

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-37477

TELADOC HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

04-3705970
(I.R.S. Employer Identification No.)

2 Manhattanville Road, Suite 203
Purchase, New York
(Address of principal executive office)

10577
(Zip code)

(203) 635-2002

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	TDOC	The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

As of April 27, 2020, the Registrant had 74,453,266 shares of Common Stock outstanding.

TELADOC HEALTH, INC.
QUARTERLY REPORT ON FORM 10-Q
For the period ended March 31, 2020

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PART I
FINANCIAL INFORMATION

ITEM 1. Financial Statements

TELADOC HEALTH, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data, unaudited)

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 507,956	\$ 514,353
Short-term investments	2,819	2,711
Accounts receivable, net of allowance of \$4,651 and \$3,787, respectively	70,721	56,948
Prepaid expenses and other current assets	14,932	13,990
Total current assets	596,428	588,002
Property and equipment, net	10,092	10,296
Goodwill	734,386	746,079
Intangible assets, net	214,666	225,453
Operating lease - right-of-use assets	32,175	26,452
Other assets	15,330	6,545
Total assets	<u>\$ 1,603,077</u>	<u>\$ 1,602,827</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 8,142	\$ 9,075
Accrued expenses and other current liabilities	71,927	49,848
Accrued compensation	17,095	31,258
Total current liabilities	97,164	90,181
Other liabilities	10,237	11,539
Operating lease liabilities, net of current portion	29,430	24,994
Deferred taxes	18,848	21,678
Convertible senior notes, net	447,221	440,410
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value; 150,000,000 shares authorized as of March 31, 2020 and December 31, 2019; 74,076,286 shares and 72,761,941 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	74	73
Additional paid-in capital	1,572,024	1,538,716
Accumulated deficit	(537,128)	(507,525)
Accumulated other comprehensive loss	(34,793)	(17,239)
Total stockholders' equity	1,000,177	1,014,025
Total liabilities and stockholders' equity	<u>\$ 1,603,077</u>	<u>\$ 1,602,827</u>

See accompanying notes to unaudited consolidated financial statements.

TELADOC HEALTH, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data, unaudited)

	Quarter Ended March 31,	
	2020	2019
Revenue	\$ 180,799	\$ 128,573
Expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	72,382	44,677
Operating expenses:		
Advertising and marketing	32,515	26,404
Sales	17,940	16,212
Technology and development	19,257	15,987
Legal and regulatory	1,222	1,586
Acquisition and integration related costs	3,664	1,012
General and administrative	45,120	35,982
Depreciation and amortization	9,710	9,600
Total expenses	201,810	151,460
Loss from operations	(21,011)	(22,887)
Interest expense, net	9,303	6,521
Net loss before taxes	(30,314)	(29,408)
Income tax (benefit) expense	(711)	742
Net loss	\$ (29,603)	\$ (30,150)
Net loss per share, basic and diluted	\$ (0.40)	\$ (0.43)
Weighted-average shares used to compute basic and diluted net loss per share	73,278,857	70,919,496

See accompanying notes to unaudited consolidated financial statements.

TELADOC HEALTH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, unaudited)

	Quarter Ended March 31,	
	2020	2019
Net loss	\$ (29,603)	\$ (30,150)
Other comprehensive loss, net of tax:		
Net change in unrealized gains on available-for-sale securities	0	55
Cumulative translation adjustment	(17,554)	(3,843)
Other comprehensive loss, net of tax	(17,554)	(3,788)
Comprehensive loss	<u>\$ (47,157)</u>	<u>\$ (33,938)</u>

See accompanying notes to unaudited consolidated financial statements

TELADOC HEALTH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data, unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance of December 31, 2019	72,761,941	73	1,538,716	(507,525)	(17,239)	1,014,025
Exercise of stock options	671,279	0	14,830	0	0	14,830
Issuance of common stock upon vesting of restricted stock units	642,411	1	(1)	0	0	0
Issuance of common stock for Convertible Notes	655	0	58	0	0	58
Stock-based compensation	0	0	18,421	0	0	18,421
Other comprehensive loss, net of tax	0	0	0	0	(17,554)	(17,554)
Net loss	0	0	0	(29,603)	0	(29,603)
Balance as of March 31, 2020	<u>74,076,286</u>	<u>\$ 74</u>	<u>\$ 1,572,024</u>	<u>\$ (537,128)</u>	<u>\$ (34,793)</u>	<u>\$ 1,000,177</u>
Balance as of December 31, 2018	70,516,249	\$ 70	\$ 1,434,780	\$ (408,661)	\$ (13,070)	\$ 1,013,119
Exercise of stock options	564,102	1	8,853	0	0	8,854
Issuance of common stock upon vesting of restricted stock units	383,060	0	0	0	0	0
Stock-based compensation	0	0	13,523	0	0	13,523
Other comprehensive loss, net of tax	0	0	0	0	(3,788)	(3,788)
Net loss	0	0	0	(30,150)	0	(30,150)
Balance as of March 31, 2019	<u>71,463,411</u>	<u>\$ 71</u>	<u>\$ 1,457,156</u>	<u>\$ (438,811)</u>	<u>\$ (16,858)</u>	<u>\$ 1,001,558</u>

See accompanying notes to unaudited consolidated financial statements.

TELADOC HEALTH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Quarter Ended March 31,	
	2020	2019
Cash flows used in operating activities:		
Net loss	\$ (29,603)	\$ (30,150)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,228	11,563
Allowance for doubtful accounts	1,247	783
Stock-based compensation	18,315	13,523
Deferred income taxes	(2,820)	(2,672)
Accretion of interest	6,859	6,060
Changes in operating assets and liabilities:		
Accounts receivable	(17,219)	(8,251)
Prepaid expenses and other current assets	101	350
Other assets	137	30
Accounts payable	(502)	(28)
Accrued expenses and other current liabilities	21,565	14,530
Accrued compensation	(13,798)	(11,737)
Operating lease liabilities	(1,287)	(479)
Other liabilities	(543)	(1,414)
Net cash used in operating activities	(6,320)	(7,892)
Cash flows (used in) provided by investing activities:		
Purchase of property and equipment	(962)	(571)
Purchase of internal-use software	(1,966)	(1,099)
Proceeds from marketable securities	0	9,000
Sale of assets	0	6
Pre-funding associated with the pending acquisition	(9,000)	0
Net cash (used in) provided by investing activities	(11,928)	7,336
Cash flows provided by financing activities:		
Net proceeds from the exercise of stock options	14,889	8,854
Cash received for withholding taxes on stock-based compensation, net	164	1,848
Net cash provided by financing activities	15,053	10,702
Net (decrease) increase in cash and cash equivalents	(3,195)	10,146
Foreign exchange difference	(3,202)	(177)
Cash and cash equivalents at beginning of the period	514,353	423,989
Cash and cash equivalents at end of the period	\$ 507,956	\$ 433,958
Income taxes paid	\$ 0	\$ 23
Interest paid	\$ 0	\$ 0

See accompanying notes to unaudited consolidated financial statements.

Note 1. Organization and Description of Business

Teladoc, Inc. was incorporated in the State of Texas in June 2002 and changed its state of incorporation to the State of Delaware in October 2008. Effective August 10, 2018, Teladoc, Inc. changed its corporate name to Teladoc Health, Inc. Unless the context otherwise requires, Teladoc Health, Inc., together with its subsidiaries, is referred to herein as “Teladoc Health” or the “Company”. The Company’s principal executive office is located in Purchase, New York. Teladoc Health is the global leader in providing virtual healthcare services with a focus on high quality, lower costs, and improved outcomes around the world.

