

Growth Innovators Vignette



About Manifold

Manifold Advisory is a strategic consulting and product development firm, using our unique blend of corporate advisory, venture capital, start-up, and academic experience to help companies grow.

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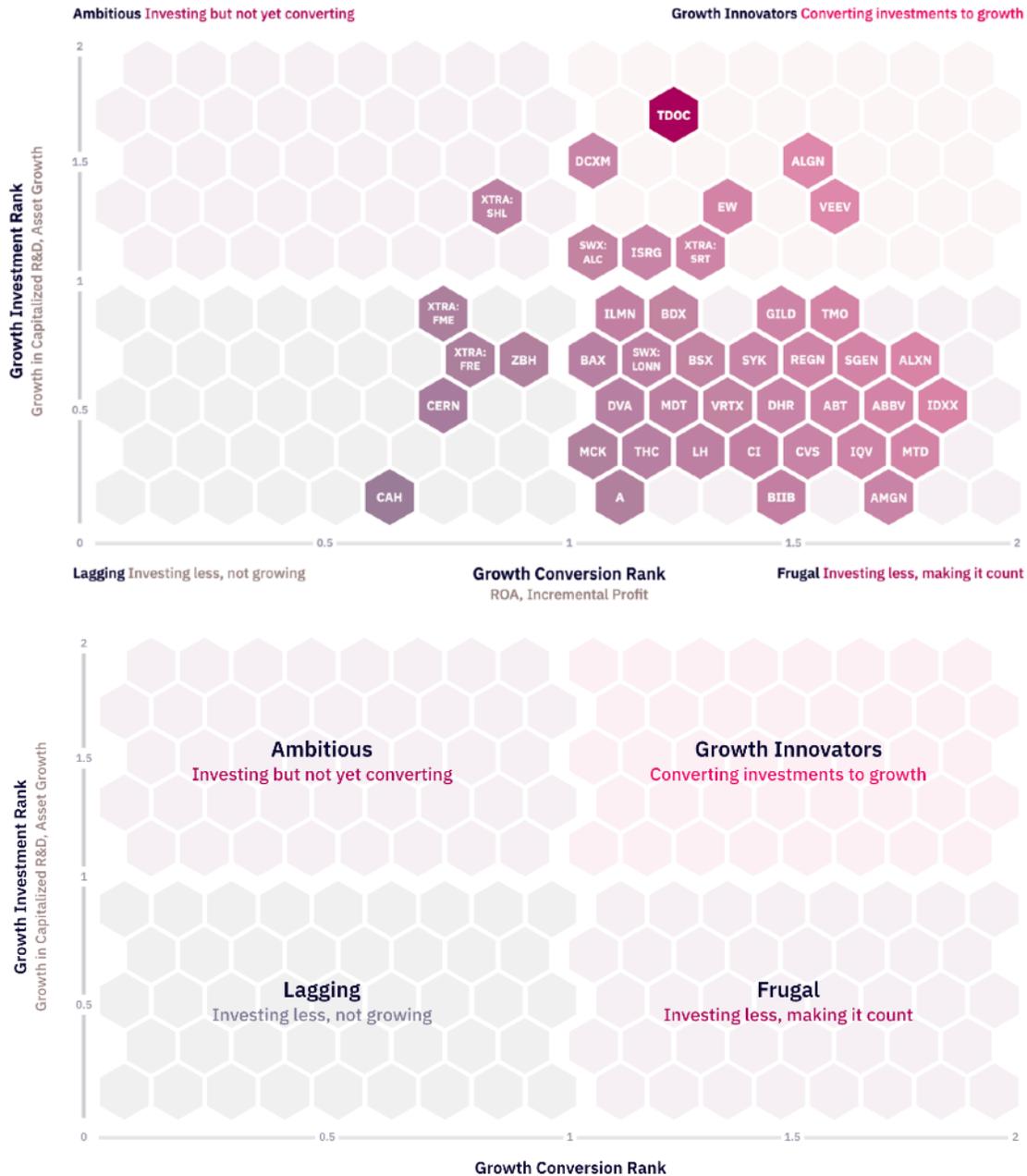
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Introduction

