietitian (12/19/18), Advance Medical (6/4/18), BetterHelp (1/1/15), and 7 more smaller companies
- Livongo valued at over 18.5 billion dollars
- High moat and competitive advantage
- 75% market share before Livongo merger

RISKS | SWOT Analysis

Strengths

- Trading at high multiples produces strong revenue growth
- Absolute valuation slightly higher, less room for error BUT in the long run will become competitive
- Strategic merger with Livongo expected to increase customer base and revenue by 30-40%
- Brand loyalty increase
- Cross-selling opportunities

Weaknesses

- The company sells primarily to existing customers
- Challenges expanding its customer base or cross-selling incremental services to scale its business without Livongo
- Patient Privacy concerns

<https://www.fool.com/investing/2019/10/02/3-risks-teladoc-investors-should-consider.aspx>
<https://www.macroaxis.com/invest/stock/TDOC/Teladoc-Health>

RISKS | SWOT Analysis

Opportunities

- Strong third quarter results driven by captive demand with the COVID-19 pandemic
- Telehealth remains a novel solution to provide virtual care
- Capitalizing on minor care (less complicated illness or injury)
- Global care and international partnerships (*Movistar Salud* in Spain)

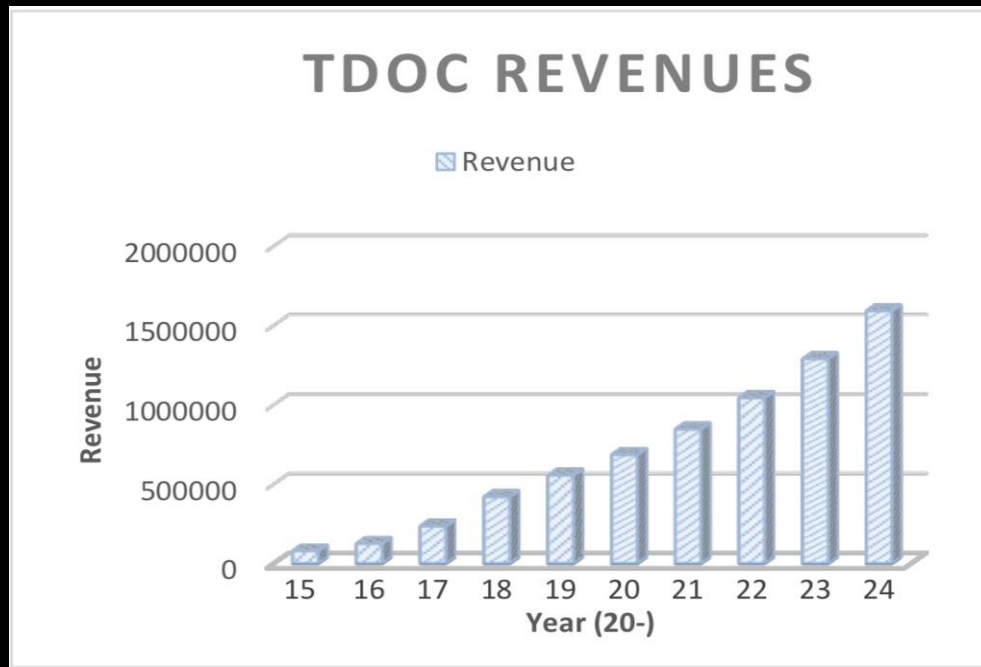
Threats

- Expect growth challenges
- Losses may be anticipated as Livongo is integrated depending on rate of cross selling transaction

<https://www.fool.com/investing/2019/10/02/3-risks-teladoc-investors-should-consider.aspx>
<https://www.macroaxis.com/invest/stock/TDOC/Teladoc-Health>