On January 12, 2020, the Company entered into a definitive agreement to acquire InTouch Technologies, Inc., the leading provider of enterprise telehealth solutions for hospitals and health systems. The transaction is expected to close in mid-2020. Under the terms of the agreement, the purchase price of \$600.0 million will consist of approximately \$150.0 million in cash as well as \$450.0 million of Teladoc Health’s common stock which is subject to adjustment based on the average of the Company’s stock price for the ten full trading days prior to the completion of the acquisition.

Note 2. Basis of Presentation and Principles of Consolidation

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. In the opinion of the Company’s management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals and adjustments) necessary to present fairly the financial position, results of operations and cash flows of the Company at the dates and for the periods indicated. The interim results for the quarter ended March 31, 2020 are not necessarily indicative of results for the full 2020 calendar year or any other future interim periods. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Form 10-K for the year ended December 31, 2019.

The unaudited consolidated financial statements include the results of Teladoc Health, its wholly owned subsidiaries, as well as two professional associations, fourteen professional corporations and a service corporation (the “Association”).

Teladoc Physicians, P.A. became Teladoc Health Medical Group, P.A. on January 1, 2020. Teladoc Health Medical Group, P.A. is party to several services agreements by and among it and the professional corporations pursuant to which each professional corporation provides services to Teladoc Health Medical Group, P.A. Each professional corporation is established pursuant to the requirements of its respective domestic jurisdiction governing the corporate practice of medicine.

The Company holds a variable interest in the Association which contracts with physicians and other health professionals in order to provide services to Teladoc Health. The Association is considered a variable interest entity (“VIE”) since it does not have sufficient equity to finance its activities without additional subordinated financial support. An enterprise having a controlling financial interest in a VIE, must consolidate the VIE if it has both power and benefits—that is, it has (1) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance (power) and (2) the obligation to absorb losses of the VIE that potentially could be significant to the VIE or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits). The Company has the power and rights to control all activities of the Association and funds and absorbs all losses of the VIE.

Total revenue and net (loss) income for the VIE were \$42.5 million and \$(0.1) million, respectively, for the quarter ended March 31, 2020 and \$21.1 million and \$(0.1) million, respectively, for the quarter ended March 31, 2019. The VIE’s total assets were \$22.8 million and \$13.6 million at March 31, 2020 and December 31, 2019, respectively. Total liabilities for the VIE were \$60.4 million and \$51.3 million at March 31, 2020 and December 31, 2019, respectively. The VIE’s total stockholders’ deficit was \$37.8 million and \$37.7 million at March 31, 2020 and December 31, 2019, respectively.

The functional currency for each of the Company’s foreign subsidiaries is the local currency. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet

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date. Revenues and expenses are translated at the weighted average exchange rate during the period. Cumulative translation gains or losses are included in stockholders' equity as a component of accumulated other comprehensive income (loss).

The Company operates in a single reportable segment – health services. Revenue earned by foreign operations outside of the United States were \$29.4 million and \$25.2 million for the quarters ended March 31, 2020 and 2019, respectively. Long-lived assets from foreign operations both totaled \$2.2 million as of March 31, 2020 and December 31, 2019.

All intercompany transactions and balances have been eliminated.

Recently Issued Accounting Pronouncements

In December 2019, FASB issued ASU 2019-12 Simplification of Income Taxes (Topic 740) Income Taxes. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for public companies for annual periods beginning after December 15, 2020, including interim periods within those fiscal years. We are early adopting ASU 2019-12 on our consolidated financial statements and disclosures effective January 1, 2020, with no material impact to the financial statements.

In January 2017, the FASB issued ASU 2017-04, Goodwill Simplifications (Topic 350). ASU 2017-04 simplifies the test for goodwill impairment. The new guidance eliminates Step 2 from the goodwill impairment test as currently prescribed in the U.S. generally accepted accounting principle. This ASU is the result of the FASB project focused on simplifications to accounting for goodwill. The new guidance was effective for the first quarter of 2020 and was adopted in the quarter-ended December 31, 2019.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. ASU 2016-13 is effective for public companies for annual periods beginning after December 13, 2019, including interim periods within those fiscal years. The standard will apply as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The guidance was effective for the first quarter of 2020 and was adopted in the quarter ended March 31, 2020, with no material impact to the financial statements.

Summary of Significant Accounting Policies

There have been no changes to the significant accounting policies described in the 2019 Form 10-K that have had a material impact on the consolidated financial statements and related notes. The Company has not experienced any significant impact to its estimates and assumptions as a result of the COVID-19 pandemic. On an ongoing basis, the Company will continue to closely monitor for any changes to the related impacts, especially on the allowance for doubtful accounts.

Note 3. Revenue

The Company generates virtual healthcare service revenue from contracts with clients who purchase access to the Company's professional provider network or medical experts for their employees, dependents and other beneficiaries. The Company's client contracts include a per-member-per-month subscription access fee as well as certain contracts that generate additional revenue on a per-telehealth visit basis for general medical, other specialty visits and expert medical service on a per case basis. The Company also has certain contracts that generate revenue based solely on a per telehealth visit basis for general medical and other specialty visits. For the Company's direct-to-consumer behavioral health product, members purchase access to the Company's professional provider network for a subscription access fee. Accordingly, the Company generates subscription access revenue from subscription access fees and visit fee revenue for general medical, expert medical service and other specialty visits.

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The Company's agreements generally have a term of one year. The majority of clients renew their contracts following their first year of services. Revenues are recognized when the Company satisfies its performance obligation to stand ready to provide telehealth services which occurs when the Company's clients and members have access to and obtain control of the telehealth service. The Company generally bills for the telehealth services on a monthly basis with payment terms generally being 30 days. There are not significant differences between the timing of revenue recognition and billing. Consequently, the Company has determined that client contracts do not include a financing component. Revenue is recognized in an amount that reflects the consideration that is expected in exchange for the service and includes a variable transaction price as the number of members may vary from period to period. Based on historical experience, the Company estimates this amount.

Subscription access revenue accounted for approximately 76% and 82% of our total revenue for the quarters ended March 31, 2020 and 2019, respectively.

The following table presents the Company's revenues disaggregated by revenue source (in thousands):

	Quarter Ended	
	March 31,	
	2020	2019
Subscription Access Fees:		
U.S.	\$ 107,939	\$ 80,979
International	29,114	24,975
Visit Fee Revenue:		
U.S. Paid Visits	30,898	18,248
U.S. Visit Fee Only	12,586	4,121
International Paid Visits	262	250
Total Revenues	<u>\$ 180,799</u>	<u>\$ 128,573</u>

As of March 31, 2020, accounts receivable, net of allowance for doubtful accounts, were \$70.7 million. The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on historical experience, specific account information and other currently available evidence.

For certain services, payment is required for future months before the service is delivered to the client or member. The Company records deferred revenue when cash payments are received in advance of the Company's performance obligation to provide services. The net increase of \$5.4 million and \$2.9 million in the deferred revenue balance for the three months ended March 31, 2020 and 2019, respectively, are primarily driven by the direct-to-consumer behavioral health product and cash payments received or due in advance of satisfying the Company's performance obligations, offset by revenue recognized that were included in the deferred revenue balance at the beginning of the period. The Company anticipates that it will satisfy most of its performance obligations associated with the deferred revenue within the prospective fiscal year.

The Company's contracts do not generally contain refund provisions for fees earned related to services performed. However, the Company's direct-to-consumer behavioral health service provides for member refunds. Based on historical experience, the Company estimates the expected amount of refunds to be issued which are recorded as a reduction of revenue. The Company issued refunds of approximately \$1.2 million and \$0.6 million for the quarter ended March 31, 2020 and 2019, respectively.

