



# **Best Doctors, Inc.**

*M&A Call*

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CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	8

## Call Participants

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# Presentation

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## Operator

Welcome to Teladoc's Conference Call and Webcast to Discuss the Strategic Acquisition of Best Doctors. [Operator Instructions] It is now my pleasure to turn the floor over to Ms. Jisoo Suh, Director of Investor Relations. You may begin.

## Jisoo Suh

*Director of Investor Relations*

Thank you, operator, and welcome, everyone. Today, after the market closed, we issued a press release announcing our strategic acquisition of Best Doctors. The release and supplemental slides are posted on our website. We also currently plan to file on Form 8-K a copy of the slides, financing information and the merger agreement tomorrow after market close.

Joining me on Teladoc's conference call are Jason Gorevic, our President and Chief Executive Officer; Mark Hirschhorn, our Chief Operating Officer and Chief Financial Officer; and Peter McClennen, CEO of Best Doctors; with Adam Vandervoort, our Chief Legal Officer, in the room as well.

As a reminder, this transaction requires regulatory approval and limits the extent of information we can provide at this time, including our 2017 financial outlook.

Teladoc intends to avail itself of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Certain statements made during this call will be forward-looking statements within the meaning of that law and are subject to risks, uncertainties and other factors that could cause Teladoc's actual results to differ materially from those expressed or implied by the forward-looking statements. For additional information on the risks facing Teladoc, please refer to our filings with the SEC.

We will also reference certain non-GAAP financial measures, which we believe are important in evaluating our performance. For more details on these measures, the most comparable GAAP measures and a reconciliation of the 2, please refer to the press release I mentioned posted on teladoc.com.

I will now turn the call over to Jason.

## Jason Gorevic

*Chief Executive Officer, President and Director*

Thanks, Jisoo, and good afternoon, everyone. Thank you for joining us on such short notice. This is a big day in our company history and I'm extremely excited to announce that Teladoc and Best Doctors have agreed to come together to form the most comprehensive virtual health care delivery platform on a global level.

Since our IPO almost 2 years ago, we've executed on an organic growth strategy centered on winning new members and clients, cross-selling and capitalizing on our powerful ability to drive member utilization of our telemedicine offerings. We've also engaged in selective M&A, focused on expanding our product portfolio and capitalizing on opportunities to further penetrate attractive market segments such as the acquisition of HealthiestYou a year ago. In addition, we've clearly stated our strategy to continuously broaden our range of clinical specialties and increase the acuity and complexity of conditions we address in a virtual care setting, thereby driving greater relevance to our members and clients.

The acquisition of Best Doctors aligns perfectly with our vision to create a central point of entry into a highly personalized, high-quality care experience, where patients can easily and affordably get resolution to the widest spectrum of care needs on their terms. Importantly, Best Doctors extends our platform on a global level through its network of medical experts and international patient and client base in 100 countries, such as Canada, Australia, Spain, Japan and many others. In fact, about 40% of the company's

revenue is international. No doubt, this will provide Teladoc with an established infrastructure on which to expand globally and to help patients outside the U.S. get resolution to a broader spectrum of care needs.

Before diving into Best Doctors, I'll give some context by quickly reflecting on the business we've built since our IPO in 2015, a highly scalable platform that started with general medical, lower acuity use cases and has since expanded to include behavioral health, dermatology, sexual health and tobacco cessation, in addition to key partnerships such as those we've announced with AARP, Accolade, Analyte and many others, which have helped us to extend our leadership position in the market.

Backing our suite of telehealth offerings is our "Surround Sound" engagement engine that has driven top-of-mind awareness among our members, driving greater utilization and therefore, significantly higher ROI for our clients.

At the bottom of the slide, you can see the results in our key operating metrics. We've seen substantial growth in revenue, membership and visits and continue to see momentum in 2017.

Now turning to Slide 6, Best Doctors is in the business of helping patients and their families solve their most complex and often costly medical challenges. Leveraging a network of over 50,000 top experts around the world across 450 medical specialties, Best Doctors focuses on providing data-driven, patient-centric expert second opinions for critical and chronic conditions, such as cancers, musculoskeletal conditions and heart diseases.

