



Teladoc, Inc. NYSE:TDOC

Company Conference Presentation

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Call Participants

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Presentation

Lisa C. Gill

JP Morgan Chase & Co, Research Division

Good morning, and welcome. This is my first presentation for the 35th Annual JPMorgan Health Care Conference. For those of you that don't know me, my name is Lisa Gill, and I'm the health care technology and distribution analyst at JP Morgan. It is with great pleasure that I introduce this morning Teladoc. As many of you may recall, it was just a few years ago that we took Teladoc public, and they've made great strides over the last few years in growing both visits, the number of members they have and towards that profitability goal at the end of 2017.

With us this morning, we have CEO, Jason Gorevic; as well as CFO, Mark Hirschhorn, that will do the presentation. We will hold all questions for the breakout in the Olympic Room. So with that, let me turn it over to Jason.

Jason Gorevic

Chief Executive Officer, President and Director

Thanks, Lisa. Thank you, everybody, for joining us today. Very excited to be here. We seem to have a bigger presentation room every year. I'm hoping that correlates directly to our market cap, and we're very, very happy. As you may have seen, we preannounced this morning our 2016 results as well as gave a preliminary outlook for 2017. And I think that really demonstrates that we have delivered on the vision that we set out when we went public about 18 months ago. I'm very pleased with the -- our ability to have demonstrated not only the value proposition to our clients and investors, but also our clear leadership in the market. Teladoc is far and away the leader in the emerging and now burgeoning telehealth market with about 75% share. I'll explain in a couple of slides how we calculate that. We have proven the scale of the business. I'll talk a little bit about the '16 results and the '17 outlook. And I really think it demonstrates that this market has hit an inflection point.

You'll see that based on our utilization rates, driven by our market-leading and really differentiated consumer engagement programs. It is a massive market, and we are still just scratching the surface what we estimate to be about a \$29 billion market opportunity. Those utilization rates are critical because that's how we demonstrate value and deliver for our clients. So I'm going to go into a little bit more detail on that than I have in the past. It's also a clear differentiator for us.

And then finally, we've done a lot of work on the product portfolio over the course of 2016 that really enables us to provide significant value across multiple market segments, enabling us to go after that TAM. Trying not to bury the lead.

I wanted to focus a little bit on the 2016 results. We're very, very pleased to have been at the high end of the range or above the range on all of our key metrics. We announced this morning that we did about \$123 million in revenue. That's at the very high end of the range that we had given. 17.5 million members delivered that revenue, and we had an extremely strong fourth quarter in terms of visits. Lisa and I were just talking that's really counter to the trends that you're seeing in hospitals and other providers where visits have been down because of what was a really -- with a soft fourth quarter with respect to flu season. But our engagement programs have really borne significant fruit. And as a result, we did about 952,000 visits over the course of 2016. That's well above the high end of the range that we had given, which was top end of the range was 930,000 visits.

The market position, with respect to our 75% share, the American Telemedicine Association, which is really the sort of industry association for this, estimated at the beginning of '16 that there would be about 1.25 million visits over the course of the year, with over 950,000 visits. That puts us above 75% of those visits in the market. You can see the relative size relative to our competitors. I get asked a lot about the competitive landscape. And to be honest, I think this demonstrates the clear leadership position that we have. And I'll talk a little bit more about sort of relative scale as we get into some of the more detailed metrics about our utilization, our visits and our engagement communications.

The market opportunity is massive. This is one of the things that attracted me to this business, geez, over 7 years ago now. And the way that we calculate the market opportunity is to look across the health care landscape. There are about 1.25 billion ambulatory care visits. We estimate, based on the conditions that we treat and the data out of the CDC, that telehealth could treat about 1/3 of those visits, so over 400 million visits. And then on the behavioral health side, which is a relatively new area for us, but one that I'm extremely optimistic and very excited about, what we see that there's about a \$12 billion market opportunity. That's based on about 168 million office-based behavioral health visits. These are not inpatient visits. They're not clinic visits. These are just office-based visits. And we estimate that about 3/4 of those could be done with telehealth visits, providing for, again, about a \$12 billion market opportunity for Teladoc.