Manifold has partnered with Valens Research, a provider of a global uniform accounting database used to compare public companies on an apples-to-apples basis. Leveraging this database, Manifold created four company categories measuring innovation performance, one of which is

Growth Innovators—companies who have grown and improved their returns on investment (a feat which only 17% of all U.S. public companies achieved by late 2020). Of these elite companies, Manifold will highlight a select few as part of its Growth Innovators Series, and will explore what makes each of these selected companies a growth innovator. For the second edition of the series, Manifold has chosen **Teladoc Health**.

Over the past few years, Teladoc Health has demonstrated its ability to identify and invest in growth opportunities, and successfully convert those investments into positive returns for the business and its shareholders. Teladoc managed to expand its global footprint, clinical services, and network, all of which have contributed to Teladoc’s market-leading position today.

- **Global Footprint** - Penetrated Latin America, Asia Pacific, and France with the acquisition of Advance Medical and Medicin Direct. International sales ballooned from \$18.8 million in 2017 to \$75.2 million and \$108 million in 2018 and 2019, respectively.
- **Clinical Services** - Successfully expanded into a wider spectrum of medical conditions, including chronic illnesses, following the Best Doctors, Livongo, and Vida Health transactions.
- **Network of Health Professionals** - Teladoc now boasts a network of over 50,000 clinicians around the world, with over 450 sub-specialties and affiliations with some of the most prestigious medical facilities in the world.

Manifold believes that the realized success of Teladoc’s growth investments is a direct result of a deep management team, with proven skills and experience in the telehealth industry as well as the long-term incentives and a compensation structure that drives management’s motivation to position the business for long term success. The business has managed to differentiate themselves from the rest, and has become the market leader in providing virtual health services to consumers around the globe.

Introduction

At Manifold our passion is profitable growth, and our partner Valens Research—which built a 25,000-firm, global uniform accounting database with historical data that spans over 20 years—worked with us to create the first ever apples-to-apples comparison of firms’ investments in R&D +

Check out the end of this report to find out how to get a **Custom Growth Innovator’s Matrix** for your company and industry.

overall assets, and the economic return of those forward looking bets. It is unique because the database adjusts all accounting treatment for all assets, including R&D as well as the income statement, so that we can confidently compare across companies and industries. (We are willing to share any and all data and adjustments so any interested party can recreate our analysis, any public firms can look at our view of them, or a firm can build their own data if desired.)

By using this uniform accounting database to compare companies, Manifold Group created four empirical categories for innovation performance: the **laggards** -- those who neither grow nor improved their returns, the **ambitious**, those who have invested and grown but not yet seen improved returns, the **frugal**, those who grown little, but have improved their returns, and the **growth innovators** -- those who have grown and improved their return --the holy grail of any leadership team.

You can see our data below which documents that growth innovators increase properly adjusted enterprise value (EV') by 21% per year! Teladoc Health, which is a growth innovator, grew EV' by a whopping 107% per year from 2017-2020. This short article will profile this giant growth innovator in the healthcare industry.

| | Number of Firms | Average EV (Million USD) | EV 3 Year CAGR (2017-20) |
|------------------|------------------|--------------------------|--------------------------|
| Growth Innovator | 1,906 | \$15,051 | 21% |
| Laggard | 4,493 | \$7,409 | 4% |
| Frugal | 3,564 | \$13,335 | 8% |
| Ambitious | 1,458 | \$5,623 | 10% |
| Teladoc Health | Growth Innovator | \$29,491 | 107% |

Teladoc was recognized by Fast Company as one of the most innovative healthcare companies in early 2013¹. To this day, despite reaching a market leading position in telemedicine, Teladoc has successfully preserved its innovative culture. Last year, Technology Innovators named Teladoc as one of the 20 innovators in telemedicine².