Additionally, certain of the Company's contracts include client performance guarantees that are based upon minimum Member utilization and guarantees by the Company for specific service level performance of the Company's services. If client performance guarantees are not being realized, the Company records, as a reduction to revenue, an estimate of the amount that will be due at the end of the respective client's contractual period. For the quarter ended March 31, 2020 and 2019, revenue recognized from performance obligations related to prior periods for the aforementioned changes in transaction price or client performance guarantees, were not material.

The Company has elected the optional exemption to not disclose the remaining performance obligations of its contracts since substantially all of its contracts have a duration of one year or less and the variable consideration expected to be received over the duration of the contract is allocated entirely to the wholly unsatisfied performance obligations.

Note 4. Business Acquisitions

On April 30, 2019, the Company completed the acquisition of the Paris-based telemedicine provider MedecinDirect in which MedecinDirect became a wholly-owned subsidiary of the Company. The aggregate merger consideration paid was \$11.2 million with additional potential earnout consideration. The acquisition was considered a stock acquisition for tax purposes and accordingly, the goodwill resulting from the acquisition is not tax deductible.

Note 5. Intangible Assets, Net

Intangible assets, net consist of the following (in thousands):

	Useful Life	Gross Value	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life
March 31, 2020					
Client relationships	2 to 20 years	\$ 232,987	\$ (65,733)	\$ 167,254	13.0
Non-compete agreements	1.5 to 5 years	4,930	(4,366)	564	1.2
Trademarks	3 to 15 years	41,764	(7,727)	34,037	12.6
Patents	3 years	200	(200)	0	0
Internal-use software and other	3 to 5 years	37,219	(24,408)	12,811	2.4
Intangible assets, net		<u>\$ 317,100</u>	<u>\$ (102,434)</u>	<u>\$ 214,666</u>	12.3
December 31, 2019					
Client relationships	2 to 20 years	\$ 237,182	\$ (60,647)	\$ 176,535	13.1
Non-compete agreements	1.5 to 5 years	4,958	(4,260)	698	1.4
Trademarks	3 to 15 years	42,606	(7,143)	35,463	12.9
Patents	3 years	200	(200)	0	0
Internal-use software	3 to 5 years	34,850	(22,093)	12,757	2.3
Intangible assets, net		<u>\$ 319,796</u>	<u>\$ (94,343)</u>	<u>\$ 225,453</u>	12.4

Amortization expense for intangible assets was \$8.9 million and \$8.7 million for the quarters ended March 31, 2020 and 2019, respectively.

Note 6. Goodwill

Goodwill consists of the following (in thousands):

	As of March 31, 2020
Beginning balance	\$ 746,079
Cumulative translation adjustment	(11,693)
Goodwill	<u>\$ 734,386</u>

Note 7. Leases

The Company commenced a new 5 year lease on March 1, 2020 for office space in Santa Clara, CA. As a result the Company recorded a right-of-use asset and lease liability of \$6.8 million as of March 1, 2020.

Note 8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	As of March 31, 2020	As of December 31, 2019
Professional fees	\$ 1,567	\$ 1,535
Consulting fees/provider fees	16,668	10,618
Client performance guarantees	3,087	3,298
Legal fees	1,549	1,077
Interest payable	3,889	838
Income tax payable	5,478	2,859
Insurance	1,587	1,263
Marketing	3,052	2,810
Operating lease liabilities - current	5,836	5,088
Deferred revenue	17,872	12,466
Other	11,342	7,996
Total	<u>\$ 71,927</u>	<u>\$ 49,848</u>

Note 9. Fair Value Measurements

The Company measures its financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activity.

The Company measures its cash equivalents at fair value on a recurring basis. The Company classifies its cash equivalents within Level 1 because they are valued using observable inputs that reflect quoted prices for identical assets in active markets and quoted prices directly in active markets.

The Company measures its short-term investments at fair value on a recurring basis and classifies such as Level 2. They are valued using observable inputs that reflect quoted prices directly or indirectly in active markets. The short-term investments amortized cost approximates fair value.

The Company measured its contingent consideration at fair value on a recurring basis and classified such as Level 3. The Company estimates the fair value of contingent consideration as the present value of the expected contingent payments, determined using the weighted probability of the possible payments.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis using the above input categories (in thousands):

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 507,956	\$ 0	\$ 0	\$ 507,956
Short-term investments	\$ 0	\$ 2,819	\$ 0	\$ 2,819
Contingent liability	\$ 0	\$ 0	\$ 4,782	\$ 4,782

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	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 514,353	\$ 0	\$ 0	\$ 514,353
Short-term investments	\$ 0	\$ 2,711	\$ 0	\$ 2,711
Contingent liability	\$ 0	\$ —	\$ 4,769	\$ 4,769

There were no transfers between fair value measurement levels during the quarter ended March 31, 2020 and 2019.

The change in fair value of the Company's contingent liability is recorded in general and administrative expenses in the consolidated statements of operations. The following table reconciles the beginning and ending balance of the Company's Level 3 contingent liability:

Fair value at December 31, 2019	\$ 4,769
Payments	0
Change in fair value	105
Currency translation adjustment	(92)
Fair value at March 31, 2020	\$ 4,782

Note 10. Revolving Credit Facility

The Company entered into a \$10.0 million Senior Secured Revolving Credit Facility (the "New Revolving Credit Facility") in 2017. The New Revolving Credit Facility is available for working capital and other general corporate purposes. The Company has maintained the New Revolving Credit Facility and, there was no amount outstanding as of March 31, 2020 and December 31, 2019. The Company utilized \$2.2 million of letters of credit for facility security deposits at March 31, 2020.

The Company was in compliance with all debt covenants at March 31, 2020 and December 31, 2019.

Note 11. Convertible Senior Notes

Convertible Senior Notes Due 2025

On May 8, 2018, the Company issued, at par value, \$287.5 million aggregate principal amount of 1.375% convertible senior notes due 2025. The 2025 Notes bear cash interest at a rate of 1.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The 2025 Notes will mature on May 15, 2025. The net proceeds to the Company from the offering were \$279.1 million after deducting offering costs of approximately \$8.4 million.

The 2025 Notes are senior unsecured obligations of the Company and rank senior in right of payment to the Company's indebtedness that is expressly subordinated in right of payment to the 2025 Notes; equal in right of payment to the Company's liabilities that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities incurred by the Company's subsidiaries.

Holders may convert all or any portion of their 2025 Notes in integral multiples of \$1,000 principal amount, at their option, at any time prior to the close of business on the business day immediately preceding November 15, 2024 only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the shares of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any ten consecutive trading day period in which the trading price was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- upon the occurrence of specified corporate events described under the 2025 Notes Indenture; or

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- if the Company calls the 2025 Notes for redemption, at any time until the close of business on the second business day immediately preceding the redemption date.

On or after November 15, 2024, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2025 Notes, regardless of the foregoing circumstances.

The conversion rate for the 2025 Notes was initially, and remains, 18.6621 shares of the Company's common stock per \$1,000 principal amount of the 2025 Notes, which is equivalent to an initial conversion price of approximately \$53.58 per share of the Company's common stock. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination thereof, at the Company's election. If the Company elects to satisfy the conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of the Company's common stock, the amount of cash and shares of the Company's common stock, if any, due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 25 trading day observation period.

The Company may redeem for cash all or any portion of the 2025 Notes, at its option, on or after May 22, 2022 if the last reported sale price of its common stock exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest, if any. In addition, calling any 2025 Note for redemption on or after May 22, 2022 will constitute a make-whole fundamental change with respect to that 2025 Note, in which case the conversion rate applicable to the conversion of that Note, if it is converted in connection with the redemption, will be increased in certain circumstances as described in the 2025 Notes Indenture.