The environment, I talked about the inflection point. I think the inflection point is partially due to some of the work that we're doing in order to engage consumers with over 17.5 million members at the end of the year. That provides us with a large pool to tap into. And some of the work that we're doing is causing that inflection. But it's also some market trends and overall macro trends in the market. Again, as I was looking at this, years ago, I thought all the macro trends were lined up behind telehealth. And that includes the well-publicized connected consumers and the increasing proliferation of digital health and engagement with digital health. The challenge of access to care, both across primary care as well as behavioral health and other specialties. I'll talk a little later about a market opportunity that we're going after with the 40 million caregivers out there who are sort of that sandwich generation, taking care of both of their children and their aging parents.

And then we're seeing the provider market as really a burgeoning part of the market, whereas 2 years ago, I would have said the providers aren't really engaged in telehealth. Nobody's buying anything. And today, we see that as one of our fastest-growing segments. And with over 110 hospitals and health systems now as clients of ours, we're seeing them really embrace because of the unique value proposition that Teladoc brings. Our value proposition is very significant, and I always say that I've been in health care most of my career. I was a health plan executive, and it's rare to find something in health care that's a win-win-win. It's a win for consumers, it's a win for the payers and it's a win for providers. Usually, one of those parties is losing when you have something, especially something that's controlling cost in health care. Teladoc is not that. Teladoc really appeals and has a massive value proposition across the spectrum. For our members, they see increased convenience, increased access to care, lower cost of care.

We are responding -- our median response time continues to be under 10 minutes, right? Under 10 minutes from the time somebody request a visit to the time they're actually speaking with a board-certified, state-licensed physician who can not only diagnose, but treat them for what's going on is pretty unheard of. But we live in now an on-demand world, where people expect that kind of convenience from the rest of the world, the rest of their lives. We're delivering it for the first time in health care. For our clients, they see meaningful ROI. And I'll explain how we calculate the ROI in a couple of slides but we're delivering, on average, across our book of business about 5:1 return on investment for something that not only do -- are they achieving benefit in terms of their financials but also, their consumers, their employees, their members are thanking them for this benefit. The benefit manager is not somebody who usually gets thank you notes from their employees, but I frequently get fan mail from our clients, whereas I used to get hate mail as a health plan executive. I now get fan mail from them because they are getting thank you notes from their employees for the first time in years.

And for our providers, these are the 3,100-plus providers who are part of our network, we're providing them the ability to supplement their income, to do it on their terms, when they want to do it, wherever they want to do it, and we take away all the administrative overhead. All that headache that they don't like in terms of the paperwork, the hassles, the pre-approvals, managing their offices, the cost of collections. We took away all of that and just allow them to do what they want went to med school for, which is practice medicine.

Okay, I said I would talk about utilization because this is really a highlight of our 2016. And in the early days of 2017, we're seeing this trend continue. With over 950,000 visits, we have proven the scalability of the model. We've proven the ability to grow this continually year-over-year. And what you see here is, on our busiest days, we're doing over 5,000 visits a day. 5,000 visits a day. In fact, in our busiest 1-hour

intervals, we're doing about 500 visits in a single hour. Now just to give you some context, I said I would try to draw some comparisons to some of the competitors. One of our competitor, in fact, probably the competitor in the market that did the second-most visits was recently quoted in the press as saying that they're at about 1,000 visits a day, right? So that means we do in 2 hours what they're doing in an entire day.

How are we doing that? With tremendous utilization marketing campaigns, and part of that was driven by our push to get people to go and download the app. Because we know that if it's on their phone, if it's there in their pocket, they're much more likely to use it. It remains top of mind for them. And so last year, we got over 600,000 downloads of the Teladoc app. And our member satisfaction is unmatched. Over 90% member satisfaction, mid-70s Net Promoter Scores. I frequently compare us to Apple in terms of how consumers feel about this product.

