Celebrating Opportunities in the New Era of Telehealth, a Conversation with Drew Turitz, SVP of Corporate Development at Teladoc

Podcast Episode Release – February 2023

Drew Turitz
SVP of Corporate Development
Teladoc HEALTH

Frederic Laurier
Managing Director, Digital Health
ALANTRA

Episode Highlights

- Drew's personal experience – transitioning from financial services to corporate roles
- Covid contributed to the mass adoption of telehealth; payors and providers have since considered telehealth as a liaison between patients and physicians rather than an interference
- M&A is a meaningful strategy for Teladoc, as it provides an avenue to scale quickly and is the "best point of entry" for new programs and new markets
- Public deals tend to have a more strictly followed process to maintain confidentiality
- Thanks to public disclosers and filings, a lot of the due diligence work in public deals is streamlined
- Despite Amazon / CVS's movements into primary care, Teladoc sees them as partners, not competitors
- Supporting hybrid model is a key focus area, and Teladoc will leverage M&A to drive growth in this area
- Teladoc is looking to deploy a portion of its $1B cash balance on acquisitions as the market conditions have become more buyer friendly
- Value-based Care is slowly but surely becoming a reality. Payors and providers are much more oriented this way
- Technology and data are significant drivers behind making Value-based Care a reality

Episode Transcript

Frederic Laurier (00:06):
I'm Frederic Laurier with Alantra. I head up the firm's Digital Health investment banking practice. We have the pleasure of hosting Drew Turitz, SVP of Corporate Development at Teladoc today. Over the last 10 years, I've witnessed the explosion of virtual care, and it is becoming more pervasive by the day. Teladoc is at the center of it all, having pioneered innovation and contributed to mass adoption of telehealth over that time period. On this episode, we will take a deep dive into Teladoc's vision and how M&A has contributed to its transformation. First and foremost, Drew, thank you so much for having accepted the invite. We're very grateful for it.

Drew Turitz (00:44):
No, thanks so much Frederic. I'm really happy to be here and looking forward to the discussion.

Frederic Laurier (00:48):
Before we get going, Drew, maybe a few words on your bio. I see that you've spent over 20 years in healthcare. If I'm not mistaken, you have held various roles in investment banking and also in the VC world. Over the last 10 years or so, I think you have made a transition to corporate world. Is that a fair statement?

Drew Turitz (01:07):
I've always thought about how I transitioned from a deal-making role into more of an operating role. That was actually the original intent way back when I went to business school. It just so happens that I transitioned into a deal-making role in an operating environment. So for me, it's really been finding the right combination of an entrepreneurial environment and culture, really being able to make an impact.

(01:33):
Coming out of my experience in VC, I helped launch Blue Cross Blue Shield venture funds at Sandbox and worked with payers a lot and really saw the power that those platforms have. That's sort of what led to my taking a role at Aetna, which in itself was a startup. I mean, we were launching Healthagen, which at the time in 2012 was kind of their effort to diversify out of insurance and into tech-enabled services. That was, to me, a really exciting opportunity. Ultimately, that version didn't work out the way we expected, and that's when I transitioned to Teladoc at the end of 2014. But it's really been about how do I make an impact with the company and as an individual, and that's certainly been the experience I've had here at Teladoc.

Frederic Laurier (02:14):
What was the biggest difficulty in moving from an investment banking or a VC role to a corporate role? What was the hardest for you?

Drew Turitz (02:23):
I think each transition that I've made has been pretty different from the last. Banking, as you know, is a very intense environment, long hours, some late nights that can be a lot of friction. That's not the norm, and I know that's changed a lot, but great experience. When I was in banking, I learned so much and made such great relationships. That is still really a huge value for me today.

Frederic Laurier (02:47):
I hope you get a bit more sleep these days, Drew.

Drew Turitz (02:49):
Sometimes. I mean, as I said, I'm still in the deal-making role, and so there's always some periods where you sort of sacrifice that. I mean, every deal is a race to the finish line, no matter how hard you try, so there's always some last-minute things to worry about to focus on.

Frederic Laurier (03:04):
Unfortunately, there always is some late detail that needs special care, doesn't it? You did first join Teladoc in 2014 just before their IPO. At that time, the business was doing roughly $80 million or so in revenue. Next year, analysts do forecast for Teladoc to surpass the $2.5 billion mark. It probably makes it one of the fastest-growing software companies in the world, full stop, over that time span. COVID probably did help, so did legislation to some extent. But that said, do you see any clouds on the horizon that would make it difficult for telehealth to reach mass adoption? Maybe you felt it already has, has it?