While these conditions, thankfully, don't occur at the high volumes we're used to at Teladoc, typically, these cases are at the top of the cost pyramid. In 2016, Best Doctors recorded \$92 million of revenue, built on a large base of blue-chip employer clients who offer world-class medical consultations as a benefit to their employees, in addition to other attractive client segments, such as global insurance firms, health plans and workers comp companies. With that as a backdrop, I am very happy to introduce Best Doctors' CEO, Peter McClennen, who will be joining Teladoc upon the close of this transaction. He has deep experience in health care technology and has done a great job setting a strategic direction for Best Doctors and building and leading a strong team at this global organization. Peter?

**Peter A. McClennen**

*Chief Executive Officer and Director*

Thanks, Jason, and it's great to be here. I'm truly excited by the unmatched platform that we will be delivering by bringing Teladoc and Best Doctors together. I also look forward to continuing to help our clients achieve even greater savings and ROI.

Each company's strengths have the potential to enhance the already compelling solutions that we offer to our patients in key client segments, which also already overlap. As this is the first time Best Doctors is officially being introduced to the public investment community, I'd like to share a quick overview of our product portfolio and its value proposition.

Best Doctors offers an entire suite of solutions for patients to help make the most important health care decisions by offering access to expert second opinion reports or inter-consultations services to ask the expert for specific treatment plans that don't require in-depth case review and other offerings, such as mental health case management and oncology insights, built in partnership with IBM Watson.

On this next slide, you can see our solutions result in healthier outcomes for our members' most complex conditions. Consumers trust and use Best Doctors to empower them with information they need, whether there is confusion regarding a diagnosis or a desire for an expert's second opinion of the treatment of a serious disease. In 69% of our cases, the treatment plan has changed, and in 37% of the cases, the diagnosis itself is changed.

Turning to Slide 9, we have great examples of significant cost avoidance for the member and the client, with an average cost savings of \$36,000 per report. The medical experts' second opinion reports completed by our network cover various diseases, such as cancer, heart disease, in which their recommendations for modified treatment plans or modified diagnosis yield highly tangible savings and

improved outcomes. Our ROI-driven value prop to patients and members very much echoes that of Teladoc.

On the bottom, you'll notice our key performance indicators, in a lot of ways, also mirror those of Teladoc, including high client retention, high client satisfaction and very importantly, a high ROI for respective clients.

You'll see on Slide 10 that all of our experts' second opinions are backed by a powerful analytics engine, clinical quality and an ability to tap into many of the brightest minds in the medical world. Through our product, a patient with a rare disease located, say, in Australia, can seek a second opinion report from one of the most respected peer-ranked physicians at institutions like Mayo Clinic or Mass General from the comfort of the patient's home at their time of greatest need.

In summary, we believe that Best Doctors and Teladoc's common ROI-driven framework and mission of unlocking broad access to care without sacrificing clinical quality make our businesses a perfect fit. And we want to truly thank the Best Doctors employees for their hard work which has enabled us to reach this critical milestone.

And with that, I'll turn the program back over to Jason.

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Thanks, Peter. Now that we've shared more context about Best Doctors' business, I want to turn to Slide 11 and go over the attractive client base and distribution model for Best Doctors.

The direct employers segment is a significant portion of the Best Doctors client base, with blue-chip companies like Accenture, PepsiCo, Monsanto and TD Ameritrade, many of whom are also Teladoc clients, subscribing to the Best Doctors solution as another avenue for their employees to get better care, almost always on a monthly recurring per-employee per-month subscription basis.

Best Doctors also has an emerging health plan and workers compensation client base, such as CareFirst and Highmark, who tapped into the Best Doctors network to help review their most complex and often high-dollar medical claims from their population as a way of evaluating the best treatment plan for their member. Internationally, Best Doctors has an established beachhead with global insurance and financial services companies, such as AIG and Sun Life.

In Slide 12, we've outlined initial views of the excellent cross-selling opportunities for our common client basis while Best Doctors also unlocks new distribution and client segments, such as life insurance and workers comp underwriters, and also makes our ability to commercialize the Teladoc solution outside the U.S. a near-term reality.