In accounting for the issuance of the 2025 Notes, the Company separated the 2025 Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2025 Notes as a whole. The excess of the principal amount of the liability component over its carrying amount, referred to as the debt discount, is amortized to interest expense from the issuance date to November 15, 2024 (the first date on which the Company may be required to repurchase the 2025 Notes at the option of the holder). The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The equity component related to the 2025 Notes was \$91.4 million, net of issuance costs which was recorded in additional paid-in capital on the accompanying consolidated balance sheet.

In accounting for the transaction costs related to the issuance of the 2025 Notes, the Company allocated the total costs incurred to the liability and equity components of the 2025 Notes based on their relative values. Transaction costs attributable to the liability component are being amortized to interest expense over the seven-year term of the 2025 Notes, and transaction costs attributable to the equity component are netted with the equity component in stockholders' equity.

The 2025 Notes consist of the following (in thousands):

	As of March 31, 2020	As of December 31, 2019
Liability component		
Principal	\$ 287,500	\$ 287,500
Less: Debt discount, net (1)	(78,131)	(81,207)
Net carrying amount	<u>\$ 209,369</u>	<u>\$ 206,293</u>

- (1) Included in the accompanying consolidated balance sheets within convertible senior notes and amortized to interest expense over the expected life of the 2025 Notes using the effective interest rate method.

The fair value of the 2025 Notes was approximately \$833.8 million as of March 31, 2020. The Company estimates the fair value of its 2025 Notes utilizing market quotations for debt that have quoted prices in active markets. Since the 2025 Notes do not trade on a daily basis in an active market, the fair value estimates are based on market observable inputs based on borrowing rates currently available for debt with similar terms and average maturities, which are classified as Level 2 measurements within the fair value hierarchy. See Note 9, "Fair Value Measurements," for

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definitions of hierarchy levels. As of March 31, 2020, the remaining contractual life of the 2025 Notes is approximately 5.1 years.

The following table sets forth total interest expense recognized related to the 2025 Notes (in thousands):

	Quarters Ended	
	March 31,	
	2020	2019
Contractual interest expense	\$ 988	\$ 975
Amortization of debt discount	3,076	2,836
Total	\$ 4,064	\$ 3,811
Effective interest rate of the liability component	7.9 %	7.9 %

Convertible Senior Notes Due 2022

On June 27, 2017, the Company issued, at par value, \$275 million aggregate principal amount of 3% convertible senior notes due 2022. The 2022 Notes bear cash interest at a rate of 3% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2022 Notes will mature on December 15, 2022. The net proceeds to the Company from the offering were \$263.7 million after deducting offering costs of approximately \$11.3 million.

The 2022 Notes are senior unsecured obligations of the Company and rank senior in right of payment to the Company's indebtedness that is expressly subordinated in right of payment to the 2022 Notes; equal in right of payment to the Company's liabilities that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities incurred by the Company's subsidiaries.

Holders may convert all or any portion of their 2022 Notes in integral multiples of \$1,000 principal amount, at their option, at any time prior to the close of business on the business day immediately preceding June 15, 2022 only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the shares of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any ten consecutive trading day period in which the trading price was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- upon the occurrence of specified corporate events described under the 2022 Notes Indenture; or
- if the Company calls the 2022 Notes for redemption, at any time until the close of business on the second business day immediately preceding the redemption date.

On or after June 15, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2022 Notes, regardless of the foregoing circumstances.

The conversion rate for the 2022 Notes was initially, and remains, 22.7247 shares of the Company's common stock per \$1,000 principal amount of the 2022 Notes, which is equivalent to an initial conversion price of approximately \$44.00 per share of the Company's common stock. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination thereof, at the Company's election. If the Company elects to satisfy the conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of the Company's common stock, the amount of cash and shares of the Company's common stock, if any, due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 25 trading day observation period.

The Company may redeem for cash all or any portion of the 2022 Notes, at its option, on or after December 22, 2020 if the last reported sale price of its common stock exceeds 130% of the conversion price then in effect for at least

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20 trading days (whether or not consecutive) during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which the Company provides notice of the redemption. The redemption price will be the principal amount of the 2022 Notes to be redeemed, plus accrued and unpaid interest, if any. In addition, calling any 2022 Note for redemption on or after December 22, 2020 will constitute a make-whole fundamental change with respect to that 2022 Note, in which case the conversion rate applicable to the conversion of that Note, if it is converted in connection with the redemption, will be increased in certain circumstances as described in the 2022 Notes Indenture.

In accounting for the issuance of the 2022 Notes, the Company separated the 2022 Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2022 Notes as a whole. The excess of the principal amount of the liability component over its carrying amount, referred to as the debt discount, is amortized to interest expense from the issuance date to June 15, 2022 (the first date on which the Company may be required to repurchase the 2022 Notes at the option of the holder). The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The equity component related to the 2022 Notes was \$62.4 million, net of issuance costs which was recorded in additional paid-in capital on the accompanying condensed consolidated balance sheet.

In accounting for the transaction costs related to the issuance of the 2022 Notes, the Company allocated the total costs incurred to the liability and equity components of the 2022 Notes based on their relative values. Transaction costs attributable to the liability component are being amortized to interest expense over the five and a half year term of the 2022 Notes, and transaction costs attributable to the equity component are netted with the equity components in stockholders' equity.

The 2022 Notes consist of the following (in thousands):

	As of March 31, 2020	As of December 31, 2019
Liability component		
Principal	\$ 274,970	\$ 274,995
Less: Debt discount, net (2)	(37,118)	(40,878)
Net carrying amount	<u>\$ 237,852</u>	<u>\$ 234,117</u>

- (2) Included in the accompanying consolidated balance sheets within convertible senior notes and amortized to interest expense over the expected life of the 2022 Notes using the effective interest rate method.

The fair value of the 2022 Notes was approximately \$970.2 million as of March 31, 2020. The Company estimates the fair value of its 2022 Notes utilizing market quotations for debt that have quoted prices in active markets. Since the 2022 Notes do not trade on a daily basis in an active market, the fair value estimates are based on market observable inputs based on borrowing rates currently available for debt with similar terms and average maturities, which are classified as Level 2 measurements within the fair value hierarchy. See Note 9, "Fair Value Measurements," for definitions of hierarchy levels. As of March 31, 2020, the remaining contractual life of the 2022 Notes is approximately 2.7 years.

The following table sets forth total interest expense recognized related to the 2022 Notes (in thousands):

	Quarters Ended March 31,	
	2020	2019
Contractual interest expense	\$ 2,062	\$ 2,034
Amortization of debt discount	3,761	3,374
Total	<u>\$ 5,823</u>	<u>\$ 5,408</u>
Effective interest rate of the liability component	10.0 %	10.0 %

Note 12. Legal Matters

From time to time, Teladoc Health is involved in various litigation matters arising out of the normal course of business, including the matters described below. The Company consults with legal counsel on those issues related to litigation and seek input from other experts and advisors with respect to such matters. Estimating the probable losses or a range of probable losses resulting from litigation, government actions and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, may involve discretionary amounts, present novel legal theories, are in the early stages of the proceedings, or are subject to appeal. Whether any losses, damages or remedies ultimately resulting from such matters could reasonably have a material effect on our business, financial condition, results of operations, or cash flows will depend on a number of variables, including, for example, the timing and amount of such losses or damages (if any) and the structure and type of any such remedies. Teladoc Health's management does not presently expect any litigation matter to have a material adverse impact on our business, financial condition, results of operations or cash flows.