Drew Turitz (03:45):
There's no question that a lot of the changes we've seen in the last few years from COVID, the impact that's had on consumer awareness, on physicians' willingness to adopt telehealth. That was a barrier years ago. And then obviously a lot of the regulation has been helpful to really enable a lot of that consumption that we've seen. I'd also say those things have led to real change – payers' and employers' willingness to adopt virtual care across a lot of different programs. So just as an example, prior to COVID health plans didn't want Teladoc and others to interfere in that relationship between the patient and physician. Now that's been turned around entirely, where the payers are saying, we're looking for Teladoc to really establish that longitudinal relationship and be that primary care contact. I'd say a lot of the health systems are looking at that way too because primary care is such a challenge. It's really an example of how the thinking around virtual care has changed so much in the last few years.

(04:48):
There's still a long way to go, right? We're still not anywhere near where I think we can be and should be as it relates to utilization across a lot of different programs and clinical conditions. But I think it's mostly the responsibility is now ours to deliver on a really good consumer experience, to deliver outcomes, because that is ultimately what's going to drive more adoption and more utilization and more embracing of virtual care across all the different ways that it can make an impact. Moving from urgent care into more longitudinal care, that is a way to really drive better compliance. It's a way to drive more regular prevention and care. I see that as really important to get us towards better outcomes, better results. That ultimately is the way that we have to be measured along with broader healthcare. It's our ability to make it a seamless user experience and to make sure we're getting better engagement and better outcomes for consumers.

Frederic Laurier (05:48):
You feel that now physicians are ready to embrace virtual health?

Drew Turitz (05:51):
Absolutely. I think we are still in a fee-for-service world, so I think certainly you pay for the behavior that you want. Physicians are incentivized in certain ways, and I think that's the way that they'll continue to practice. I think they understand increasingly that there is a more efficient way to practice by using virtual, some combinations, by using technology more in their practices. I think healthcare does not move quickly, and so

the behavior that we've seen through COVID and beyond really moved things forward in a meaningful way. But I think we'll continue to see physicians adapt to new technologies, new approaches to providing care, and that's also going to come from reimbursement. That's also something that they've got to get paid for.

(06:44):
RPM is a really good example of, it's been around for a long time. There's increasingly better technology, and how we use the signals that are driven from that technology can lead to kind of what I talked about in terms of better outcomes and better results. But I think there's still work that has to be done to align payment and incentives so that we're using those technologies for the right reasons and the right use cases. A lot of RPM is still the PERS, I've fallen and I can't get up model, and we've got such better technology, but it's just not being reimbursed in kind of comprehensive ways. I think it's just an example of where we'll continue to see improved behavior, improved reimbursement and adoption by physicians to ultimately see how it impacts patients.

Frederic Laurier (07:30):
You did touch on it earlier on... You did mention that Teladoc has somewhat transformed itself from a focused virtual urgent care provider to now what we could deem a more holistic care provider. How critical was M&A in that transformation? Do you feel that you could have done it through homegrown initiatives?

Drew Turitz (07:49):
I think it would've been a much different timeline. M&A is a way to get scale quickly. For Teladoc, that's been how we've been able to launch new programs and into new markets meaningfully. I wouldn't say that we wouldn't have gotten there. I think the story and the path might have been a little bit different, but certainly M&A has been really essential to our growth strategy and to getting into new markets in a meaningful way quickly. Just a few examples, in 2016, we acquired a company called HealthiestYou that gave us a strong foothold in the broker market, so selling into smaller employers through brokers.

(08:29):
Similarly, as we thought about international expansion, the challenge we saw is that every country has different systems for delivery, payment, regulation. Thinking about how to create an international presence without having to go country by country, that was a real challenge. But we saw in a company called Advanced Medical, which we acquired in 2018, we saw the opportunity to get a foothold in many countries. They were already in the UK, Spain, China, Brazil, so they had done a lot of the hard work to kind of establish a presence.

Frederic Laurier (09:02):
So in your opinion, M&A was the best point of entry?