Similarly, Teladoc's strong broker channel and large footprint in the small employer health plan and provider segments provides tremendous opportunity to expand the distribution of Best Doctors' portfolio of products.

In Slide 13, we've mapped out what this combined platform would mean to our members. As you can see, the combined company offers an array of services that provides members with a highly personalized, high-quality care experience, where they can easily address an incredibly wide spectrum of care needs across the continuum of acuity and complexity on their terms. Whether they are dealing with cold and flu or evaluating a treatment plan for a hip replacement surgery, together, Teladoc and Best Doctors will be able to provide them with a solution to their medical issue.

We've also demonstrated opportunities for future development that will be made possible by leveraging the combined capabilities and assets of the 2 organizations. The Teladoc and Best Doctors brand attributes are extremely complementary, and together, present a powerful combination. The Best Doctors brand is synonymous with quality health care, and when coupled with Teladoc's reputation for innovation and member experiences that are convenient, accessible and highly engaging, will further drive the rapid adoption of connected care by consumers.

Slide 15 illustratively showcases how valuable and user-friendly this central entry point for virtual care can be for Teladoc and Best Doctors members. Our vision has always been to provide a platform that enables the health care consumer to say, "A member of my family has a health care issue. Let me turn to Teladoc for a solution," regardless of what that issue is. The addition of Best Doctors' capabilities to the Teladoc platform helps us take a giant step toward making that vision a reality.

Next, I'll turn the call over to Mark to describe the transaction highlights, Best Doctors' financials and our pro forma operating and financial expectations in more detail. Mark?

**Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Thanks, Jason. I'll start with the areas of operational fit between Teladoc and Best Doctors businesses.

As mentioned, our client bases and distribution channels are highly complementary, and we believe an opportunity exists to accelerate our growth through cross-selling. We believe our clinical operations and member servicing frameworks are also highly aligned and easily integrated between Best Doctors and Teladoc.

An area of particular enhancement to the Best Doctors platform is Teladoc's best-in-class member engagement and marketing capabilities that we believe can help drive further top-of-mind awareness and value-added services to clients. We see various areas of potential synergies in certain corporate, administrative and sales and marketing functions. We expect to provide a more specific update when we execute our overall integration plan.

Turning to the terms of the transaction. Teladoc will be acquiring Best Doctors for an enterprise value of \$440 million, comprised of \$375 million in cash and \$65 million in Teladoc stock. As part of this deal, Teladoc has secured \$360 million in committed financing from Jefferies, and we will be paying off our existing bank debt of \$42 million on our balance sheet as well. At this point, we estimate we will need to fund approximately \$77 million in cash from the balance sheet toward the purchase price and transaction expenses, and we expect to have an excess of \$75 million in cash following the close.

We expect to close the transaction by the end of July, pending customary approvals, including HSR and other closing conditions.

As for the financial impact, we will update 2017 full year guidance as part of our upcoming second quarter earnings report after the transaction close and after finalizing various valuation and purchase accounting considerations. We also expect to update our view of longer-term revenue synergies and potential cost efficiencies as part of an Investor Day to be held in fall 2017.

Turning to the pro forma impact. Best Doctors and Teladoc would have generated \$266 million of combined annualized revenue based on actual results from the first quarter of 2017. Also on a pro forma basis, the resulting businesses would have generated a gross margin of 69% in the first quarter 2017. Importantly, Best Doctors is EBITDA-positive and aligns with our trajectory to being breakeven on an adjusted EBITDA basis in the fourth quarter. To be clear, however, Teladoc reaffirms its objective of being adjusted EBITDA breakeven in the fourth quarter, independent of any positive incremental contributions from Best Doctors. Again, we will provide an update to our 2017 business outlook as part of our second quarter earnings report, by which time, we expect the transaction to have closed. We also look forward to updating you with our views of our longer-term objectives at the upcoming Investor Day event that I just mentioned.

I'll now turn it back to Jason to close out our prepared remarks.

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Thanks, Mark. We believe this is the right acquisition at the right time for Teladoc and Best Doctors' clients as well as for our shareholders and employees. Combined, we see an opportunity for significant value creation.