On December 12, 2018, a purported securities class action complaint (Reiner v. Teladoc Health, Inc., et al.) was filed in the United States District Court for the Southern District of New York (the "SDNY") against the Company and certain of the Company's officers and a former officer. The complaint is brought on behalf of a purported class consisting of all persons or entities who purchased or otherwise acquired shares of the Company's common stock during the period March 3, 2016 through December 5, 2019. The complaint asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegedly false or misleading statements and omissions with respect to, among other things, the alleged misconduct of one of the Company's previous Executive Officers. The complaint seeks certification as a class action and unspecified compensatory damages plus interest and attorneys' fees. The Company believes that the claims against the Company and its officers are without merit, and the Company and its named officers intend to defend the Company vigorously, including filing a motion to dismiss the complaint.

In addition, on June 21, 2019, a stockholder derivative lawsuit (Kreutter v. Gorevic, et al.) was filed in the SDNY against certain current and former directors and officers of the Company. The derivative lawsuit alleges that the named directors and officers breached their fiduciary duties to the Company in connection with factual assertions substantially similar to those in the purported securities class action complaint described above. The Company believes that the claims set forth in this stockholder derivative lawsuit are without merit.

On May 14, 2018, a purported class action complaint (Thomas v. Best Doctors, Inc.) was filed in the United States District Court for the District of Massachusetts against the Company's wholly owned subsidiary, Best Doctors, Inc. The complaint alleges that on or about May 16, 2017, Best Doctors violated the U.S. Telephone Consumer Protection Act (TCPA) by sending unsolicited facsimiles to plaintiff and certain other recipients without the recipients' prior express invitation or permission. The lawsuit seeks statutory damages for each violation, subject to trebling under the TCPA, and injunctive relief. The Company will vigorously defend the lawsuit and any potential loss is currently deemed to be immaterial.

Note 13. Common Stock and Stockholders' Equity

Capitalization

Effective May 31, 2018, the authorized number of shares of the Company's common stock was increased from 100,000,000 to 150,000,000 shares.

Stock Plan and Stock Options

The Company's 2015 Incentive Award Plan and 2017 Inducement Plan (the "Plan") provides for the issuance of incentive and non-statutory options and other equity-based awards to its employees and non-employees. Options issued under the Plan are exercisable for periods not to exceed ten years, and vest and contain such other terms and conditions as specified in the applicable award document. Options to buy common stock are issued under the Plan, with exercise prices equal to the closing price of shares of the Company's common stock on the New York Stock Exchange on the date of award. The Company had 8,161,962 shares available for grant at March 31, 2020.

Activity under the Plan is as follows (in thousands, except share and per share amounts and years):

	<u>Number of Shares Outstanding</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life in Years</u>	<u>Aggregate Intrinsic Value</u>
Balance at December 31, 2019	5,206,981	\$ 24.47	7.03	\$ 308,538
Stock option grants	7,441	\$ 106.25	0	\$ 0
Stock options exercised	(671,279)	\$ 22.10	0	\$ (65,192)
Stock options forfeited	(126,577)	\$ 34.48	0	\$ 0
Balance at March 31, 2020	<u>4,416,566</u>	\$ 24.67	6.77	\$ 575,408
Vested or expected to vest at March 31, 2020	<u>4,414,765</u>	\$ 24.67	6.77	\$ 575,408
Exercisable at March 31, 2020	<u>3,055,075</u>	\$ 19.80	6.41	\$ 413,071

The total grant-date fair value of stock options granted during the quarters ended March 31, 2020 and 2019 was \$0.3 million and \$1.2 million, respectively.

Stock-Based Compensation

All stock-based awards to employees are measured based on the grant-date fair value of the awards and are generally recognized on a straight line basis in the Company's consolidated statement of operations over the period during which the employee is required to perform services in exchange for the award (generally requiring a four-year vesting period for each stock option and a three-year vesting period for each restricted stock unit ("RSU")). The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model.

The assumptions used in the Black-Scholes option-pricing model are determined as follows:

Volatility. Since the Company does not have a trading history prior to July 2015 for its common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within its industry that it considers to be comparable to its business combined with the Company's stock volatility over a period equivalent to the expected term of the stock option grants.

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with terms similar to the expected term on the options.

Expected Term. The expected term represents the period that the stock-based awards are expected to be outstanding. When establishing the expected term assumption, the Company utilizes historical data.

Dividend Yield. The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and therefore, it used an expected dividend yield of zero.

Forfeiture rate. The Company recognizes forfeitures as they occur.

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The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions and fair value per share:

	Quarters Ended March 31,	
	2020	2019
Volatility	46.1% – 47.9%	47.5% – 47.6%
Expected life (in years)	4.3	5.4
Risk-free interest rate	0.87% - 1.64%	2.50% - 2.55%
Dividend yield	–	–
Weighted-average fair value of underlying stock options	\$ 42.06	\$ 27.87

For the quarter ended March 31, 2020 and 2019, the Company recorded compensation expense related to stock options granted of \$3.9 million and \$5.5 million, respectively.

As of March 31, 2020, the Company had \$20.0 million in unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of approximately 1.8 years.

Restricted Stock Units

In May 2017, the Company commenced issuing RSUs pursuant to the Plan to certain employees and Board members under the 2017 Employment Inducement Incentive Award Plan.

The fair value of the RSUs is determined on the date of grant. The Company will record compensation expense in the consolidated statement of operations on a straight-line basis over the vesting period for RSUs. The vesting period for employees and members of the Board of Directors ranges from one to four years.

Activity under the RSUs is as follows:

	Shares	Weighted-Average
		Grant Date Fair Value Per Share
Balance at December 31, 2019	1,483,558	\$ 54.13
Granted	321,311	\$ 122.96
Vested and issued	(455,956)	\$ 51.79
Forfeited	(54,476)	\$ 48.78
Balance at March 31, 2020	<u>1,294,437</u>	\$ 58.82
Vested and unissued at March 31, 2020	<u>13,755</u>	\$ 50.90
Non-vested at March 31, 2020	<u>1,280,682</u>	\$ 58.91

The total grant-date fair value of RSUs granted during the quarter ended March 31, 2020 and 2019 were \$39.5 million and \$48.0 million, respectively.

For the quarter ended March 31, 2020 and 2019, the Company recorded stock-based compensation expense related to the RSUs of \$9.4 million and \$5.0 million respectively.

As of March 31, 2020, the Company had \$82.8 million in unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

Performance Stock Units

The Company began issuing grants Performance Stock Units (“PSUs”) to employees under the Plan in 2018. Stock-based compensation costs associated with our PSUs are initially determined using the fair market value of the Company's common stock on the date the awards are approved by the Compensation Committee of the Board of Directors (service inception date). The vesting of these PSU is subject to certain performance conditions and a service requirement ranging from 1-3 years. Until the performance conditions are met, stock compensation costs associated with these PSU reflect the estimated performance attainment on the reporting date. The ultimate number of PSUs that are issued to an employee is the result of the actual performance of the Company at the end of the performance period compared to the performance conditions and can range from 50% to 200% of the initial grant. Stock compensation expense for PSUs is recognized on an accelerated tranche by tranche basis for performance-based awards. Forfeitures are accounted for at the time the occur consistent with Company policy.

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Activity under the PSU is as follows:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at December 31, 2019	512,482	\$ 62.51
Granted	111,199	\$ 117.81
Vested and issued	(186,455)	\$ 62.02
Balance at March 31, 2020	437,226	\$ 76.78
Vested and unissued at March 31, 2020	0	\$ 0
Non-vested at March 31, 2020	437,226	\$ 76.78

The total grant-date fair value of PSUs granted during the quarter ended March 31, 2020 and 2019 were \$13.1 million and \$28.4 million, respectively.

For the quarter ended March 31, 2020 and 2019, the Company recorded stock-based compensation expense related to the PSU of \$4.6 million and \$2.6 million, respectively.

As of March 31, 2020, the Company had \$25.4 million in unrecognized compensation cost related to non-vested PSU, which is expected to be recognized over a weighted-average period of approximately 1.8 years.