Drew Turitz (09:05):
Yeah, best point of entry. I think just a few examples where we still might be in those markets today had we not done those deals, but by doing acquisitions we were able to get scale and speed to market in a pretty meaningful way. I think maybe the last point here is just that cost of capital is also pretty important. We were early to go public. We were one of the few public companies in digital health back in 2016, 2017, 2018, and so we had the good fortune of using our stock price and funding that growth off the balance sheet using our stock. That was a purposeful part of our growth strategy. Rather than investing through the P&L and having to drive expenses in R&D and launching programs, we were able to use our balance sheet and our stock price to get at big chunks of opportunity. And so I think just a few reasons why M&A can and has really been an important part of our kind of step stone into to bigger growth and bigger scale.

Frederic Laurier (10:04):
You've done both public and private deals in your career, Livongo being the latest example of a public deal you worked on. Process-wise, what are the biggest differences?

Drew Turitz (10:14):
We've done over a dozen deals at Teladoc, and certainly since I've been here, and I think in general, none is the like the other, right? That's what keeps this job interesting. Every deal, big or small, is different and challenging in its own way, and you learn a lot from it. We've only closed one public deal, so I want to try and generalize about... We've looked at other public companies, but Livongo's the only public deal that we've closed, but maybe just generalizing broadly around public deals versus that particular deal. There's obviously with public companies a threshold for material non-public information, and so that has an even bigger impact on the need to keep things very quiet and to maintain confidentiality. When we work through an M&A process, there's kind of a slow, gradual inclusion of more and more teams as you get down the road and start digging into due diligence.

(11:06):
With a public deal, I think you have to be even more careful about that because obviously the more people know, the more risk there is for a leak, and that's especially challenging and difficult when you're talking about two public companies. Ultimately, sort of who gets involved and being under the tent and how you drive due diligence, that's a big change. I think with public companies, obviously, there's a level of due diligence and disclosure that happens over the course of being a public company as you're filing to go public, interacting with investors and analysts on a regular basis. So that streamlines a lot of the work you have to do with M&A. When you think about audited financials, reps and warranties, even financial forecasts, I mean, that's a lot more streamlined when you're working with public companies. We've been in a situation with a private company that not having an audit done by one of the big three or four, that can meaningfully extend the timeline. I think obviously having the professionalization and the level of due diligence and disclosure for a public company has a big impact.

Frederic Laurier (12:08):
In a public deal, isn't the timetable a little bit more set in stone, especially if both companies are publicly traded?

Drew Turitz (12:15):
I think it depends. I think there are probably some deals where maybe there's ebb and flow. It just sort of depends on the timing of, well, we have to announce results, or we have some other big inflection point coming. So certainly, the Livongo deal for us was a pretty quick timeline, especially relative to other private deals that we worked on. I think just going back to that concern around information getting out in the public sort of forces you to move a little bit faster, and I think because there's already so much information available at a public company, it just becomes a little bit easier to do due diligence. Also, from a kind of valuation perspective, it's a little more tangible. You've got a public stock price to anchor, for better or for worse. I just think about some of the discussions right now with private companies where the valuation is tethered to a round that may have happened a year or so ago, and we obviously know that valuations have changed, and so public valuations just can make it a little more specific.

Frederic Laurier (13:15):
You mentioned the danger of leakage, and I'm guessing it's a constant concern when you're working on a transformative deal like Livongo. In the old days, you would hear stories about the extent parties would go to prevent leakage. Now we have videoconferencing. Does it make it any easier to maintain confidentiality?

Drew Turitz (13:31):

It can be a lot more purposeful of who is or isn't included in the discussion when is virtual. There's not that vision of a whole bunch of bankers and lawyers and other people coming in and out of rooms, so it's a lot easier to be discreet in the post-COVID world. On the other hand, it also makes it maybe too much of a lean away from being in person. My experience is that personal relationship, the cultural interaction, the team interaction is just such an essential part of due diligence. And I think there has been a little less focus on that over the last whatever it is, two or three years. It just makes it more challenging, and it means you've got to invest a lot more and be a lot more intentional about creating those interactions to make sure that there's real collaboration and alignment of vision and culture and all those things. Ultimately, that's the most important part, and obviously, that tends to get overlooked.

Frederic Laurier (14:27):
Trying to achieve the right balance, right? Bond building is much harder virtually than it is in person as well. Were you surprised by the One Medical and Signify deals? The first one was purchased by Amazon, the second one by CVS. Do you now see them as your biggest competitors?

Drew Turitz (14:42):
Neither of those companies competes with us directly, and so I don't see anything being different in the short term. But look, we've seen competitors big and small enter the space. I think that really speaks to kind of the big opportunity that everyone recognizes in virtual care. We haven't gone unscathed as the competitive landscape has changed the last two years, I think. We don't take competition lightly, but we've seen both payers and some of the companies that you mentioned introduce products that compete with us in a few categories, and they've struggled. In fact, as we've seen, they've kind of been taken out of the market.