Firstly, and it bears repeating, both companies enjoy leadership positions and have achieved scale in their respective markets, and combined, we will be the first platform to offer all of these services together. Second, our client bases and distribution channels are highly complementary, and we believe an opportunity exists to accelerate our growth through cross-selling. Third, we believe there are readily achievable synergies when we combine the 2 companies' cost structures. And last, down the line, we think combining best-in-class medical and operational capabilities has the potential to create new virtual care applications that neither company by itself currently addresses. And with that, operator, please open the call for questions.

## Question and Answer

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### Operator

[Operator Instructions] Our first question comes from Lisa Gill with JPMorgan.

### Lisa Christine Gill

*JP Morgan Chase & Co, Research Division*

Jason, I just want to understand a couple of things a little bit better. One, can you maybe just talk about their specific business model? You talked about per-employee per-month. Is that the only fee? Or is there also an incremental visit fee like yours? And how are these primarily done? Are they done telephonically? Are they done like on a face time? How does it actually work when we compare it to Teladoc?

### Jason Gorevic

*Chief Executive Officer, President and Director*

Yes, so the business model, Lisa, is as similar to ours in that they charge large employers and international insurance and financial services companies a PPM or PMPM. That includes the inter-consultations, the second opinion services. When they sell into the health plan market or the workers comp market, they do it on more of a case rate basis. They're working in concert with the health plan or workers comp company to identify the high cost, high complexity cases that could benefit from a second opinion from one of their experts in the network, and then they get paid a per case fee for that. With respect to the process, the -- once the case is identified, and usually, it's the consumer reaching out to them because they know about the benefit from their HR department or from knowing about the benefits they have through their life insurance products or financial services, they reach out to Best Doctors. A case manager gets assigned, who walks them through really in a concierge manner, the process of understanding what the issue is, collecting all the medical records, working with an expert physician who's a specialist in the field, to understand whether there is additional pathology that needs to be taken, additional lab testing that needs to be done, whether the records are complete, constructing a summary of that case and then reaching out to a world-renowned expert in the subspecialty that's very specific to the case to come back with an opinion relative to the diagnosis and the course of treatment. That gets put into a full report and communicated both to the member as well as to the local treating physician. And really, the objective is to then work with the local treating physician in concert to make sure that the diagnosis and treatment plan are understood. Does that make sense?

### Lisa Christine Gill

*JP Morgan Chase & Co, Research Division*

Yes, it totally makes sense. And then you talked about some level of overlap in the large employer area today. Can you talk about what percentage of overlap that is? And Jason, when you think about the business model going forward, where now when you go back to those large employers, it would be a single product that you're trying to sell them, or will these still say 2 separate products that you're selling into that employer group over time?

### Jason Gorevic

*Chief Executive Officer, President and Director*

Yes, so Lisa, there's very little overlap in our collective book of business, less than 5% overlap. So while we both play in the large employer space, it turns out that when we compare our customer lists, there is relatively little overlap. The offering, however, to the large employer is to bring to them a suite of services. Now, of course, each of those services has a price attached to it, but the goal is to bring them a suite of services that work together to -- and are accessible through a single sort of common entry point, whether that's, as we do today, whether that's through a mobile app, through the web, through a call center, we want to make sure that the consumer has a single point of entry because our objective is that the consumer should be able to say, somebody in my family has a medical issue and regardless of what that issue is, they should be able to turn to Teladoc for a solution that they can get in a virtual environment.



But we will be offering -- we'll be actively looking to cross-sell into our -- each of our respective customer bases and ultimately move both of our customer bases to this full integrated suite of services.

### **Operator**

Your next question comes from Sean Wieland with Piper Jaffray.

### **Sean William Wieland**

*Piper Jaffray Companies, Research Division*

So just in -- a follow-up on Lisa's question, can you talk about the growth profile, top line growth profile of the company? And maybe on the mix of PMPM revenues and visit revenues, what the gross margin profile is of that? And ultimately, what I'm trying to get at, is this accretive to the long-term gross margin profile of Teladoc?