So let's talk about growth drivers looking forward, 2017 and beyond. First, we want to keep focusing on driving that utilization, driving member engagement because that's how we deliver return on investment for our clients. You can have a great app, you can have great doctors, you can have great-quality programs. All of those are foundational. But if nobody uses it, then you're not providing value. And for us, this is critical. So the report that I look at first thing every morning, the first email I look at every morning is how many visits did we do yesterday. And so we're going to keep doing that. We're going to keep focusing on that.

Along with that, we're going to continue to expand the portfolio of products and services that we offer. So over the course of the last year, we really focused on expanding the product portfolio outside of general medicine to now where we're a multiline product company that offers behavioral health services, dermatology services, tobacco cessation program, sexual health program so that we continue to offer more value to the consumers, more reason for the consumer to come to us and more value on return on investment for our clients. All of that, those 2 things in combination really protect our revenue stream that per employee per month or per member per month revenue stream that our clients are paying us.

And then of course, we have to continue to drive membership growth. And toward the end of this presentation, I'll talk about our 2017 outlook for how we're going to do that and where we expect them to be.

So that's driven a pretty amazing client list of over 7,500 clients across multiple segments, health plan clients, hospital system clients, employers, both directly sold as well as sold via brokers. And we're also doing some direct-to-consumer, especially in the behavioral health area where we've had very successful growth in our direct-to-consumer behavioral health business.

Behavioral health is a really important segment for us. We expect to see significant growth in penetration this year. We rolled out many new clients January 1, with hundreds of thousands of members enrolled in our programs for behavioral health. And we expect this to be a long-term driver of our growth.

We will continue to innovate around the product. You'll see us continue to roll out additional partnerships and products. Walking across this slide, from left to right, device integration, things like the Kinsa thermometer, which is a smarter thermometer that integrates with your mobile device, sends us data directly so it's there for the physician even before they're interacting with the patient and prompts the patient. So that if there's a fever, it indicates in the app, "Hey, would you like to talk to a doctor now?" Right? That's real-time in-the-moment consumer engagement.

We launched and announced in our third quarter call a very exciting partnership with AARP. This is focused on the caregiver market, those 40 million people who are caring for aging and elderly parents. And we expect to see this grow not only on a direct-to-consumer basis in that partnership, but we're also, right now, in the process of rolling out our first corporate clients who are screaming for solutions here because this is a huge problem and cause of absenteeism among the workforce.

And finally, we have a relationship with Analyte Health, which has been part of our sexual health program, and we'll continue to roll that out and expand that into new and expanded set of lab tests that our providers can order for patients.

Our hospital health system opportunity is tremendous, and we're seeing really strong growth across this market. I think really important to understand here is we offer a very flexible solution that's a spectrum all the way from full turnkey outsourced operations and technology all the way through to platform as a service, where we license the technology and let the providers run the operations and the clinical components of that. And we can migrate a client -- one of our hospital system clients, along that spectrum over time. The small and mid-sized business opportunity is tremendous. The acquisition of HealthiestYou is very, very strong here. We see this product commanding a premium in the marketplace, where we get \$5 to \$9, even \$10 per employee per month. Very, very high consumer engagement rates, and we've now very successfully integrated this into our product portfolio and through our distribution channels.

I said I'd talk a little bit about the return on investment. We're very, very happy. We announced last year -- sorry, last week the 2 millionth visit in the history of the company. Just to give you context, it took us 12 years to get to our first million visits and 14 months to get to our next million visits. So when I talk about an inflection point, that's really what I'm talking about. We worked with a researcher out of Harvard, very strong physician researcher named Niteesh Choudhry, who looked at 1.8 million of our members. And across those 1.8 million members, did a claims-based retrospective analysis and determined that the average savings per Teladoc visit was \$472. When you combine that with a modest estimate of less than \$50 per visit for improved productivity, you get to savings of almost \$500 million across our population. That's on PEPM revenues of about \$100 million. So that's -- when we talk about 5:1 ROI, this is hard quantified, hard ROI that has been independently validated and measured.