(15:21):
I think depending on what path Amazon and CVS and others take as these deals are completed, there's actually just as strong a case for us to partner with them in different capacities. I think it's like a lot of things in healthcare, there's a lot of coopetition, right? CVS is one of our biggest clients in some ways. Amazon is a customer of ours, and United is in the same boat. I think a lot of these companies, their businesses are so broad and diverse and market by market, so we may compete with them in some ways and work with them in others, and that's just sort of the nature of the game.

Frederic Laurier (15:55):
And Bruce Brandes, your Senior VP, Health System Innovation, recently said in an interview that seamless integration between physical and virtual care is paramount. Now that we are operating at a different market, do you still have the same kind of appetite for M&A? For instance, you mentioned remote patient monitoring. Is that something you feel that if you were to pursue, it would be through organic initiatives?

Drew Turitz (16:19):
I think Bruce is right. Integrating from virtual to physical, that's table stakes, and that's actually a huge focus for my team, whether it's around M&A or whether it's partnerships. The headline for us is, look, we are not going to acquire anything retail or brick and mortar focused. I think Jason Gorevic, our CEO, has said that many times. It doesn't make sense for us from a financial standpoint. There's such a huge amount of fixed assets and capital that's required. We're a national company. We're doing tens of thousands of visits every day in every state around the country. The idea of trying to put together a patchwork of brick and mortar clinics, that doesn't make sense for us. It's also not consistent with our margin profile. But most importantly for us, that puts us much more directly in line with our competition, or with our customers.

(17:09):
To the previous discussion we had, I think we're trying to partner and we're trying to position ourselves as a partner of choice for as much of the healthcare ecosystem as we can. Though hybrid models, that's a huge focus for us. We all believe that while there's a ton of opportunity in virtual care to drive better outcomes, it only works so well because there's a huge amount of care that needs to be done in person. The need for us to really seamlessly integrate with some of those in-person or hybrid solutions is essential.

(17:43):
We've already announced a few partnerships around medication delivery, in-home testing, mobile blood draws. We're piloting some things right now to send providers into the home, and hopefully, we'll be able to talk more about that in the coming year. We're working really closely across all of our teams to find the right sequencing of products and services that put us more directly into the homes, these hybrid models, whether it's things that enable us to take risk more effectively. That's something we haven't talked about as much, but is another big focus for us. I think we're trying to be really creative about how to build on a lot of the work that we've done to integrate all the different solutions that we have, to partner where we don't see the ability to buy it, and then ultimately, to continue to do M&A as well. I mean, I'm still focused on helping drive growth through acquisitions, and so I think you'll continue to see us do that heading into 2023.

Frederic Laurier (18:36):
You feel that the current environment makes it more challenging to get deals done? For instance, your index is down 50% year over year.

Drew Turitz (18:43):
We've been really disciplined over the last year or so. I think we've done a lot of work internally, really well positioned heading into 2023. I think we've got a lot of dry powder. We've got nearly a billion dollars on the balance sheet. I think we've done a lot of the hard work, so I think we're definitely starting to be a lot more proactive, and I think for the right deal, our team and our board are excited about looking to M&A and there's going to be companies that are going to struggle. I think it's been very much a seller's market over the last kind of two or three years. So there should be some really good opportunities.

Frederic Laurier (19:20):
So maybe one last question before we let you go, Drew. Value-based care, of course has been a hot topic for a number of years. Do you feel that it's now becoming a true reality?

Drew Turitz (19:30):
Absolutely. I mean, we talked about my days in venture 10-plus years ago. And then, we were sort of scratching our heads and sort of saying, "I think it's really happening here." And 10 years later, we're in a lot of ways still in the same spots. Certainly, the payers and providers are much more oriented to that. The technology allows much better measurement and analysis so that you can understand how to effectively and where to effectively take risk. There's so much innovation in terms of how we are doing preventative care, mental health, longitudinal care. I think there's just so much more technology and data that allows for payers and providers to more effectively take risk. We're also very much headed in that direction, and I think taking steps around some of the programs where we have the most results and the most impact, and working with our customers to start more purposefully moving towards guaranteed outcomes and those value-based care models.

Frederic Laurier (20:31):
You feel that easier access to data was a final barrier for VBC to really take off?