### **Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Hey, Sean, it's Mark. With regard to the company's growth over the past couple of years, the company has seen top line growth around 15%. As a result of really a redirection from -- at the behest of Peter and a focus on improving both the costs as well as expanding the sales force in, I believe, it's first quarter, you can see the results, the first quarter '17, the growth trajectory for our internal numbers for '17 would put Best Doctors' top line revenue in excess of \$100 million. We would expect that, that 15% prior year's growth to be exceeded. And while we're always communicating a 25% to 30% top line Teladoc growth, we think we'll still fall within that range for '17 and beyond. The margin profile is very similar. 90% of the company's revenue today is generated from the contractual subscription access fees, the per-member per-month, and clearly, those revenues are in excess of 90% of margin. And their episodic inter-consultation revenues also generate a margin that is significantly higher than Teladoc's margin on the delivery of our visits today. Where we're in the range of about 35% margin on the delivery of visits at Teladoc, the margin that is experienced through the inter-consultations is an excess of 50%.

### **Sean William Wieland**

*Piper Jaffray Companies, Research Division*

All right. That's helpful. Jason, you mentioned that this could accelerate Teladoc's would-be in cross-selling. Just run through what -- how much of a comparative advantage you think this is versus your competition.

### **Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, Sean, I really think this is a game changer relative to the competitive landscape. Teladoc will be the only company in the market offering this full suite of services. It changes from what is a market that's kind of littered with point solutions to a single comprehensive solution and gives us a platform on which to continue that expansion. The addition of the Best Doctors international network of experts opens the door to continue development of specialty services, expansion into chronic care, which we've talked about before. And there really is nobody in the market who can handle the full scope of care, ranging from the basic episodic care, all the way to the chronic and sometimes life-threatening illnesses. So I think it is a massive, massive differentiator from a competitive perspective. And the market segments are very complementary. Best Doctors had just started selling into the small and mid-sized employer market. Our strong footprint there, with a very, very solid and broad broker distribution network, enables us to rapidly accelerate that. They had also proven a very strong value proposition but had really just started penetrating the health plan market. Obviously, with over 30 health plans as clients, we have the opportunity to rapidly expand the distribution of that. And lastly, I guess I would just sort of reflect, since we announced only 1.5 hours ago, the -- we've started reaching out to some of our largest clients, and we're already getting incredibly positive responses from them about the combination of these 2 market leaders. So I think that's a good early indicator of the kind of response we're going to get from our clients.

### **Operator**

Your next question comes from Jamie Stockton with Wells Fargo.

**Jamie Stockton**

*Wells Fargo Securities, LLC, Research Division*

I guess, maybe, first, on the cross-sell, is there a ballpark PPM that we should be thinking about when you're going to your larger customer base and trying to sell them on the Best Doctor platform?

**Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Hey, Jamie, it's Mark. The PPM generated by Best Doctors has historically been stronger than the Teladoc PPM. We imagine that when we sell access to the entire platform, this will be a significant uplift for Teladoc.

**Jamie Stockton**

*Wells Fargo Securities, LLC, Research Division*

Okay. And that's great. Utilization, is there -- I think, you guys have talked about something in the 7% range for yourselves within your member base. It sounds like maybe their number is lower, but you're optimistic that some of your expertise could lift it. Could you give us some sense for where it stands today?

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, so you're exactly right, Jamie. The Best Doctors team really was just, again, sort of just getting started. Peter's been on board and has made a tremendous impact on the organization, but they're really just starting in terms of consumer engagement. I think the opportunity to combine the 2 forces and bring our "Surround Sound" engine to bear for the whole suite of services will be very powerful. Also, by offering the full continuum, we become much more relevant for the consumer. When you think about utilization though, it's a very, very different profile, right? I mean, this is the top of the pyramid, meaning, high-severity, low-frequency conditions as opposed to what we have historically treated at the opposite, right, high-frequency, low-severity conditions. So when Peter points to almost \$40,000 of savings per episode, that's obviously a lot different than our just shy of \$500 per episode. So it is a different profile. We're going to do our best, and we're still working through how we're going to report and give transparency. But as we have always tried to do, we'll do our best to give transparency into the business and make sure that the investment community understands how we're, a, driving utilization, but b, more importantly, driving ROI and value for our clients.