To understand what makes Teladoc a Growth Innovator, Manifold looked beyond the qualifying financial performance metrics, and identified a few key areas of investment that Teladoc has executed upon and managed to generate significant positive returns from. Manifold also drilled into the

¹ [Fast Company's World's 50 Most Innovative Companies](#)

² [Technology Innovator's Top 20 Innovators in Telemedicine](#)

organizational structure that likely helped position the company to identify and execute on those growth investment opportunities effectively.



Company Overview

Teladoc Health, Inc. is a global leader in providing virtual healthcare services. The New York-based company incorporated in June 2002. Following its initial public offering in 2015, Teladoc made a series of acquisitions with a goal of transforming how people access healthcare³. More recently, in 2020, Teladoc completed the acquisitions of InTouch Technologies and Livongo Health, enabling the firm to further enhance the depth and breadth of its telehealth solutions⁴.

Teladoc's strategic acquisitions over the past years helped the firm reach its market-leading position today. The company provides 24/7/365 virtual access to high-quality care and expertise to over 36.7 million unique U.S. paid members and 19.3 million visit fee only individuals. It delivers services in more than 175 countries around the world in more than 40 languages⁵.

The company's portfolio of services and solutions covers more than 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's brands include Teladoc, BetterHelp, HealthiestYou, InTouch Health, Livongo, and MédecinDirect. In 2019, it completed approximately 4.1 million telehealth visits for patients around the globe.

³ [Teladoc Health 10k](#)

⁴ [Teladoc Health 10-K](#)

⁵ [Teladoc Company Website](#)

Scalable, Secure Platform

As the global leader in virtual care, we have invested in technology and staffing to support in-house, end-to-end operations in locations around the world.

-  OVER 20,000 VISITS SUPPORTED ON OUR BUSIEST DAY
-  24/7/365 IN-HOUSE OPERATIONS

Medical Quality

With an unwavering commitment to delivering high-quality care, we deploy stringent virtual care protocols and clinical quality-assurance programs.

-  MORE THAN 450 MEDICAL SUBSPECIALTIES
-  100+ VIRTUAL CARE CLINICAL PRACTICE GUIDELINES

Unique Engagement Engine

Our award-winning member experience and analytics-driven engagement services deliver industry-leading utilization and satisfaction, accelerating the adoption of virtual care.

-  3X HIGHER REGISTRATION RATES WITH SURROUND SOUND MARKETING
-  4X UTILIZATION OVER INDUSTRY AVERAGE

Breadth of Diverse Clients

From the largest multinational employers and insurers to patients around the world, Teladoc Health serves more people than any other virtual care provider with unprecedented breadth and scale.

-  MORE THAN 12,000 CLIENTS
-  51.5 MILLION MEMBERS

Unmatched Access to Care

With unique global scale, Teladoc Health serves more people than any other virtual care provider. Since 2005, we have completed more than 15 million virtual care visits, the largest volume in our industry.

-  MORE THAN 175 COUNTRIES AND 40 LANGUAGES
-  MORE THAN 5 MILLION MOBILE APP DOWNLOADS

Proven Utilization and Value

Teladoc Health is accelerating the adoption of virtual care. Our award-winning member experience and analytics-driven engagement services deliver industry-leading utilization and satisfaction.

-  4X UTILIZATION OVER INDUSTRY AVERAGE
-  OVER 90% MEMBER SATISFACTION

The company is headquartered in Purchase, New York, and has approx. 4,000 employees across its offices in Arizona, Texas, Massachusetts, Spain, and Canada.

How They Became a Growth Innovator

When we analyze Teladoc we see some important patterns. A willingness to make growth oriented acquisitions that expand the global footprint, products/services and capacity of doctors to deliver. Perhaps most importantly they also have a strong leadership team and a top management incentive package which rewards EBITDA and top line growth—thus driving not just improved short term profits but also increasing expansion of their franchise. We have more detail on each below.

Strategic Investments and Acquisitions

Inefficiencies in the U.S. healthcare system fueled Teladoc Health to venture on a road less travelled--to deliver on-demand healthcare anytime and anywhere via mobile devices, the internet, video and phone⁶. Banking on its scalable technological platform and 3,000+ network of physicians and health professionals back in 2015, Teladoc was able to identify and effectively exploit opportunities within the industry to produce new profits and growth for the organization.