Employee Stock Purchase Plan

In July 2015, the Company adopted the 2015 Employee Stock Purchase Plan, or ESPP, in connection with its initial public offering. A total of 832,492 shares of common stock were reserved for issuance under this plan as of March 31, 2020. The Company's ESPP permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. Under the ESPP, the Company may specify offerings with durations of not more than 27 months and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of its common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances. The price at which the stock is purchased is equal to the lower of 85% of the fair market value of the common stock at the beginning of an offering period or on the date of purchase.

During the quarter March 31, 2020, the Company had not issued any shares under the ESPP. During 2019, the Company issued 64,497 shares under the ESPP. As of March 31, 2020, 555,267 shares remained available for issuance.

For the quarter ended March 31, 2020 and 2019, the Company recorded stock-based compensation expense related to the ESPP of \$0.4 million and \$0.3 million, respectively.

As of March 31, 2020, the Company had \$0.2 million in unrecognized compensation cost related to the ESPP, which is expected to be recognized over a weighted-average period of approximately 0.1 years.

Total compensation costs charged as an expense for stock-based awards, including stock options, RSU's and ESPP, recognized in the components of operating expenses are as follows (in thousands):

	Quarter Ended March 31,	
	2020	2019
Administrative and marketing	\$ 1,259	\$ 821
Sales	2,919	2,130
Technology and development	2,104	1,898
General and administrative	12,033	8,674
Total stock-based compensation expense	\$ 18,315	\$ 13,523

Note 14. Income Taxes

As a result of the Company's history of net operating losses ("NOL"), the Company has provided for a full valuation allowance against its deferred tax assets for assets that are not more-likely-than-not to be realized. For the quarter ended March 31, 2020, the Company recognized an income tax benefit of \$0.7 million, primarily due to the

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amortization of acquired intangibles and stock compensation deductions. For the quarter ended March 31, 2019, the income tax expense was primarily due U.S. tax expense for its non-consolidated U.S. subsidiary, which was transferred to the U.S. parent company in the fourth quarter of 2019 and as a result the subsidiary's 2020 income will be offset by other U.S. losses as the company has elected to include it in the U.S. consolidation, as well as amortization of tax-deductible goodwill.

Beginning with the quarter ended March 31, 2018, the Company is calculating tax expense based on the U.S. statutory rate of 21%. The US Federal tax law includes a Base Erosion Anti-Abuse Tax, commonly referred to as BEAT, which imposes a minimum tax on certain deductible payments or accruals made to foreign affiliates in tax years beginning after December 31, 2017. The Company has determined that it is currently not subject to BEAT. US Federal tax law imposes a minimum tax on global intangible low-taxed income, commonly referred to as GILTI. The Company does not expect to recognize any tax expense related to GILTI as it has net operating losses available and a full valuation allowance. In addition, US Tax law imposes an interest expense limitation which disallows a portion of the interest deduction based on EBITDA. While the disallowed interest deduction is deferred, there is no impact to tax expense due to the current year taxable loss and related valuation allowance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. All statements other than statements of historical fact are, or may be, forward-looking statements. These forward-looking statements are not historical facts, but rather are based on current expectations, estimate, assumptions and projections about our industry, business and future financial results. We use words such as “anticipates”, “believes”, “suggests”, “targets”, “projects”, “plans”, “expects”, “future”, “intends”, “estimates”, “predicts”, “potential”, “may”, “will”, “should”, “could”, “would”, “likely”, “foresee”, “forecast”, “continue” and other similar words or phrases, as well as statements in the future tense to identify these forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of important factors, including those set forth below.

- ongoing legal challenges to or new state actions against our business model;
- our dependence on our relationships with affiliated professional entities;
- evolving government regulations and our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;
- our ability to operate in the heavily regulated healthcare industry;
- our history of net losses and accumulated deficit;
- failures of our cyber-security measures that expose the confidential information of our Clients and Members;
- risk of the loss of any of our significant Clients;
- risks associated with a decrease in the number of individuals offered benefits by our Clients or the number of products and services to which they subscribe;
- our ability to establish and maintain strategic relationships with third parties;
- risks specifically related to our ability to operate in competitive international markets and comply with complex non-U.S. legal requirements;
- our ability to recruit and retain a network of qualified Providers;
- risk that the insurance we maintain may not fully cover all potential exposures;
- rapid technological change in the telehealth market;
- our ability to integrate acquired businesses and achieve fully the strategic and financial objectives related thereto and its impact on our financial condition and results of operations;
- our level of indebtedness and our ability to fund debt obligations and comply with covenants in our debt instruments;
- any statements of belief and any statements of assumptions underlying any of the foregoing;
- other factors disclosed in this Form 10-Q; and
- other factors beyond our control.

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The foregoing list of factors is not exhaustive and does not necessarily include all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. The information in this Quarterly Report should be read carefully in conjunction with other uncertainties and potential events described in our Form 10-K in the Annual Report for the year ended December 31, 2019 filed with the Securities and Exchange Commission (the “SEC”) and our other filings with the SEC. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report. Except as required by law or regulation, we do not undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

Overview

Teladoc, Inc. was incorporated in the State of Texas in June 2002 and changed its state of incorporation to the State of Delaware in October 2008. Effective August 10, 2019, Teladoc, Inc. changed its corporate name to Teladoc Health, Inc. from Teladoc, Inc. Unless the context otherwise requires, Teladoc Health, Inc., together with its subsidiaries, is referred to herein as “Teladoc Health” or the “Company”. The Company’s principal executive office is located in Purchase, New York. Teladoc Health is the global leader in providing virtual healthcare services with a focus on high quality, lower costs, and improved outcomes around the world.

Teladoc Health solutions are transforming the access, cost and quality dynamics of healthcare delivery for all of our market participants. Members rely on Teladoc Health to remotely access affordable, on-demand healthcare whenever and wherever they choose. Employers, health plans and health systems, or our Clients, as well as our direct-to-consumer members purchase our solutions to reduce their healthcare spending and offer convenient, affordable, high-quality healthcare to their employees or beneficiaries. Our network of physicians and other healthcare professionals, or our Providers have the ability to generate meaningful income and deliver their services more efficiently with no administrative burden.

Revenue

We have a demonstrated track record of driving growth both organically and through acquisitions. We increased revenue 41% to \$180.8 million for the quarter ended March 31, 2020, including \$0.9 million from our April 2019 MedecinDirect acquisition. The increase in revenue includes an unprecedented surge in demand for our services in the month of March associated with the global outbreak of COVID-19.

For the quarter ended March 31, 2020, 76% and 24% of our revenue was derived from subscription access fees and visit fees, respectively. For the quarter ended March 31, 2019, 82% and 18% of our revenue was derived from subscription access fees and visit fees, respectively. The increased percentage of visit related revenue in 2020 is a result of the COVID-19 pandemic. Additionally, we believe our continued strong subscription fee revenue is mainly representative of the value proposition we provide the broader U.S. healthcare system.

Membership and Visits

We completed approximately 2.0 million telehealth visits in the first three months of 2020 and approximately 4.1 million telehealth visits for the full year of 2019. Paid Membership increased by approximately 6.2 million Members to 43.0 million from December 31, 2019 through March 31, 2020.

Acquisition History

We have scaled and intend to continue to scale our platform through the pursuit of selective acquisitions. We have completed multiple acquisitions since our inception, which we believe have expanded our distribution capabilities and broadened our service offerings.

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On January 12, 2020, the Company entered into a definitive agreement to acquire InTouch Technologies, Inc., the leading provider of enterprise telehealth solutions for hospitals and health systems. The transaction is expected to close by the end of the second quarter of 2020. Under the terms of the agreement, the purchase price of \$600.0 million will consist of approximately \$150.0 million in cash as well as \$450.0 million of Teladoc Health's common stock which is subject to adjustment based on the average of the Company's stock price for the ten full trading days prior to the completion of the acquisition.