Drew Turitz (20:37):
That's a piece of it, right? Because really understanding on a population base, but also on an individual basis where you're having an impact and how you're having an impact, there's a lot you can do with just the most basic tools. But in order to drive results for value-based care on a broader scale, I really do think having the right technology and insights data is what enables that. So I think we're a lot closer to that than we've certainly been in the past.

Frederic Laurier (21:03):
On behalf of our listeners, thank you again for having taken the time to share your perspective on the virtual care market. One of the key takeaways for me was that larger deals do not necessarily mean harder deals. Thank you also for having shared your insights on the shifting competitive landscape and implications for the overall industry.

Alantra – Digital Health Coverage

Alantra – Selected Recent Healthcare Transactions

2023	Blackford	Sell-side advisory	Bayer
2022	STADA	Sell-side advisory	Megalabs
2022	Ypsomed Selfcare Solutions / DiaExpert Diabetes bewegen	Sell-side advisory	MEDIQ / Advent International Global Private Equity
2022	NeoHealthHub.	Sell-side advisory	PharmaLex Confidence Beyond Compliance
2022	Accent Equity	Sell-side advisory	Axcel
2022	Aakamp Pharmazeutische Lohnherstellung	Sell-side advisory	Farmaceutici Procemsa
2022	WOOM	Sell-side advisory	apricity fertility reimagined
2022	republic m	Sell-side advisory	Queen's Park Equity
2022	Balhousie Care Group	Sell-side advisory	AcalisCare
2022	Strategic North	Sell-side advisory	Prescient.
2022	Childs Farm	Sell-side advisory	PZ Cussons
2022	Analytical Wizards	Sell-side advisory	Definitive Healthcare
2022	Riffyn.	Sell-side advisory	Siemens
2022	Tara	Sell-side advisory	Valo
2021	Baird Capital / Prescient	Sell-side advisory	Bridgepoint
2021	Helios Medical Communications	Sell-side advisory	North Edge.
2021	Bee Health	Sell-side advisory	INW / Cornell Capital
2021	CareCloud	Buy-side advisory	MedMatica
2021	Mobile Vascular Physicians	Sell-side advisory	Housatonic
2020	gsk / Pfizer	Sell-side advisory	Charlesbank

Alantra – Selected Recent Technology Transactions

2022 inoapps Sell-side advisory abry partners	2022 TROOPS Sell-side advisory salesforce	2022 struct Sell-side advisory VIA equity	2022 Bridgepoint Buy-side advisory teamitg	2022 BOWMARK CAPITAL Buy-side advisory littlefish
2022 BLUEGRANITE Sell-side advisory 3Cloud / GRYPHON INVESTORS	2022 BBR Sell-side advisory evertec	2022 LDC / SOLIDSOLUTIONS Sell-side advisory TRIMECH	2022 TelcoSwitch Sell-side advisory QUEEN'S PARK EQUITY	2021 GS CAPSULE / 梅花集团 Sell-side advisory Advent International
2022 reign Sell-side advisory APPLY DIGITAL	2022 nuvias Sell-side advisory INFINIGATE	2022 RENESAS / dialog Sell-side advisory EnOcean Self-powered IoT	2021 banca Sell-side advisory experian	2022 wormhole Sell-side advisory crehana
2021 boxboat Sell-side advisory IBM	2021 INTENTSIFY Sell-side advisory bv INVESTMENT PARTNERS	2021 embee Mobile Insight Solutions Sell-side advisory SimilarWeb	2021 Senion Sell-side advisory verizon	2021 TECHNOGYM / exerp Sell-side advisory CLUBESSENTIAL HOLDINGS / Battery

Alantra – Global Senior Healthcare Team

Alantra benefits from a global senior Healthcare team with deep local presence, able to reach global strategics and investors

Rusty Ray
Managing Partner
rusty.ray@alantra.com

Franck Noat
Managing Partner
franck.noat@alantra.com

Justin Crowther
Partner
justin.crowther@alantra.com

Frederic Laurier
Managing Director
frederic.laurier@alantra.com

Guillermo Arbolí
Managing Partner
guillermo.arboli@alantra.com

Christopher Jobst
Partner
christopher.jobst@alantra.com

Matthew Wiseman
Partner
matthew.wiseman@alantra.com

Fabrice Scheer
Managing Partner
fabrice.scheer@alantra.com

Sebastian Hougaard
Managing Partner
sebastien.hougaard@alantra.com

Anthony Harrington
Partner
anthony.harrington@alantra.com

Marcello Rizzo
Managing Partner
marcello.rizzo@alantra.com

Wim Goossens
Managing Director
wim.goossens@alantra.com

Jonas Bauréus
Managing Partner
jonas.baureus@alantra.com

Christian Barrot
Partner
christian.barrot@alantra.com

Gianni Casanova
Partner
gianni.casanova@alantra.com

Alantra – Global Senior Technology Team

Alantra benefits from a global senior Technology team with deep local presence, able to reach global strategics and investors