Surround sound member engagement is really critical. The short version of this is we want to be everywhere that the consumer is, and we're using data across our 17.5 million members to do targeted, multichannel communications. This is direct mail in the home. This is e-mail in your inbox. This is in your Facebook feed. This is on your mobile device using geo-targeting, where you live or where you work. So we have people who come to us and say you're spending a huge amount of money on advertising. That's actually not true. What we're doing is being very, very targeted in those communications so that we're getting the most out of those dollars. And this is how we're staying top of mind to drive that awareness, drive that consumer engagement. That's driven increasing membership, but our visits continue to grow at a much faster rate than our membership, which has driven 30% compound annual growth rate in our utilization.

That is really true when you look at the cohorts of our different clients. So what you see here is first year, at just under 6% utilization. Second year, at about 8% utilization. And then you see this big spike as it goes into the third and fourth year of 14% utilization. So the good news here is that 75% of our members had been with us less than 3 years. So you're going to see our whole book of business mature just like this.

T-Mobile is a great client of ours. Here's a case study that demonstrates, based on that savings and their increasing utilization rates, their net savings after the fees they pay us last year was about -- was over \$4 million.

And finally, I said I'd give a little bit of a preview on 2017. The outlook that we gave this morning was \$180 million to \$185 million on the top line. That's almost 50% revenue growth over 2016. 21.5 million to 23 million members at year-end and continued growth in that utilization rate, driving visit volume of 1.4 million to 1.45 million visits.

And I have to end with just reiterating the bottom line here. The bottom line is that we continue to be committed to hitting that fourth quarter breakeven on the adjusted EBITDA line. And at least a few days into the year, we believe that we are firmly on track to deliver that, and we remain committed to that goal. So thank you for your time this morning. We will have a breakout session to take Q&A in the Olympic Room, so I invite you to join us there. Thank you.

Question and Answer

Lisa C. Gill

JP Morgan Chase & Co, Research Division

Okay. Great. Good morning, everyone. For those of you that are joining us on the webcast, this is Teladoc. For those of you on the webcast, you cannot see that this room is full. And I think that with me this morning are Jason Gorevic and Mark Hirschhorn, CEO and CFO. But this is really great, 18 months after going public, to see a room like this. I saw Rob Gillian [ph] has his hand very much in the air. So do you want to start with the first question?

Unknown Analyst

Yes, I just wanted to ask as far as the 2017 revenue guidance you put out this morning, what is the assumed coverage rate for -- you guys typically give like a -- kind of coverage rate, like 85% to 90% something like that number, that number moving forward.

Jason Gorevic

Chief Executive Officer, President and Director

Yes, so the visibility. So right now, we think we've got about 95% visibility into that number for the year. So we had a very strong selling season. As you know, we onboard a lot of our new membership and clients in the first quarter. So you'll see significant growth there. And based on -- we've gotten very good over the years at forecasting our visit volume. And so we saw a very strong growth in the fourth quarter that has continued at least for the first quarter, for the first week of the year. But I think what we're seeing now is we've demonstrated a very good model and machine for getting yield on our investment and consumer engagement that drives utilization. And that gives us great confidence as we put forth the outlook for '17.

Lisa C. Gill

JP Morgan Chase & Co, Research Division

Mark, maybe you can talk about -- I'm sorry, Jason, maybe you can talk about the 2017 -- oh, go ahead.

Unknown Analyst

Well, continuing with the 2017, guys. We're, in the past, you guys talked about the PCM, it's a rising number. Healthy people -- HealthiestYou would make a fire under that comment. Any change in that commentary now that you've had a quarter to really integrate HealthiestYou [indiscernible] about it or [indiscernible]