On April 30, 2019, the Company completed the acquisition of the Paris-based telemedicine provider MedecinDirect in which MedecinDirect became a wholly-owned subsidiary of the Company. The aggregate merger consideration paid was \$11.2 million with additional potential earnout consideration. On June 19, 2019, the Company made a \$5.0 million minority investment in Vida Health which is accounted for under the cost method for investments.

Key Factors Affecting Our Performance

Number of Members. Our revenue growth rate and long-term profitability are affected by our ability to increase our number of Members because we derive a substantial portion of our revenue from subscription access fees via Client contracts that provide Members access to our professional provider network in exchange for a contractual based monthly fee. Membership increased by approximately 6.2 million Members to 43.0 million from December 31, 2019 through March 31, 2020.

Number of Visits. We also recognize revenue in connection with the completion of a general medical visit, expert medical service and other specialty visits for certain of our contracts. Accordingly, our visit revenue, or visit fees, generally increase as the number of visits increase. Visit fee revenue is driven primarily by the number of Clients, the number of Members in a Client's population, Member utilization of our provider network services and the contractually negotiated prices of our services. We believe that increasing our current Member utilization rate and increasing penetration further into existing and new health plan Clients is a key objective in order for our Clients to realize tangible healthcare savings with our service. Visits increased by 92% or 1.0 million to approximately 2.0 million for the quarter ended March 31, 2020 compared to the same period in 2019. The increase in visits is reflective of our ability to secure new clients as well as the surge in demand for our services associated with COVID-19.

Seasonality. We typically experience the strongest increases in consecutive quarterly revenue during the fourth and first quarters of each year, which coincides with traditional annual benefit enrollment seasons. In particular, as a result of many Clients' introduction of new services at the very end of the current year, or the start of each year, the majority of our new Client contracts have an effective date of January 1. Therefore, while Membership increases, utilization is dampened until service delivery ramps up over the course of the year. Our business also has become more diversified across services, channels and geographies. As a result, we have seen a diversification of client start dates, resulting from our health plan expansions, cross sales of new services, international growth, and mid-market employer growth, all of which are not constrained by a calendar year start.

As a result of national seasonal cold and flu trends, we typically experience our highest level of visit fees during the first and fourth quarters of each year when compared to other quarters of the year. Conversely, the second quarter of the year has historically been the period of lowest utilization of our provider network services relative to the other quarters of the year. We experienced a surge in demand for our services in March of 2020 associated with the COVID-19 global pandemic and anticipate that this will alter our historical seasonal utilization trends during 2020. See "Risk Factors—Risks Related to Our Business—Our quarterly results may fluctuate significantly, which could adversely impact the value of our common stock." included in our Form 10-K for the year ended December 31, 2019 filed with the SEC.

Critical Accounting Policies and Estimates

Our discussion and analysis of our results of operations, liquidity and capital resources are based on our condensed consolidated financial statements which have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, accounts receivable, accounting for business combinations, goodwill, intangible assets, long-lived assets, capitalized development costs, earnout, income taxes, lease liabilities, loss contingencies and the

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value of securities underlying stock-based compensation. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates and could have a significant adverse effect on our results of operations and financial position. For a discussion of our critical accounting policies and estimates see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report and there have been no material changes to our critical accounting policies during 2020.

Consolidated Results of Operations

The following table sets forth our consolidated statement of operations data for the quarters ended March 31, 2020 and 2019 and the dollar and percentage change between the respective periods:

	Quarter Ended March 31,			
	2020	2019	Variance	%
	\$	\$		
Revenue	\$ 180,799	\$ 128,573	\$ 52,226	41 %
Expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	72,382	44,677	27,705	62 %
Operating expenses:				
Advertising and marketing	32,515	26,404	6,111	23 %
Sales	17,940	16,212	1,728	11 %
Technology and development	19,257	15,987	3,270	20 %
Legal and regulatory	1,222	1,586	(364)	-23%
Acquisition and integration related costs	3,664	1,012	2,652	262 %
General and administrative	45,120	35,982	9,138	25 %
Depreciation and amortization	9,710	9,600	110	1 %
Loss from operations	(21,011)	(22,887)	1,876	-8%
Interest expense, net	9,303	6,521	2,782	43 %
Net loss before taxes	(30,314)	(29,408)	(906)	3 %
Income tax (benefit) expense	(711)	742	(1,453)	-196%
Net loss	\$ (29,603)	\$ (30,150)	\$ 547	-2%

EBITDA and Adjusted EBITDA

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the quarters ended March 31, 2020 and 2019:

	Quarter Ended March 31,	
	2020	2019
Net loss	\$ (29,603)	\$ (30,150)
Add:		
Interest expense, net	9,303	6,521
Income tax (expense)/benefit	(711)	742
Depreciation expense	851	863
Amortization expense	8,859	8,737
EBITDA(1)	(11,301)	(13,287)
Stock-based compensation	18,315	13,523
Acquisition and integration related costs	3,664	1,012
Adjusted EBITDA(1)	\$ 10,678	\$ 1,248

(1) Non-GAAP Financial Measures:

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use EBITDA and Adjusted EBITDA, which are non-U.S. GAAP financial

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measures to clarify and enhance an understanding of past performance. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance. We further believe that these financial measures are useful financial metrics to assess our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business. We use certain financial measures for business planning purposes and in measuring our performance relative to that of our competitors. We utilize Adjusted EBITDA as the primary measure of our performance.

EBITDA consists of net loss before interest, foreign exchange gain or loss, taxes, depreciation and amortization. We believe that making such adjustment provides investors meaningful information to understand our results of operations and the ability to analyze financial and business trends on a period-to-period basis.

Adjusted EBITDA consists of net loss before interest, taxes, depreciation, amortization, stock-based compensation and acquisition and integration related costs. We believe that making such adjustment provides investors meaningful information to understand our results of operations and the ability to analyze financial and business trends on a period-to-period basis.

We believe both financial measures are commonly used by investors to evaluate our performance and that of our competitors. However, our use of the term EBITDA and Adjusted EBITDA may vary from that of others in our industry. Neither EBITDA nor Adjusted EBITDA should be considered as an alternative to net loss before taxes, net loss, loss per share or any other performance measures derived in accordance with U.S. GAAP as measures of performance.

EBITDA and Adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect the significant interest expense on our debt;
- EBITDA and Adjusted EBITDA eliminate the impact of income taxes on our results of operations;
- Adjusted EBITDA does not reflect the significant acquisition and integration related costs related to mergers and acquisitions;
- Adjusted EBITDA does not reflect the significant non-cash stock compensation expense which should be viewed as a component of recurring operating costs; and
- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting the usefulness of EBITDA and Adjusted EBITDA as comparative measures.

In addition, although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and both EBITDA and Adjusted EBITDA do not reflect any expenditures for such replacements.

We compensate for these limitations by using EBITDA and Adjusted EBITDA along with other comparative tools, together with U.S. GAAP measurements, to assist in the evaluation of operating performance. Such U.S. GAAP measurements include net loss, net loss per share and other performance measures.

In evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

Consolidated Results of Operations Discussion

We completed our acquisition of MedecinDirect on April 30, 2019. The results of operations of the aforementioned acquisition has been included in our unaudited consolidated financial statements included in this Quarterly Report from the date of acquisition.