Historical & Projected Period of Revenue

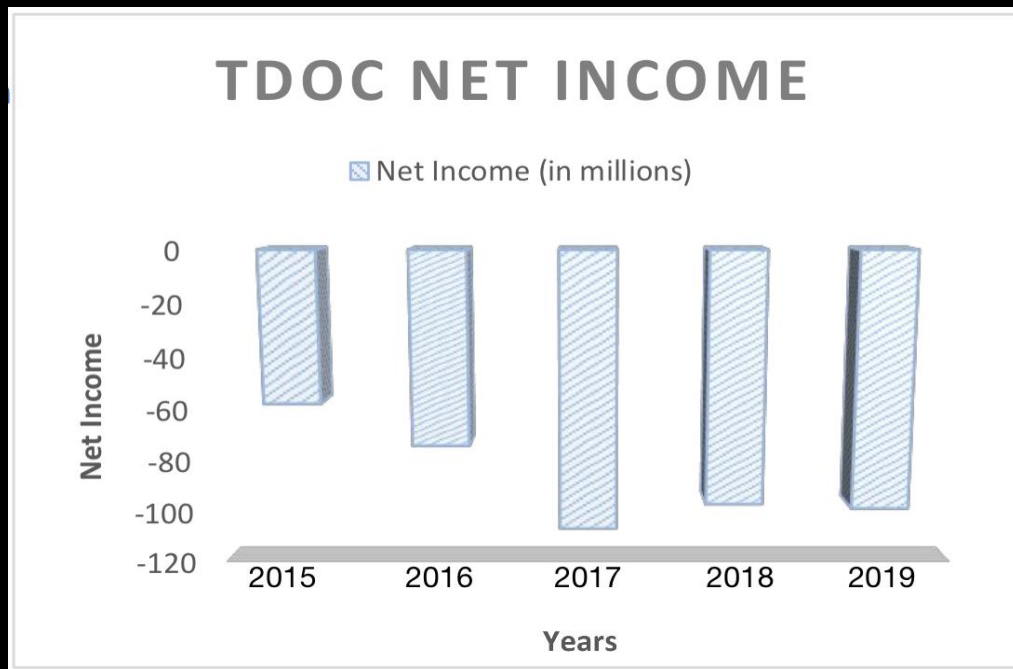
Years	Revenue
2015	77,380
2016	123,160
2017	233,280
2018	417,910
2019	553,310
2020	683,330
2021	843,920
2022	1,042,240
2023	1,287,160
2024	1,589,650



<https://www.fool.com/investing/2020/10/14/where-will-teladoc-be-in-1510-years/>
<https://financialmodelingprep.com/financial-statements/TDOC>