Jason Gorevic

Chief Executive Officer, President and Director

Yes, that's correct. That's consistent with prior years, and we have communicated in prior years that we would expect to see an increase in the PEPM year-over-year. We expect that to remain the same for 2017. We've had HealthiestYou under our arms now for 2 quarters. That was a July 1, 2016 close. If you think about the parameters around what Jason was referring to, 95% visibility, if you think about that 80-20 split, 80% are contractually committed arrangements with our clients for that PEPM. Those are anywhere from 1- to 4-year contracts. So we have those in-house. The remaining 20% would be the visit revenue. And that visit revenue, I think we're -- we've been, over the past several years, extremely accurate at determining where those visits will come into range. The only significant change in visits is that, certainly, this is what gives rise to the PEPM, we're selling more to the small and medium-sized businesses. We're selling more to some more health plan partners on that visits-included model. That's where the PEPM -- today where it averages somewhere north of \$0.50 per member per month or per employee per month, we're looking at \$4, \$5, \$6 per employee per month with the visits-included fee. So that is, in fact, contributing significantly to that rise in the PEPM.

Lisa C. Gill

JP Morgan Chase & Co, Research Division

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My question was going to be that last year, you had a rise in the actual per visit price. Do you have any changes to that, number one, for '17? And then secondly, Jason, if you think about the accounts that you signed for '17, we talked about the fact that you won't have any named accounts until we probably get to the fourth quarter or first quarter. But can you maybe just talk about the composition of what you won for '17?

Mark J. Hirschhorn

Chief Financial Officer and Chief Operating Officer

Sure. You want to talk about pricing?

Jason Gorevic

Chief Executive Officer, President and Director

Yes. The visit -- average revenue per visit has, in fact, been increasing. There has been also the offsetting increase in visits-included contracts. So that's where there's no supplemental revenue that we receive when our members engage with our physicians. What we do see, however, is that we had initiated a price increase from \$40 to \$45. And we also now see behavioral and dermatological visits contributing to a slight increase in that base of the \$40. So the \$45 fee is coming into play with all of our clients throughout '17 and again, seeing the introduction of those ancillary services visits will continue to have a positive impact on that average revenue per visit.

Mark J. Hirschhorn

Chief Financial Officer and Chief Operating Officer

And so then for the '17 selling season, we generally save the list of new accounts or named new accounts for the call that we'll do the first week in March where we do our year-end results. We have to save something for that, otherwise nobody will tune in. But I think it's important to understand that we saw really good growth across all segments of the market. So when we think about our segments, we launched -- we will be launching or have launched multiple new health plan relationships. That's where we're getting hundreds of thousands of members at a time. Expansion of existing health plan relationships, including some very significant expansions as well as in the employer market where we sell directly. We sell through brokers and distributors and resellers. And then of course, we also sell through health plans to their self-insured clients. Our -- we continue to see good growth in our direct-to-consumer behavioral business. And then lastly, as I highlighted in the presentation, our provider market is growing really well. We were endorsed by the American Hospital Association, the exclusive endorsement for our hospital-focused or provider-focused technology platform. That's a very, very strong and exclusive endorsement. And they issued that endorsement after doing an extremely thorough review that included an RFP. It included interviews. It included client reference checks. And so we're very, very excited about the fact that we're seeing growth across multiple segments, not just concentrated in 1 or 2.

Lisa C. Gill

JP Morgan Chase & Co, Research Division

I guess I can keep asking questions. Does anybody have questions? Can you talk about the cross-sell for HealthiestYou for 2017?

Jason Gorevic

Chief Executive Officer, President and Director

Yes, so...

Lisa C. Gill

JP Morgan Chase & Co, Research Division

Maybe for people that don't know, maybe just take 2 minutes to talk about the acquisition that you actually made.