⁶ Teladoc Health 10-K

- **Increase Global Footprint.** Teladoc has grown to become a global leader in telehealth, with presence in more than 175 countries and a mobile app that has been translated into 40 languages⁷. In 2018, Teladoc expanded its global market into Latin America and Asia Pacific with its purchase of Advance Medical, a healthcare firm that specializes in virtual care. This move also allowed Teladoc to provide care in 20 languages through its platform⁸. A year later, the firm acquired MédecinDirect, a leading telehealth player in France, enabling it to capitalize on positive market conditions and bring the benefits of virtual care to more individuals across France. These drove the company's international sales from \$18.8 million in 2017 to \$75.2 million and \$108 million in 2018 and 2019, respectively.⁹
- **Expand Clinical Services.** Teladoc's core telemedicine solutions were previously focused only on non-life-threatening common illnesses, such as sinus infections, allergies, or urinary tract infections¹⁰. In 2017, Teladoc acquired Best Doctors, a virtual medical consultation company, to enable a connected care platform focused on improving outcomes for some of the most complex medical conditions. This acquisition took Teladoc out of the realm of its then repertoire of offering primary care, common dermatology conditions, and behavioral health, and into a wider spectrum of medical conditions, including those that are critical and often expensive¹¹. In 2019, Teladoc made a strategic investment in Vida Health, a personalized virtual care platform for physical and behavioral health. This investment enabled Teladoc to offer targeted virtual solutions to people with multiple chronic conditions¹². Just last October 2020, Teladoc acquired Livongo for \$18.5 billion, allowing the company to leverage Livongo's platform for managing chronic conditions, such as diabetes and heart disease.¹³
- **Grow Network of Health Professionals.** Presently, Teladoc boasts a network of over 50,000 clinicians around the world, with over 450 sub-specialties and affiliations with some of the most prestigious medical facilities in the world. In 2018, Teladoc purchased TelaDietitian, a consumer and enterprise platform for video consultations with registered dietitians¹⁴. This strategic acquisition provided Teladoc access to the smaller company's multi-state

⁷ [Teladoc Company Website](#)

⁸ [Teladoc acquires virtual health company Advance Medical](#)

⁹ [Teladoc Health 10-K](#)

¹⁰ [How Teladoc is Transforming Access to Healthcare](#)

¹¹ [Teladoc acquires virtual medical expert consultation platform Best Doctors](#)

¹² [Teladoc Health 10k](#)

¹³ [Teladoc, Living finalize \\$18.5B merger](#)

¹⁴ [Scoop: A 2018 acquisition paved the way for Teladoc Health's new nutrition offering](#)

network of registered dietitians. More recently, in January 2020, Teladoc purchased InTouch Health for \$600 million. This move gave Teladoc access to InTouch's partnerships with more than 450 hospitals and health systems 3,600 care sites worldwide.¹⁵

Collectively, these investments and acquisitions facilitated a 597% expansion in assets for Teladoc, from \$230 million in 2015 to \$1.6 billion at year end 2019. This translates into a massive 618% top line growth, from \$77 million in 2015 to \$553 million in 2019.

Management Focuses on Profitable Growth

Consistent with Teladoc's growth strategies is their executive management compensation. Analysis of the company's compensation framework shows that Teladoc management is incentivized to drive top line growth. In addition, the management team is led by CEO Jason Gorevic, who took helm of the company in 2009. Alongside him is a team of professionals with significant experience in the telehealth industry.