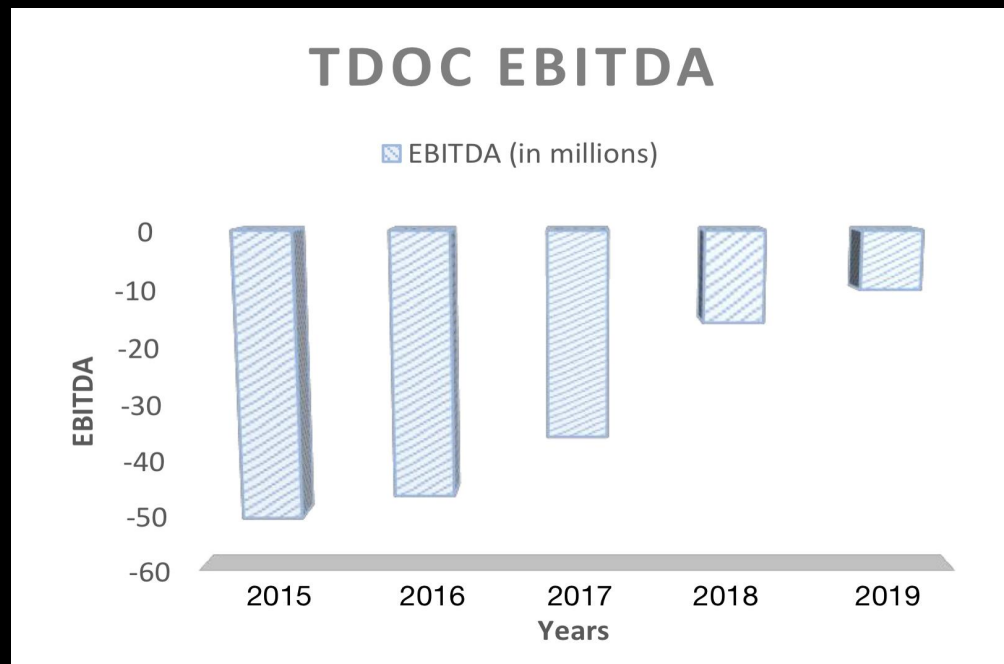
Historical Period of Net Income

Years	Net Income
2015	-58.02
2016	-74.22
2017	-106.78
2018	-97.08
2019	-98.86



Historical Period of EBITDA

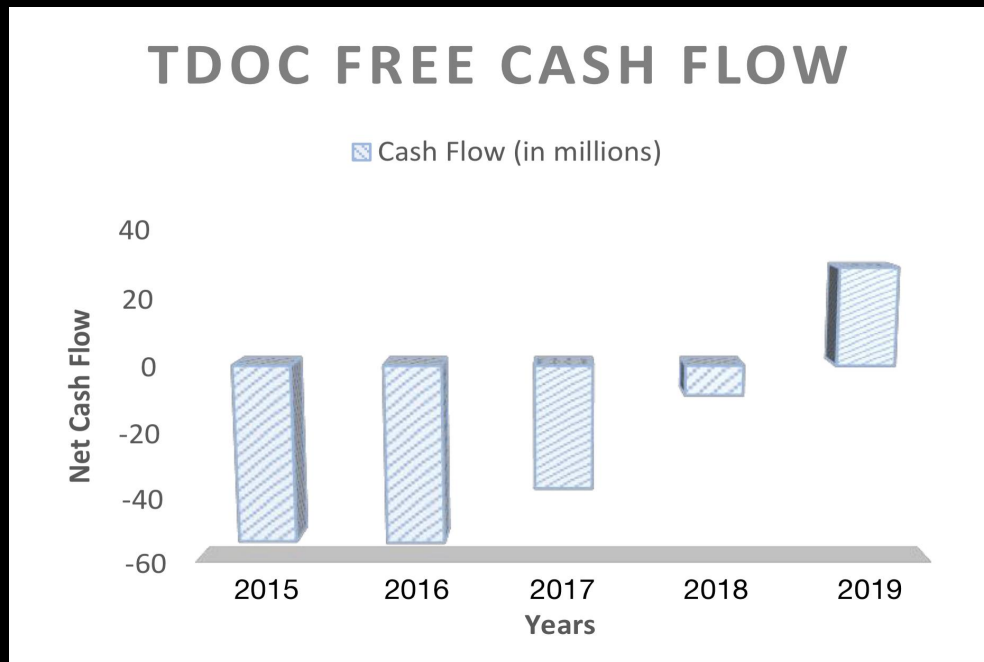
Years	EBITDA
2015	-50.46
2016	-46.42
2017	-35.8
2018	-15.77
2019	-10.05



<https://ir.teladoc.com/news-and-events/investor-news/press-release-details/2017/Teladoc-to-Acquire-Best-Doctors-to-Provide-a-Comprehensive-Virtual-Healthcare-Delivery-Platform/default.aspx>

Historical Period of Free Cash Flow

Years	Cash Flow
2015	-53.46
2016	-53.9
2017	-37.07
2018	-8.87
2019	28.78



Levered Free Cash Flow

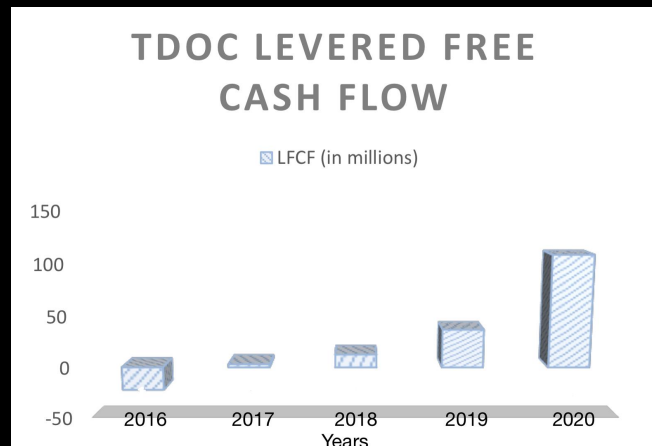
LFCF

- Money remaining after paying all financial obligations
- Usage: pay dividends or invest

Years	LFCF
2016	-22.2
2017	3.1
2018	12.6
2019	36.8
2020	108.5

TDOC LFCF

- **108.5M**
- Ability to expand and pay dividends
- Obtain additional capital through financing
- Increasing LFCF: increasing financial expansion



$$LFCF = EBITDA - \Delta NWC - CapEx - D$$

VALUATION | Key Terms

Valuation

- A general process to determine the economic value of a whole business or company unit
 - Can be used to determine fair value of a business
- Methods:
 - Looking at market cap
 - Earnings multipliers
 - Book value

Discounted Cash Flow (DCF)

- Estimates the value of an investment based on expected future cash flows
- If it is above current cost of investment, it leads to a positive return
- Companies use weighted average cost of capital for discount rate
- Application:
 - Financial investments for investors
 - Business owners that want to make change
- Limitations:
 - Relies on estimations on future cash flows which can be inaccurate

<https://www.investopedia.com/personal-finance-4427760>

<https://www.investopedia.com/terms/d/dcf.asp>

VALUATION | Why is it Important?