John Emery
Managing Partner
john.emery@alantra.com

Amit Mujumdar
Managing Director
amit.mujumdar@alantra.com

Oliver Parker
Partner
oliver.parker@alantra.com

Dragan Manoev
Managing Director
dragan.manoev@alantra.com

Kurt Rüegg
Managing Partner
kurt.ruegg@alantra.com

Mathias Heymann
Managing Director
mathias.heymann@alantra.com

Michael Lenoce
Partner
michael.lenoce@alantra.com

Sandeep Talwani
Managing Director
sandeep.talwani@alantra.com

Oriane Durvye
Managing Partner
oriane.durvye@alantra.com

Irfan Iqbal
Partner
irfan.iqbal@alantra.com

Richard Zhu
Managing Director
richard.zhu@alantra.com

Franck Portais
Managing Partner
franck.portais@alantra.com

Renee Shaening
Partner
renee.shaening@alantra.com

Richard Sanders
Partner
richard.sanders@alantra.com

Lodewijk Sodderland
Managing Director
lodewijk.sodderland@alantra.com

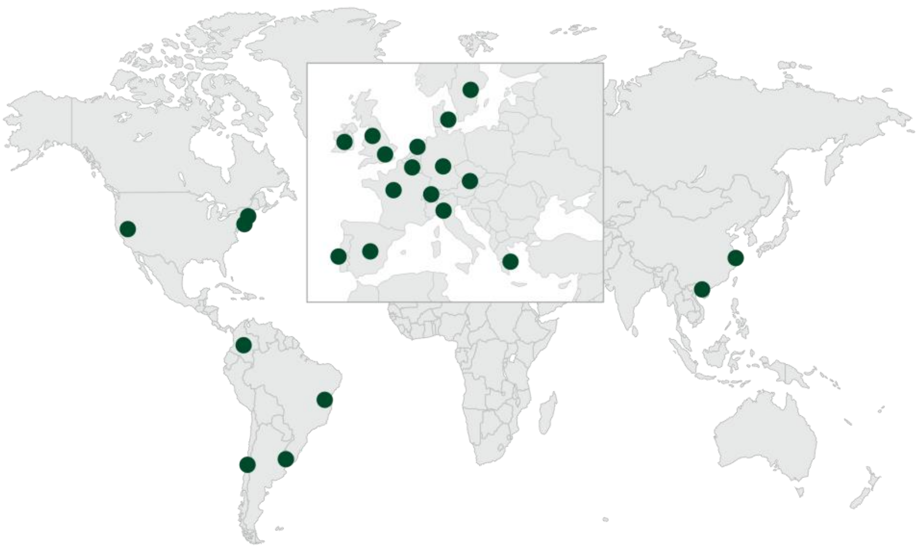
Robert Cronin
Managing Director
robert.cronin@alantra.com

James Chapman-Andrews
Partner
james.chapman-andrews@alantra.com

Julio Cardenal
Managing Partner
sebastien.hougaard@alantra.com

Alantra – Group Summary

Alantra is a global alternative asset management, investment banking, and credit portfolio advisory firm providing high value-added services to companies, families, and investors operating in the mid-market segment.



25 Offices Worldwide	**555+** Financial Professionals[1]	**100+** Partners[1]
$265bn+ Deal Volume[2]	**1,420+** Completed Transactions[2]	**1,065+** Clients Advised[2]

(1) As of Sep 2022. Excludes professionals from strategic partnerships where Alantra holds a minority stake (Singer CM, ACP, Wealth Management, Asabys and Indigo / Includes Corporate Services professionals

(2) Since 2013

ALANTRA

Possibility is in the ascent

Argentina
Austria & CEE
Belgium
Brazil
Chile
China
Colombia
Denmark
France
Germany
Greece
Hong Kong
Ireland
Italy
Netherlands
Portugal
Spain
Sweden
Switzerland
UAE
United Kingdom
United States