**Jamie Stockton**

*Wells Fargo Securities, LLC, Research Division*

Jason, is there a -- your answer to Lisa's question earlier about the way the process works, it sounds like the -- it's instigated by the employee at an employer, if that's who the customer is, and they engage with a care manager. Are there kind of directives that a company gives Best Doctors, where it's like, hey, unless there seems to be a really serious disconnect between the care that this individual is getting and what's appropriate, let's not pass them along more unless it seems like there's a significant cost savings opportunity here? Are there kind of filters that are in place at the care manager level that cause some people to not make it pass that? I'm just trying to understand like how does a typical employee get access to the full platform. How do you control tons and tons of people getting access to really high-cost specialists?

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, so you have a bunch of questions wrapped up in there. They're good questions, but I'm going to tease them apart one at a time, Jamie. So first, there's an example I can think of, and I won't share who that large employer is but it happens to be a common client of ours, who uses Best Doctors for what they call a treatment decision support, where there's an incentive in their benefit structure to get educated by

Best Doctors if they have a musculoskeletal issue and they're considering surgery. So that provides them with an incentive relative to the benefits that they are going to receive if they go through this process of being educated by a specialist, which includes some technology that helps educate the consumer in a multimedia fashion. So that's one example of where they've offered a different twist on the product to really work in concert with the large employer and their benefits and care management strategy. Another important thing, I think, which gets to your question about, well, how do you make sure that you manage the utilization of these very high -- these very highly educated experts in the field and make sure that only the appropriate things are getting through to them. There's a difference between Best Doctors' inter-consultation, which is the full scope of record collection and deep second opinion service, versus what they call, Ask the Expert. And the care manager's job is to understand whether this is a simple question that can be answered by a specialist in a relatively rapid fashion or whether it has to go through the entire process and go to a world-renowned expert in the field. And that helps them manage the demand side of the equation and also to be very responsive when there's a more simple question that's being asked. Did I answer your question directly?

**Jamie Stockton**

*Wells Fargo Securities, LLC, Research Division*

Yes. Yes. I know and I understand there are lot of different layers to the onion, but that's great.

**Operator**

Your next question comes from Charles Rhyee with Cowen and Company.

**Charles Rhyee**

*Cowen and Company, LLC, Research Division*

I had a question about the staffing of the doctors. I just want to know how the network is put together. You talked about 50,000-plus physicians. You obviously have a great list of the organizations they are with. Can you talk about are they -- how are they hired, or how are they part of your network? What kind of exclusivity around these experts are you tied to them and sort of length of their agreements? Is this kind of like an Uber, Lyft kind of model as well similar to maybe to help us in -- with -- in telehealth? Maybe some comments around that will be helpful.

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, sure. Peter, do you want to take that one? I think it's really specific to your network and how you construct it. So why don't you provide some color for Charles?

**Peter A. McClennen**

*Chief Executive Officer and Director*

Sure, sure. Good afternoon. It's Peter. So we run a Gallup-certified peer review process, where the way physicians become a best doctor is a doctor has to nominate them as a top physician in their field. So if you think about how do you know who are the best-suited physicians for particular conditions, basically, we go to the doctors and ask that question. That poll runs every year or 2. And as I mentioned, we use the Gallup organization to certify the poll as a professional organization. And we do that all around the world, and that's what creates the experts. We use them, to your question on economics, we use them as they are available to do their expert case reviews, and then they're on a per diem rate for that. Fairly standard in the industry as a nonexclusive because if you can imagine these experts, they're very in demand, and because of the breadth of our network, with 50,000, we always have plenty of capacity for growth.

**Charles Rhyee**

*Cowen and Company, LLC, Research Division*

Okay. That's helpful. And then Jason, you talked about -- we've talked a lot about the application of Best Doctors sort of through a consumer model. Can you talk about how you would envision this? I think you had a sort of a slide in terms of cross-selling. As we think about moving into the provider market, I mean,

should we expect this making available experts to health systems that -- who might not have certain specialties on-demand?

