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Teladoc's 2022 Q1 earnings reveal a slowdown—but its chronic care business could rev it back up

Article

The news: **Teladoc** reported that its Q1 year-over-year revenue grew 25% from **$453.7 million** in 2021 to **$565.4 million** in 2022.

However, Teladoc execs lowered their expected revenue for the full 2022 year: Now they expect **$2.4 billion to $2.5 billion** compared with their prior forecast of **$2.55 billion to $2.65 billion**.

- On Teladoc's earnings call, CEO **Jason Gorevic** said around three-quarters of the revenue outlook decrease was related to Teladoc's **BetterHelp** business, which sucked in higher marketing spend but lower than expected returns on it.
- Teladoc still expects more top-line revenues to come in from its new chronic care business, **Chronic Care Complete**, which launched in February.
- In Q1, Teladoc had a net loss of **$6.67 billion** and a goodwill impairment charge of **$6.6 billion**—likely because of Teladoc's **Livongo** business not yet living up to expectations.

Did Teladoc overpay for Livongo? The **$18.5 billion** Teladoc-Livongo megamerger in August 2020 certainly turned heads as one of (and still) the biggest digital health M&A deals to date.

- The multibillion-dollar price tag was calculated as 45 times Livongo's expected revenue for the next 12 months at the time.
- Teladoc's own valuation is around **$11.3 billion** right now—much lower than its $18.5 billion purchase price for Livongo.
- Livongo missed analysts' expectations for membership growth in the last two quarters of 2021. But it still grew around 12% from 653,000 members in Q1'21 to 731,000 in Q1'22.

But the tide could turn and Teladoc could milk more value out of its Livongo business now that it's diving deeper into the chronic care management space.

The bigger picture: Teladoc is not alone in its post-COVID growing pains. Fellow digital health firms are also experiencing a slide away from the peak pandemic-era telehealth boom.

- For example, telehealth giant **Amwell** lowered its revenue outlook in Q3'21 and missed analyst expectations for quarterly revenues at the end of 2021.
- Also, diagnostics giant **LabCorp** (which has been investing in AI tech and at-home testing) recently announced a drop in Q1 revenues year-over-year (from $4.9 billion last year to $3.9 billion this year).

But it's also important to note: While telehealth companies are experiencing a bit of a slump now, telehealth isn't going anywhere. Telehealth use is higher than pre-pandemic levels and is still expected to go up over the years (albeit at a slower pace than during the pandemic).