Valuation...

- Provides a baseline
- Chart the course for the future
- Measure progress
- Identify gaps
- Help you manage your business
- Provide a perspective on price
- Provide the gateway to capital

VALUATION | Discounted Cash Flow

Example w Basic NPV Formula

- Growth Rate
 - How do we know what our rate of return should be?
 - 1st strategy: Weighted Average (TDOC 75%, Avg of Competitors) 30%
 - 2nd strategy: Compound Annual Growth Rate of the Telehealth Market 18.43%
 - 3rd strategy: Expected Revenue Growth in 2021 in Second-Quarter 2020 40%
- $NPV(rate_1, fv_2, fv_3, fv_4, \dots, fv_n)$
- $NPV(.4, 26,556.60, 37,179.24, 52,050.94, 72,871.31, 102,019.83)$
- Net Present Value: 94,845

	2020	2021	2022	2023	2024
Cash Flows	26,556.60	37,179.24	52,050.94	72,871.31	102,019.83
Growth Rate	40%	40%	40%	40%	40%

VALUATION | DCF Assumptions

		Projection Period					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
		2020	2021	2022	2023	2024	2025
Income Statement Assumptions							
Sales (% growth)		24.7%	48.0%	48.0%	48.0%	48.0%	48.0%
Base	1	24.72%	48%	48%	48%	48%	48.0%
Management	2	- %	- %	- %	- %	- %	-
Upside	3	- %	- %	- %	- %	- %	-
Downside 1	4	- %	- %	- %	- %	- %	-
Downside 2	5	- %	- %	- %	- %	- %	-
Cost of Goods Sold (% sales)							
		42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
Base	1	42%	42%	42.00%	42.00%	42.00%	42.0%
Management	2	- %	- %	- %	- %	- %	-
Upside	3	- %	- %	- %	- %	- %	-
Downside 1	4	- %	- %	- %	- %	- %	-
Downside 2	5	- %	- %	- %	- %	- %	-
SG&A (% sales)							
		28.6%	28.6%	28.6%	28.6%	28.6%	28.6%
Base	1	28.61%	28.61%	28.61%	28.61%	28.61%	28.6%
Management	2	- %	- %	- %	- %	- %	-
Upside	3	- %	- %	- %	- %	- %	-
Downside 1	4	- %	- %	- %	- %	- %	-
Downside 2	5	- %	- %	- %	- %	- %	-
Depreciation & Amortization (% sales)							
		12.8%	12.8%	12.8%	12.8%	12.8%	12.8%
Base	1	12.77%	12.77%	12.77%	12.77%	12.77%	12.8%
Management	2	- %	- %	- %	- %	- %	-
Upside	3	- %	- %	- %	- %	- %	-
Downside 1	4	- %	- %	- %	- %	- %	-
Downside 2	5	- %	- %	- %	- %	- %	-
Cash Flow Statement Assumptions							
Capital Expenditures (% of sales)		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Base	1	8.00%	8.00%	8.00%	8.00%	8.00%	8.0%
Management	2	- %	- %	- %	- %	- %	-
Upside	3	- %	- %	- %	- %	- %	-
Downside 1	4	- %	- %	- %	- %	- %	-
Downside 2	5	- %	- %	- %	- %	- %	-