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, that's exactly the opportunity here. As we've talked about before, Charles, our -- we have been very successful in penetrating the hospital system market, especially this year with our platform-as-a-service model. One of the most frequently requested service is for us to be able to bring specialty care to bear for midsized hospitals who may not have the resources to be able to staff these specialists and subspecialists in every one of their facilities. And so we see the opportunity to leverage the Best Doctors network, their brand and their process, to be able to significantly augment our provider-oriented solution.

**Charles Rhyee**

*Cowen and Company, LLC, Research Division*

And then my last question would be, do you think -- would this change the way you're kind of currently set up because you talk about, you want to be one central point to sort of triage care out afterwards? Does that -- would that affect the way you currently do those or the call-back model? Or would that be kind of phased out over time? And I'll stop there.

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, absolutely. No, the -- now I don't think it changes the Teladoc delivery model for our existing products. It's really -- when I say it's a single point of entry, it's a single point of entry into a wide, wide array of solutions. So our vision is to be able to quickly help the consumer navigate to the solution that is most appropriate to them. But we always want to do that on the patient's terms. We want to do that on the consumer's terms in a way that is convenient to them, responsive to their preferred method of communication and offer essentially a guide through the health care system.

**Operator**

Your next question comes from Matthew Gillmor with Robert Baird.

**Matthew Dale Gillmor**

*Robert W. Baird & Co. Incorporated, Research Division*

I wanted to ask about the background of the acquisition. Can you give us some sense for how long each entity has sort of known each other and how the discussion sort of evolved to bring us to the acquisition today?

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Sure. Best Doctors has been on my radar for probably 5 years. This is a company who has an excellent reputation as the leader in their field. And the vision for what Teladoc could become, as always, included this type of service. In fact, if you look at our roadshow presentation that we did, and we talked about our future growth drivers, second opinion services are listed as part of that longer-term strategy. So now this has been an area that we've had our eye on for a long time. And as the leader in the telehealth space, we obviously pay the most attention to the leader in the expert opinion space. We -- with that said, both of us had some growth and maturing to do. On the Best Doctors side, they have significantly improved the profile of the company over the last couple of years, the growth trajectory, the financial performance. And at Teladoc, we've continually expanded our product portfolio as the Best Doctors team has to where now it really makes sense to put the 2 organizations together. There's no better time than right now because we've achieved an appropriate level of scale because we have the relevance and the utilization and our engagement engine running and because bringing together these 2 entities for our clients now makes sense in a way that it didn't before we had behavioral health and dermatology and tobacco cessation and sexual health and the other programs that we have as part of our portfolio. So we -- just a little over 6 months ago, probably 8 -- 6 to 8 months ago, we started engaging in more serious discussions about

how the 2 companies could be complementary and whether that made sense in partnership or as an acquisition, and obviously, we ended up on the latter.

**Matthew Dale Gillmor**

*Robert W. Baird & Co. Incorporated, Research Division*

Got it. That's very helpful. And then as you think about the growth profile, Jason, I think in the past, you've talked about M&A as needing to be accretive to Teladoc's growth, and you've outlined some of the cross-sell opportunities. Is there a way for us to think about what the combined growth rate is of the organization?

**Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Yes, Matt, you should continue to view the combined growth rate as falling within the 25% to 30% top line annual growth.

**Matthew Dale Gillmor**

*Robert W. Baird & Co. Incorporated, Research Division*

Got it. And then, Mark, one more, did you give a number in terms of the number of shares you expect to issue?

**Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Sure. If you think about where the stock price is today, it's going to be somewhere in the range of around 2 million shares in order to take that \$65 million component to be issued in Teladoc shares and get the remainder. \$375 million is in cash, which is coming from fully committed financing.

**Operator**

Your next question comes from Steve Halper with Cantor Fitzgerald.

**Steven Paul Halper**

*Cantor Fitzgerald & Co., Research Division*

2 questions. Does Best Doctors come along with any debt on its balance sheet? It looks like there was some interest expense in 2016. And then could you give us a range of what you expect the interest would be on the new debt?

**Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Sure. Steve, as part of the conditions of closing, all debt of our Best Doctors would be paid off to deliver the company with 0 debt. As far as what you should think about with respect to our debt, just think about blended, about 5.5%. Yes. Operator, do we have any other questions?