Jason Gorevic

Chief Executive Officer, President and Director

Yes, that's great. Thanks. So HealthiestYou is an acquisition we did July 1. This was a company that was focused on the small end of the market. They started as essentially a telehealth company, realized that it was hard to compete head-to-head with us in that space, and so they stepped back. They outsourced the delivery of telehealth to one of our competitors, and then they built a suite of other consumer engagement tools, and health-related apps like an intelligent provider finder, like a drug pricing tool, like a benefits lookup tool to understand where you are in your deductible that connects to literally hundreds of health plans so you can find out where you are in your deductible, what your coinsurance is, what your cost is going to look like, a pricing estimator for procedures in your local market. So all of these were designed really to engage the consumer over time and create a habit of them coming back to the app multiple times. So with the explicit goal of when it's appropriate and when you're in need, directing you to a telehealth visit. So it turns out that almost half of their telehealth visits initiated with someone starting another service and using a different part of their app. So they were really focused on the small and midsized employer market, selling through broker distribution channels across the country. Because unlike the big national accounts who may buy point solutions for each one of those capabilities, those digital health capabilities, the small market doesn't do that. They just don't have the wherewithal. They don't have the bandwidth in their HR departments. And they tend to take a more paternalistic view of their employees. So they are willing to pay significantly more money, to the tune of, as Mark said, \$5 to \$10 PEPM for a broader array of services and to make these visits free to the consumers. So they're paying as part of that a visits-included fee. It's almost like a capitated relationship. Now of course, we put a cap on the utilization rates to make sure that we don't have the financial exposure above a certain limit. But that's been really, really successful. So our first step was doing the integration into our telehealth platform. So overnight, when we closed the acquisition, we shifted from their legacy telehealth provider onto our platform. And we did that where we increased our volume overnight by about 8%, 8% to 10%, depending on which metric you're looking at. And we did it without adding a single person, without adding a single doctor, without adding a single server. So you talk about the scalability and the leverage we can get on our platform. And I think that's a really good example of where we get leverage. The second thing we did was to roll out the HealthiestYou product across our sales force. So we went through extensive integration, sales training and messaging with our sales force, so that we could expand the distribution of that product very rapidly. And that's been very successful, and we saw the fruits of that in our January 1st business. And in fact, we're still adding lives even today for January business on the HealthiestYou product. The next thing we're going to do is, and we've done some proof of concepts around this, is to take some of those apps and build those into the Teladoc platform for accessibility to our larger employers, some of our midsized health plans who may be interested in some of these capabilities and haven't rolled them out themselves. And the real value of that is having a single integrated solution that brings the consumer back time and time again. Because the nice thing with us is we're completely aligned with our clients in wanting to drive more utilization. And this is just another tool in the set to be able to do that.

Lisa C. Gill

JP Morgan Chase & Co, Research Division

And how about cross-sell for 2017?

Jason Gorevic

Chief Executive Officer, President and Director

Yes. So I would say that cross-sell has been strong in the employer and -- sorry, the small and midsized employer market. And we have a lot of interest at the larger end of the employer market and the larger end of the health plan market. But still, to prove out the model in terms of actual penetration. So we're actually -- in the numbers that we put forth, we're actually not assuming any significant penetration into the larger end of our market from HealthiestYou in 2017. We do think that will probably come to fruition in 2018. But all of our guidance today doesn't rely on us being able to do that in the larger end of the market. It really is focused on sort of harvesting the opportunity in the smaller end of the market.

Mark J. Hirschhorn

Chief Financial Officer and Chief Operating Officer

I would just add one thing to that. One of the extremely critical aspects of the success of that platform, of the HealthiestYou platform, was the establishment of a distribution network that was premised almost

entirely on a UnitedHealth plan penetration. And we've now been utilizing those existing United sales teams, and we've been geographically introducing them and their teams to the HealthiestYou and Teladoc platforms. In the past, just 6 months ago, we were incapable of really introducing any significant level of penetration of Teladoc into United. And this has given us an entry point for that.

Lisa C. Gill

JP Morgan Chase & Co, Research Division

What are the key things for breakeven in 2017? Is it just business as you've laid it out? Is there anything else that we need to think about in reaching that breakeven at the end of '17?

Mark J. Hirschhorn

Chief Financial Officer and Chief Operating Officer

Yes. So that guidance we provided effectively would suggest that we're going to be somewhere near a \$200 million run rate in Q4 of '17. People can back their way into that, but the guidance we released this morning didn't give specific quarterly guidance. But we would need to achieve those levels. And as Jason noted, 95% of our business is visible to us today because of contracts in hand. And to the extent that we feel there's going to be that level of utilization and thus, completed visits. We have seen and will continue to see a tremendous amount of leverage in G&A. We've seen the 2 fastest components from the revenue perspective are, of course, the small and medium-sized business and behavioral. In 2016, behavioral represented exactly 10% of our revenues. We expect that to grow and represent slightly more than 10% in 2017. So the critical pieces, the achievement of that revenue target of the range that we provided this morning as well as our continued aggressive moves to see that leverage in G&A.