VALUATION | Discounted Cash Flow

Operating Scenario											
Operating Scenario	1										
Mid-Year Convention	Y	Historical Period			CAGR	Projection Period					
		2016	2017	2018	('16 - '18)	2019	2020	2021	2022	2023	2024
Sales		\$123,000.0	\$233,000.0	\$418,000.0	\$59,154.0	\$553,000.0	\$689,701.6	\$1,020,758.4	\$1,510,722.4	\$2,235,869.1	\$3,309,086.3
% growth		NA	89.4%	79.4%		32.3%	24.7%	48.0%	48.0%	48.0%	48.0%
COGS		32,000.0	62,000.0	129,000.0		184,000.0	289,674.7	428,718.5	634,503.4	939,065.0	1,389,816.3
Gross Profit		\$91,000.0	\$171,000.0	\$289,000.0	78.2%	\$369,000.0	\$400,026.9	\$592,039.9	\$876,219.0	\$1,296,804.1	\$1,919,270.1
% margin		74.0%	73.4%	69.1%		66.7%	58.0%	58.0%	58.0%	58.0%	58.0%
SG&A		110,000.0	175,000.0	261,000.0		332,000.0	197,323.6	292,039.0	432,217.7	639,682.2	946,729.6
EBITDA		(\$19,000.0)	(\$4,000.0)	\$28,000.0	-	\$37,000.0	\$202,703.3	\$300,000.9	\$444,001.3	\$657,121.9	\$972,540.5
% margin		(15.4%)	(1.7%)	6.7%		6.7%	29.4%	29.4%	29.4%	29.4%	29.4%
Depreciation & Amortization		16,000.0	40,000.0	55,000.0		70,000.0	88,074.9	130,350.8	192,919.2	285,520.5	422,570.3
EBIT		(\$35,000.0)	(\$44,000.0)	(\$27,000.0)	-12.2%	(\$33,000.0)	\$114,628.4	\$169,650.0	\$251,082.1	\$371,601.4	\$549,970.1
% margin		(28.5%)	(18.9%)	(6.5%)		(6.0%)	16.6%	16.6%	16.6%	16.6%	16.6%
Taxes		-	-	-		-	-	-	-	-	-
EBIAT		(\$35,000.0)	(\$44,000.0)	(\$27,000.0)	-12.2%	(\$33,000.0)	\$114,628.4	\$169,650.0	\$251,082.1	\$371,601.4	\$549,970.1
Plus: Depreciation & Amortization		16,000.0	40,000.0	55,000.0		70,000.0	88,074.9	130,350.8	192,919.2	285,520.5	422,570.3
Less: Capital Expenditures		(3,412.0000)	(5,515.0000)	(8,407.00000)		(10,900.00000)	(55,176.1)	(81,660.7)	(120,857.8)	(178,869.5)	(264,726.9)
Less: Increase in Net Working Capital							-	-	-	-	-
Unlevered Free Cash Flow							\$147,527.2	\$218,340.2	\$323,143.5	\$478,252.4	\$707,813.6
WACC		2.90%									
Discount Period							0.5	1.5	2.5	3.5	4.5
Discount Factor							0.99	0.96	0.93	0.90	0.88
Present Value of Free Cash Flow							\$145,433.5	\$209,175.4	\$300,854.8	\$432,716.4	\$622,371.5

VALUATION | WACC

WACC Calculation

Target Capital Structure

Debt-to-Total Capitalization	0.3135
Equity-to-Total Capitalization	68.7%

Cost of Debt

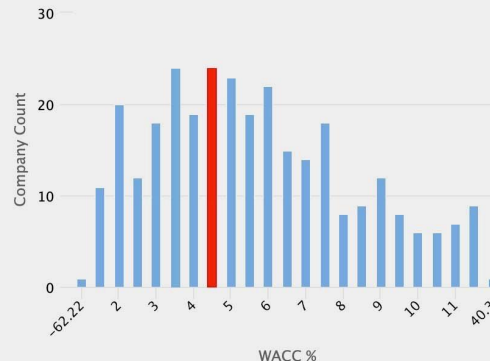
Cost of Debt	0.11
Tax Rate	0.097
After-tax Cost of Debt	9.9%

Cost of Equity

Risk-free Rate(1)	0.0195
Market Risk Premium(2)	7.9
Levered Beta	-
Size Premium(3)	0.25%
Cost of Equity	2.2%

WACC 4.624%

WACC % Industry Distribution



WACC % Sector Distribution



<https://www.macrotrends.net/stocks/charts/TDOC/teladoc-health/cost-goods-sold>
<https://www.macrotrends.net/stocks/charts/TDOC/teladoc-health/selling-general-administrative-expenses>

VALUATION | Terminal Value

$$TV = \text{Financial Metric} \times \text{Trading Multiple}$$

Terminal Value:

- Value at future point in time of all future cash flows
- Perpetual Growth Method & Exit Multiple Method

Exit Multiple:

- Financial Metric: EBITDA (18.78M)
- Trade Multiple: EV/EBITDA (1593.3x)
- Terminal Value = 18.78M * 1593 = 29.9B

Teladoc Health EV / EBITDA Benchmarks

Name	Ticker	EV / EBITDA
DocuSign, Inc.	NASDAQGS:DOCU	-327.0x
DLT Resolution Inc.	OTCPK:DLTI	-316.7x
MobileSmith, Inc.	OTCPK:MOST	-22.3x
HealthLynked Corp.	OTCPK:HLYK	-9.5x
Healthcare	SECTOR:HLTH.US	-3.2x
Universal Health Services, Inc.	NYSE:UHS	6.9x
HCA Healthcare, Inc.	NYSE:HCA	7.7x
Community Health Systems, Inc.	NYSE:CYH	12.5x
Brookdale Senior Living Inc.	NYSE:BKD	13.0x
Cerner Corporation	NASDAQGS:CERN	18.6x
Allscripts Healthcare Solutions, ...	NASDAQGS:MDRX	38.5x
Teladoc Health, Inc.	NYSE:TDOC	1,593.3x

CONCLUSION

Worth Investing In?