**Operator**

The next question comes from Steven Wardell with Chardan Capital Markets.

**Steven William Wardell**

*Chardan Capital Markets, LLC, Research Division*

My first question is you cited analytics as an asset of Best Doctors. Can you describe some of the analytics? And will this be useful to Teladoc as well?

**Jason Gorevic**

*Chief Executive Officer, President and Director*

Yes, absolutely. In fact, I think Peter has been really a champion of the analytics on their platform. Peter, you want to talk to the analytics and the role it plays in the Best Doctors suite?

**Peter A. McClennen***Chief Executive Officer and Director*

Absolutely. So think about analytics with us in 2 ways. One is outcomes. So we can analyze a client population or our historical population to narrow a cohort and identify the people who are likely to benefit from a Best Doctors service. So when you think of driving outcomes, our ability to study our results of the past informs the ability to predict how we can help a client across their population. So that's sort of vector 1. Vector 2 is engagement. So once you've identified the specific cohort of folks that can benefit from it, it gives us the targeted list to go ahead and engage, and that's another area where Teladoc's sort of best-in-class engagement methodologies is going to help in this area. So when you have that with clients who select to use the targeting for an engagement, you can significantly increase their ROI because you're engaging with a higher frequency just on the folks who are more likely to benefit from the service. So again, 2 vectors: one, outcomes to look across the population and figure out how you can help the right people; and two, on the engagement side for specific targeting to deliver a better ROI and outcome for that population.

**Steven William Wardell***Chardan Capital Markets, LLC, Research Division*

Great. And also, Best Doctors has this large international segment. Is there an opportunity for Teladoc to sell its services to that international audience?

**Jason Gorevic***Chief Executive Officer, President and Director*

Absolutely, yes. So what we've heard from the international clients of Best Doctors is that they are looking for telehealth solutions similar to what Teladoc provides. We have always said that international expansion for Teladoc is a when, not an if. And we were looking for the right opportunity for a platform on which to expand globally a distribution channel and an infrastructure to do that, and Best Doctors really facilitates and accelerates that.

**Operator**

The next question comes from Mohan Naidu with Oppenheimer.

**Michael Joseph Ott***Oppenheimer & Co. Inc., Research Division*

This is Mike on for Mohan. I'm wondering if you can say, guys, what the typical visit fee might be for Best Doctors? And does that vary by the type of case they're treating?

**Mark J. Hirschhorn***Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Yes, the range of their inter-consultation fees can run from \$5,000 to nearly \$8,000, and you should think about the, as Jason had elaborated before, there are a number of different physicians as well as case managers, potentially pathology and other services that are undertaken in order to complete a case review.

**Michael Joseph Ott***Oppenheimer & Co. Inc., Research Division*

Okay. That's helpful. And then are there any international geographic concentrations that you'd call out?

**Mark J. Hirschhorn***Chief Financial Officer, Chief Operating Officer and Executive Vice President*

So while the company has approximately 80% of its revenue being generated in North America, the 20% international comes from a number of countries, U.K., Australia, Japan. It's a nice, broad spectrum of clients located in numerous geographic areas.



**Jason Gorevic**

*Chief Executive Officer, President and Director*

And so just to add to that and clarify, when we say 40% is international, half of that international is Canada, and then the remainder falls into the bucket that Mark was just describing.

**Operator**

Your last question is coming from the line of Jamie Stockton of Wells Fargo.

**Jamie Stockton**

*Wells Fargo Securities, LLC, Research Division*

Just one quick follow-up. Mark, the debt that's going to exist on the balance sheet, I mean, do you have any long-term thoughts on that? Is there a level of debt that you're comfortable with? Just anything there would be great because it does change the complexity of the balance sheet.

**Mark J. Hirschhorn**

*Chief Financial Officer, Chief Operating Officer and Executive Vice President*

Yes, that's a good question, Jamie. I'm currently looking at a number of options. Clearly, where the market is today, where we're performing today, we have a number of options in front of us which we'll pursue. I could resoundingly tell you that I'm not comfortable maintaining a level of debt at the level which we would require to complete this transaction for too many quarters.

**Operator**

There are no further questions at this time. This concludes today's conference call. You may now disconnect.

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