Jason Gorevic

Chief Executive Officer, President and Director

Yes. I think one of the things that's important to understand is we continue to see a shift to mobile. So we run a significant call center. About half of our visit requests come in through our customer service organization. But we're getting much more efficient because we're continuing to see that shift toward mobile and away from our call center. So we get leverage out of the operations, and we're able to serve a much -- a significantly larger population with the same or even fewer people.

Unknown Analyst

[indiscernible] apps visiting [indiscernible] on Teladoc [indiscernible] eligibility of distribution between the doctors [indiscernible]

Jason Gorevic

Chief Executive Officer, President and Director

Yes. So the question, if you didn't hear it, was about our provider network and the distribution of the volume, those 950,000 visits, across the provider network. So just to clarify, we have about 3,100 providers in the network. But almost 2/3 of those are behavioral health providers. So we have about, let's call it 1,200 or so, 1,200, 1,300 actual physicians in our general medical network. And it's all over the board in terms of how much time a physician spends on our platform. In any given month, we're seeing about 600 physicians participate. So about half of our physicians in any given month will participate. So that demonstrates to you they'll come on for some time. Once month, they'll do it. Their practice is a little slower or they're looking to supplement their income. It's time to pay for the kids' tuition or something like that, and they're looking to drive a little bit more income. And then the next month, they'll take some time away. Of course, we have probably about 300 of those physicians who are on every month and every week, 300, 350, something like that. But as you would expect, there's some concentration where we have some doctors who participate. You can see by their volume that they're doing this 7, 8 hours a day. It's -- they've -- they maybe sort of in the twilight of their career where they're semiretired. They shut down their practices because they don't want the hassle of it. But they want to keep their income and they want to stay active. But so I would say if you do the math, it probably adheres to something like the 80-20 or 70-30 distribution visits within our network. Anything you'd add?

Mark J. Hirschhorn*Chief Financial Officer and Chief Operating Officer*

No, just note that it's not important to have 5,000 available physicians because 4,000 of them won't have the opportunity to engage. When we have a network of 1,200 or 1,300 medical doctors, when you think of the distribution among those doctors. And as Jason noted, 20%, 30% at any given day are actively engaged for anywhere from a quarter of an hour to 8 to 9 hours a day. I'd suggest that probably 5% growing to perhaps 10% of our network is committed to this as their full-time employment.

Jason Gorevic*Chief Executive Officer, President and Director*

And I just want to emphasize the scalability and the capacity. So we've tested our platform, our technology platform to 10x what our peak volume is today, right? So our peak volume, when we talk about that, we look at 1-hour intervals, so 500 visits in an hour. We've tested it to 5,000 visits in an hour, and so we could handle that without adding any infrastructure. The other thing, I guess, I'd focus on is prior to November, we -- our peak days were somewhere in the neighborhood of 3,300 to 3,500 visits. And now, as I said this morning, our peak days are over 5,000 visits. So -- and we were able to do that, again, without adding staff, without adding any infrastructure. So you think about -- and I think this gets to the -- really the question about what has to happen in order to get to that profitability. We get a tremendous amount of leverage on the infrastructure and the investment that we've made already in the platform in the infrastructure, in the operations.

Unknown Analyst

What is the [indiscernible] year 3 and 4 [indiscernible] utilization that caused the dramatic step-up? Is it something about how the employer or payer is also engaging the consumer or is there some other factor?