- **Key Management.** Teladoc is spearheaded by CEO Jason Gorevic, who took the reins in 2009. Under his leadership, the company has established a proven track record of successfully delivering award-winning innovation and effectively integrating each corporate acquisition. His extensive career in healthcare began at Oxford Health, and he has also held executive leadership roles at WellPoint, Inc. (now Anthem, Inc.) and Empire BlueCross BlueShield¹⁶. Over the past years, Teladoc strategically brought in experts from its acquired companies, which helped the company improve its integration process and effectively capitalize on synergies. These experts include Kelly Bliss, previously the chief of staff of Best Doctors, who now serves as the company's chief client officer and president of the U.S. Group Health segment; Joseph DeVivo, previously the InTouch Health CEO, who now leads the Hospital and Health System business for Teladoc; and Alon Matas, founder and president of BetterHelp, which is now an operating segment under Teladoc.
- **Executive Incentives.** Teladoc management's short- and long-term incentives are tied to revenue (60%), adjusted EBITDA (20%), and operating cash flows (20%)¹⁷. These compensation metrics indicate that management is heavily incentivized to focus on top line growth. While this was a concern during the first few years post-IPO, this framework encourages management to drive growth for the sake of

¹⁵ [Teladoc Health absorbs InTouch Health's enterprise telehealth business for \\$600M](#)

¹⁶ [Teladoc Health Leadership](#)

¹⁷ [Teladoc Health DEF 14A](#)

growth, so the addition of operating cash flows helps to balance the overall framework. The operating cash flow metric motivates management to pursue profitable growth opportunities so that in totality, this compensation framework incentivizes management to deliver long-term value creation for the company and its shareholders.

These two key factors explain why Teladoc has enjoyed double digit revenue growth since 2015. With its strategic investments and acquisitions discussed previously, Teladoc has successfully differentiated itself and reached market-leading status. This also positioned the company favorably in the face of the COVID-19 pandemic. Since March 2020, Teladoc has experienced unprecedented daily volumes in the US as COVID-19 continues to spread. This spike in demand is partially driven by several health plans waiving consumer cost sharing. Public health officials across the US have also consistently urged the use of telemedicine to reduce community exposure. This surge in demand has left Teladoc providing in excess of 20,000 visits per day.

Finally, apart from its acquisition strategy, Teladoc also looked at ways to increase engagement with its members, expand penetration among existing clients, and leverage existing distribution channels. These factors would position Teladoc to sustain profitable growth in the long term.

Conclusion

Not only is Teladoc in a fantastic and growing space, they are able to create outsized growth because of both their strategic vision and investment but also great execution and value creation. There are many firms who compete in this industry—and the number of healthcare startups and healthcare venture capital investments are massive. However, Teladoc has shown the managerial courage to invest boldly and execute with consistency which has earned it a place among the growth innovators in an ever more important market of health and connected care.

We also want to note that these growth levers can be properly assessed with our uniform accounting approach. Any firm, if it has the will, can see how they compare to the best in their industry. They can see if they are investing enough and if that investment is turning into value. There is no need for innovation investment to be done without clear goals and metrics. Moreover, any leader can examine if their current top management incentive systems are driving near term profit or true growth for every growth innovator has learned how to make both the top

and bottom line improve over time and that is what the market rewards the most.

Potential Next Steps

If you're looking for more information about Growth Innovators and/or want to start growing in the face of technology disruption, a couple of potential ways we can help:

Request a custom Growth Innovators Matrix

We'd be happy to run the analysis for you and let you know where your organization sits relative to your peers free of charge. To request this, visit us at manifold.group/post/growth-innovators

Request a Growth Diagnostic

If you already know (or suspect) that you are a lagging, frugal or ambitious organization, you can request a Growth Diagnostic. This provides you with a comprehensive map of your market, competitive initiatives, customer sentiment, venture investment and growth, emerging technology and more.

Request a Growth Portfolio Design

If you're sitting on too many ideas and aren't sure where to start, DI can help you in crafting a portfolio of innovation, weighted more heavily toward quick win incremental growth initiatives to build the requisite muscles for driving growth-based change.

Engage in a New Product Development Sprint

If you've got an idea and the necessary internal support to begin working on it, DI can work with you to rapidly de-risk the concept, create the MVP and bring it to market.

For more information about any of the above, visit us at manifold.group/contact or email John at john.sviokla@manifold.group.

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