Yes!

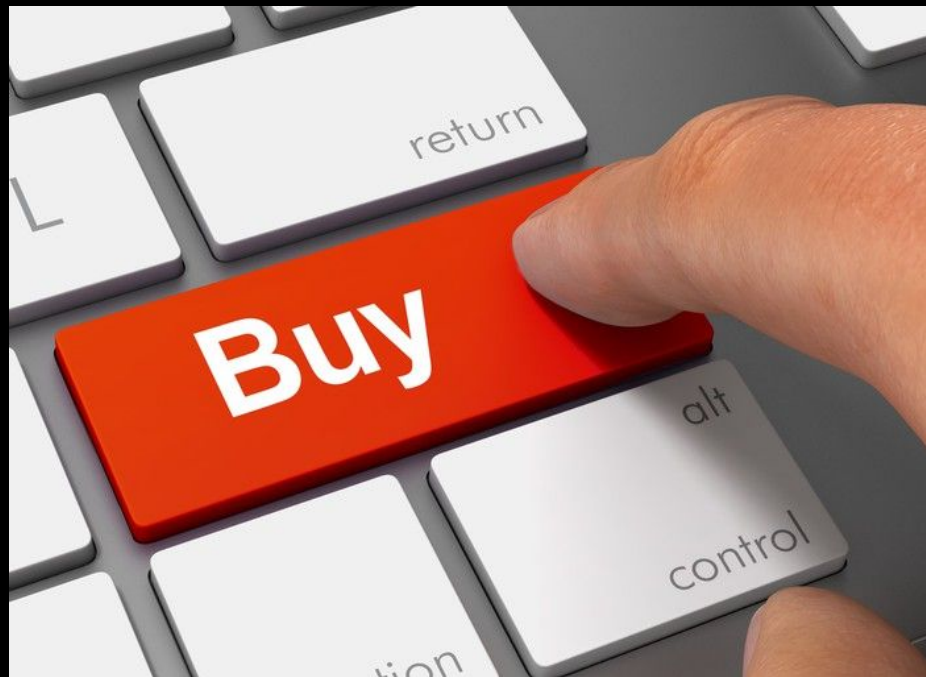
Valuation:

Market Cap: \$30 billion

Share price: \$208

Note:

This is a company to buy and hold long-term



THANK YOU.

GAMMA CLASS

11.5.2020

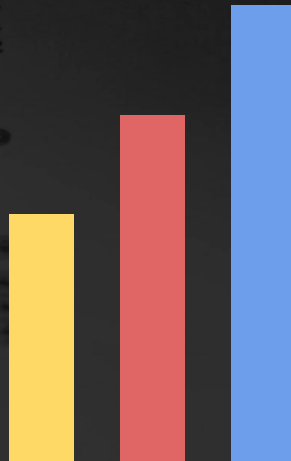
Total
 Repairs
 Office Maintenance
 Repairs - Other
 Total Repairs
 Retirement Plan Administration
 Self-Insured Employee Compensation
 Insurance
 Taxes
 Federal Payroll Tax
 State
 Unemployment Taxes
 Social Security

24,212.83
 1,712.40
 10.00
 5,241.04
 5,682.04
 381,948.49
 2,339.93
 63.50
 21.14
 112.92
 4,860.00
 392.50
 5,252.50

399.33
 399.33
 798.66

39.33
 39.33
 78.66

39,418.49
 11.14
 39,429.63



SOURCES

<https://www.fool.com/investing/2020/03/22/why-this-one-stock-could-bring-life-changing-return.aspx>

<https://insights.daffodilsw.com/blog/how-teladoc-works-business-model-and-revenue-streams>

<https://www.hhs.gov/hipaa/for-professionals/security/laws-regulations/index.html>

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<https://www.macroaxis.com/invest/valuation/INOV/Innovation-Holdings>