Jason Gorevic*Chief Executive Officer, President and Director*

Yes. So the question was what makes utilization increase over time, especially in that third and fourth year. The -- it's the compounding effect of our engagement efforts, right? So in the first year, you're introducing someone to the concept, right? They've likely never heard of telehealth. They had no idea that you can engage with a physician remotely. There may be some skepticism. There may be some questions about -- the top 3 reasons that somebody doesn't engage with Teladoc are number one, awareness; number two, awareness; and number three, awareness. Number four is a question about is this good quality medicine, right? So we spend a lot of time and almost the whole, in fact, probably the whole first year's PEPM revenue on engagement, on engaging the consumers' communication and working with the employer or the plan sponsor to promote the product. That has a compounding effect. And so you see the benefit of 2 things. One is the frequency of communications; two is more multichannel marketing. So the more -- the longer a client is with us, the more data we have about them. So the more data we have about them, the more we're able to target our communications and be efficient in the delivery. And three is positive word-of-mouth, right? So there's nothing better -- I mean, all of you in the room have probably had the experience of, "I need a doctor, what's the best way to find one? Go ask my friends and neighbors who they go see." And telehealth is no different. So you see people have a positive experience. They post about it. They talk to their friends about it. They talk to their colleagues about it. And with almost 95% member satisfaction, that's very powerful.

Unknown Analyst

Do you have, like, a standard technology platform, sort of like a product medical record [indiscernible] talk about that a little bit.

Jason Gorevic*Chief Executive Officer, President and Director*

Yes, so the platform is entirely our own. We -- when I came into the company, I was sure that I was going to license somebody's electronic medical record. I figured now there's so many out there, why

would I replicate this? So it turns out that even probably more important than the medical record itself is the workflow management for the physician of managing them through this very particular experience, which is a telehealth visit. And so we've always ended up in -- of the view that that's a critical competitive advantage for us that enables the physicians to seamlessly do this in a way that's very easy for them and intuitive. So we take all the administration off of their plates. In fact, we just launched a new, completely redesigned provider app, mobile app, and we worked with our network physicians to design it based on their needs, their experience and their input. So we do that ourselves. We use a claims system, a revenue -- essentially, a revenue management system for claims management because that is what it is, and there's no reason to reinvent that. But otherwise, the technology is entirely our proprietary platform.

Mark J. Hirschhorn

Chief Financial Officer and Chief Operating Officer

Yes?

Unknown Analyst

Can you talk a bit about the competitive landscape before you see the [indiscernible]

Jason Gorevic

Chief Executive Officer, President and Director

Sure. So the question is about the competitive landscape. As you saw from the slides today, we are the clear leader, and I would say, extending our lead. I'm happy to say that since we went public 18 months ago, our lead has expanded. We continue to think that a healthy competitive landscape is good for the industry. At the same time, we see competitors sort of coming and going and sort of I would say waxing and waning. 2 of our 3 named competitors have turned over their CEOs in the last 12 months. I think that's in -- a direct result of them needing to change their business models because they're not as successful as they would like them to be. And at the same time, we continue to feel like we have to innovate and keep driving expansion of our product portfolio in order to continue to extend that lead.

Lisa C. Gill

JP Morgan Chase & Co, Research Division

We have time for one more question.

Unknown Analyst

[indiscernible]

Jason Gorevic

Chief Executive Officer, President and Director

Yes, so I think what everyone knows is nobody really knows what's going to happen. At the same time, back in 2012 when they were starting to talk about what was the Affordable Care Act going to do, I said that it was -- it would be an accelerant for us. And I think then, it was an accelerant. I've always said that it was an accelerant, not a requirement, for us. I don't think it has a whole lot of impact, to be perfectly honest. What's likely to happen is more privatization of Medicaid, quite frankly. We work with the Managed Medicaid plans, not with the state Medicaid plans. We work with Medicare Advantage plans, not with Medicare fee-for-service. So privatization, for us is good. That's a positive. We have less than 5% of our business in things that are sort of Affordable Care Act impacted, like exchange businesses or things like that. So we don't really see much of an impact to our existing business. And I don't see anything that changes in the Affordable Care Act as changing the shift to hospital systems taking more risk, which is a positive tailwind for us in the provider market. So the truth is I see it as sort of neutral to slightly positive for us, if anything.

Unknown Analyst

Thank you.

Jason Gorevic

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Chief Executive Officer, President and Director

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