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Ro nabbed $500 million in VC funding—here's why an IPO may not be in the cards any time soon

Article

Direct-to-consumer (D2C) telehealth company **Ro** bagged $500 million in Series D funding on the back of its July $200 million raise—which means it's now valued at **$5 billion**. The one-stop shop virtual care firm will use its cash infusion to grow from 8 to 10 pharmacy distribution centers this year, hire more on-staff providers instead of contractors, and expand its in-home offerings, per Forbes.

Despite Ro's aggressive expansion, it's yet to take the public leap unlike some of its major competitors—here's why it may not be pursuing an IPO any time soon:

- **Ro's primary competitor, Hims & Hers, made a public debut earlier this year following a flurry of other digital health company IPOs and SPAC deals.** But Ro isn't lagging behind Hims despite being a private company: At the end of 2020, Hims reported **$149 million** in revenue, while Ro pegged its revenue to be **$230 million** for the same time period.
- **Ro was reportedly exploring a SPAC deal to go public—but its latest funding round may have replaced those plans.** In January, sources told Reuters that Ro was considering securing a SPAC deal, but that it may also pursue other options like an additional funding round instead: Its latest $500 megraise likely fulfills the latter.
- **A public offering might not be worth its risks for Ro as major contenders like Amazon already threaten to bulldoze over the telehealth industry.** A company like Ro would be subject to increased public scrutiny and external pressures amid a public offering by having to disclose all of its risk factors, which could take focus away from its aggressive expansion plans—likely a priority for Ro, especially as massive entities like **Amazon Care** threaten to steal the attention of consumers all across the US.

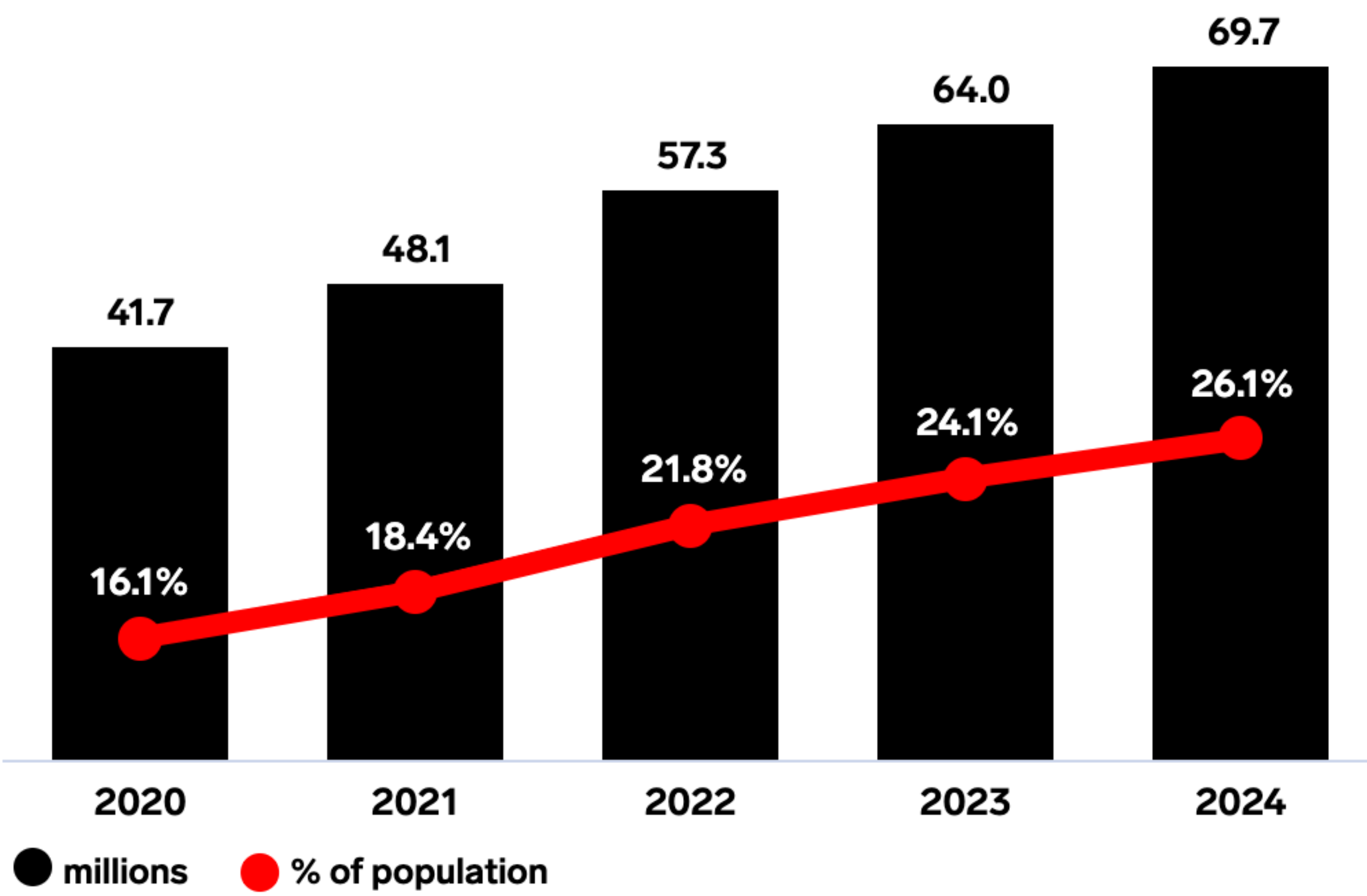
Plus, Ro may not need the fuel an IPO would bring right now: US cash-pay patients are on the rise, and that's helping D2C care startups like Ro explode.

- **More US individuals are losing their health insurance, which means they'll likely either put off care or pay for it upfront.** Approximately **70%** of health system execs are preparing for an increase in self-pay consumers due to the economic impact of the pandemic, according to a September 2020 survey conducted by the Healthcare Financial Management Association.
- **D2C care startups like Ro are sidestepping health insurance with self-pay options, and they tend to be more affordable and transparent with pricing—two things consumers want.** Ro is cash-pay only and affordable: Its monthly mail-order prescription package is $5 a month, telehealth visits cost $15 each, and it charges $20 to $40 monthly for in-home diagnostics. Similarly, Hims & Hers charges members $20 monthly for unlimited virtual consultations and a supply of generic medications—and its approach has paid off: Hims & Hers reported $41.5 million in revenue for Q4 2020—up 67% year over year from Q4 2019.

However, it's more likely D2C care startups will cannibalize each other vs incumbents given the sheer size of legacy payers' member networks. Deeply entrenched insurers have millions of members and massive cash stores, which means smaller D2C health upstarts won't be a threat to business: **Aetna** boasts over 22 million members—and **UnitedHealthcare** reported $2.2 billion in Q4 2020 revenue alone, for instance.

Telemedicine Users

US, 2020-2024



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