

# Oak Street unveils rosy Q1 2021 earnings results, expects stronger growth this year

Article

Tech-based primary care vendor **Oak Street** [raked in \\$297 million](#) in revenues during the first quarter of the year—a **47%** annual jump from **\$197 million** in Q1 2020. The primary care

disruptor plans to see stronger growth this year as it opens up 42 new clinics by the end of 2021.

**When analysts asked Oak Street execs about the company's M&A strategy during the earnings call, they indicated it's not focused on securing large deals.** Oak Street's earnings statement revealed a \$1 million acquisition, which leadership clarified was an acquisition of a smaller healthcare practice. CEO Mike Pykosz **indicated** there could be more smaller deals like it on the horizon as Oak Street expands, but bigger M&As aren't a "core part" of the company's strategy.

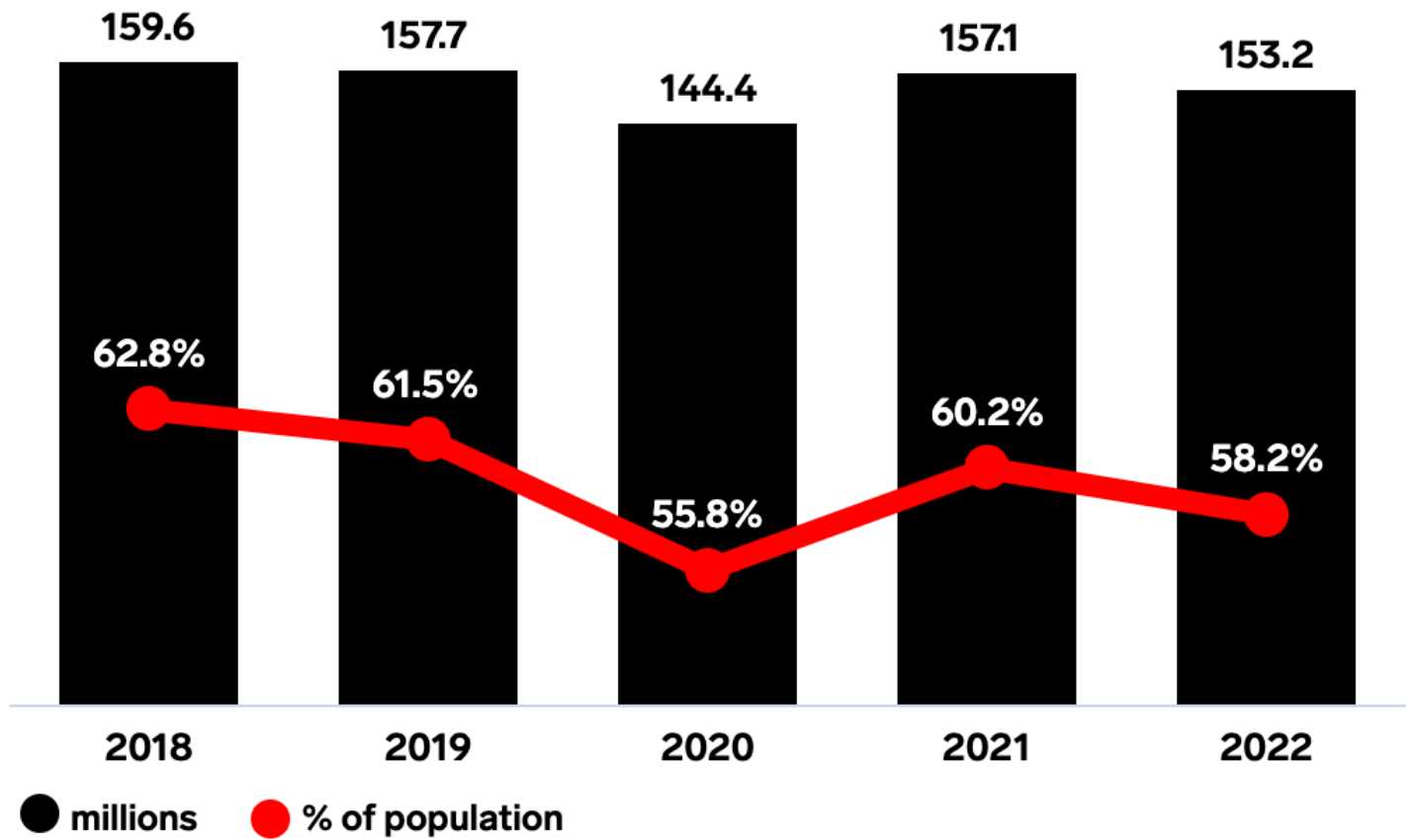
**It seems more likely its tie-up with Walmart will become more important, and even expand this year.** Last year, Oak Street **teamed up** with Walmart to bring its primary care clinics to three Walmart supercenters in Texas. During Oak Street's Q1 2021 call, execs said that the company "likes its partnership with Walmart," and they're "encouraged by the results so far." With a positive outlook, we could see Oak Street expand to Walmart supercenters beyond Texas: Oak Street already plans to **widen** its footprint in Georgia this summer—a state where Walmart has **150** supercenters where it could offer Oak Street's services.

**We expect to see more rosy earning results from Oak Street and its peers throughout the rest of the year—here's why:**

- **Primary care entrants have proprietary tech automating admin tasks, a top US healthcare cost.** For example, Carbon Health **credits** its profitability to its machine learning tech that enables providers to streamline time-consuming administrative work, which accounts for **one-third** of US healthcare spending. Financially struggling primary care practices typically don't have the cash stores to build this type of tech in house, which means admin work likely remains a top expense.
- **Companies like Oak Street boast in-house algorithms that accurately predict readmission rates, which can help attract payer partners seeking lower costs.** Oak Street **attributes** its scalability to its tech system, Canopy, which produces algorithms to improve the accuracy of costly patient admissions and mortality compared with traditional care by 2x and 3.5x, respectively. This type of tech likely helped Oak Street **nab** payer partners like **Humana**, helping it reach a wider number of patients than it would on its own.

# Primary Care Physician Patients

US, 2018-2022



Source: eMarketer, January 2021

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