Revenue. Total revenue was \$180.8 million for the quarter ended March 31, 2020, compared to \$128.6 million during the quarter ended March 31, 2019, an increase of \$52.2 million, or 41%, with organic growth

reflecting a 40% increase. The primary increase in revenue in 2020 was substantially driven by an increase in new Clients and the number of new Members generating additional subscription access fees and an increase in volume associated with the COVID-19 pandemic. Subscription access fee revenue increased to \$137.1 million or 29% for the quarter ended March 31, 2020. The increase in subscription access fees was due to the addition of new Clients and direct-to-consumer members, as the number of paid Members increased by 61% from March 31, 2019 to March 31, 2020. Revenue from U.S. subscription access fees was \$107.9 million for the quarter ended March 31, 2020 compared to \$81.0 million for the quarter ended March 31, 2019. We generated \$29.1 million of international subscription access fees for the quarter ended March 31, 2020 and \$25.0 million for the quarter ended March 31, 2019.

We completed approximately 2.0 million visits, representing \$43.7 million of visit fees for the quarter ended March 31, 2020, compared to approximately 1.1 million visits, representing \$22.6 million of visit fees during the quarter ended March 31, 2019. The increase in visit fees is associated with the aforementioned increase in paid Members as well as the impact of COVID-19.

Cost of Revenue. Cost of revenue was \$72.4 million for the quarter ended March 31, 2020 compared to \$44.7 million for the quarter ended March 31, 2019, an increase of \$27.7 million, or 62%. The increase was primarily due to increased general medical visits and behavioral health visits resulting in increased provider fees, additional incentive fees paid to physicians and physician network operation center costs. The cost of revenue for March 31, 2020 also reflects approximately \$4.0 million for additional investments in capacity expansion associated with the global outbreak of COVID-19.

Advertising and Marketing Expenses. Advertising and marketing expenses were \$32.5 million for the quarter ended March 31, 2020 compared to \$26.4 million for the quarter ended March 31, 2019, an increase of \$6.1 million, or 23%. This increase primarily consisted of increased digital advertising, member engagement and acquisition initiatives, sponsorship of professional organizations and trade shows of \$5.1 million and increases in employee-related expenses and others of \$1.0 million.

Sales Expenses. Sales expenses were \$17.9 million for the quarter ended March 31, 2020 compared to \$16.2 million for the quarter ended March 31, 2019, an increase of \$1.7 million, or 11%. This increase primarily consisted of increased staffing and sales commissions of \$2.3 million and offset by a decrease to other sales expenses of \$0.6 million.

Technology and Development Expenses. Technology and development expenses were \$19.3 million for the quarter ended March 31, 2020 compared to \$16.0 million for the quarter ended March 31, 2019, an increase of \$3.3 million, or 20%. This increase resulted primarily from hiring additional personnel totaling \$1.9 million and other professional expenses of \$1.4 million.

Legal and Regulatory Expenses. Legal and regulatory expenses were \$1.2 million for the quarter ended March 31, 2020 compared to \$1.6 million for the quarter ended March 31, 2019, a decrease of \$0.4 million, or 23%. The decrease in 2020 resulted primarily from timing associated with activities to support litigation.

Acquisition and Integration Related Costs. Acquisition and integration related costs, incurred primarily in connection with integration activities of prior acquisitions as well as costs associated with the pending In Touch Technologies, Inc. acquisition, were \$3.7 million for the quarter ended March 31, 2020 compared to \$1.0 million for the quarter ended March 31, 2019, an increase of \$2.7 million. The 2020 and 2019 acquisition and integration related costs represent investment banking, financing, legal, accounting, consultancy, integration, fair value changes related to contingent consideration and certain other non-recurring transaction costs related to mergers and acquisitions.

General and Administrative Expenses. General and administrative expenses were \$45.1 million for the quarter ended March 31, 2020 compared to \$36.0 million for the quarter ended March 31, 2019, an increase of \$9.1 million, or 25%. This increase was driven primarily by an increase in employee-related expenses of approximately \$4.6 million resulting from growth in total employee headcount to 2,588 at March 31, 2020 as compared to 2,046 employees at March 31, 2019 reflecting the impact of the MedecinDirect acquisitions and to support the increase volume of activities due to COVID-19. Other expenses, which include office-related charges, professional fees and bank charges, increased by \$4.6 million for the quarter ended March 31, 2020 as compared to March 31, 2019.

Depreciation and Amortization. Depreciation and amortization were \$9.7 million for the quarter ended March 31, 2020 compared to \$9.6 million for the quarter ended March 31, 2019, an increase of \$0.1 million, or 1%. The increase was primarily due to the impact from acquisitions in 2019. Additional amortization expenses primarily related

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to an increase in acquisition-related intangible assets that increased from \$305.4 million at March 31, 2019 to \$317.1 million at March 31, 2020 and an increase of depreciation expense on an increased base of depreciable fixed assets that increased from \$23.0 million at March 31, 2019 to \$26.2 million at March 31, 2020.

Interest Expense, Net. Interest expense, net consists of interest costs and amortization of debt discount associated with our Convertible Senior Notes, interest income from short-term investments in marketable securities as well as foreign exchange gain or loss. Interest expense, net was \$9.3 million for the quarter ended March 31, 2020 compared to \$6.5 million for the quarter ended March 31, 2019. The increase in net interest expense in 2020 reflects interest expense accretion associated with our Convertible Senior Notes, lower interest income from short-term investments as well as higher foreign exchange loss.

Income tax (benefit) expense. Income tax benefit was \$0.7 million for the quarter ended March 31, 2020 compared to an income tax expense \$0.7 million for the quarter ended March 31, 2019 and is primarily reflective of the jurisdiction mix of income in the first quarter of 2020.

Liquidity and Capital Resources

The following table presents a summary of our cash flow activity for the periods set forth below:

	Quarter Ended	
	March 31,	
	2020	2019
Consolidated Statements of Cash Flows Data		
Net cash used in operating activities	\$ (6,320)	\$ (7,892)
Net cash (used in) provided by investing activities	(11,928)	7,336
Net cash provided by financing activities	15,053	10,702
Total	\$ (3,195)	\$ 10,146

Historically, we have financed our operations primarily through public and private sales of equity securities, debt issuance and bank borrowings.

On April 30, 2019, we completed the acquisition of MedecinDirect. The purchase price was \$11.2 million cash with additional potential earnout consideration. We also made a \$5.0 million minority investment in Vida Health on June 19, 2019.

Our principal sources of liquidity are cash and cash equivalents totaling \$508.0 million as of March 31, 2020, which were held for working capital purposes. Our cash and cash equivalents are comprised of money market funds and marketable securities. Additionally, we have short term marketable securities of \$2.8 million as of March 31, 2020.

Cash Used in Operating Activities

For the three months ended March 31, 2020, cash used in operating activities was \$6.3 million. The negative cash flows resulted primarily from our net loss of \$29.6 million, changes in deferred income tax of \$2.8 million and adjusted for the effect of net changes in working capital and other balance sheet accounts largely associated with the Company's annual bonus payment in March resulting in cash outflows of approximately \$11.6 million. These are partially offset by depreciation and amortization of \$11.2 million, allowance for doubtful accounts of \$1.3 million, stock-based compensation of \$18.3 million and accretion of interest of \$6.9 million.

For the three months ended March 31, 2019, cash used in operating activities was \$7.9 million. The negative cash flows resulted primarily from our net loss of \$30.2 million, adjusted for deferred income tax of \$2.7 million, partially offset by depreciation and amortization of \$11.6 million, allowance for doubtful accounts of \$0.8 million, stock-based compensation of \$13.5 million and accretion of interest of \$6.1 million.

The decrease in cash used in operating activities for the three months ended March 31, 2020 and March 31, 2019 was primarily the result of the aforementioned annual bonus payment partially offset by the Company's ability to continue to increase our revenue dollars while gaining operating leverage on our cash related operating expenses.

Cash (Used in) Provided by Investing Activities

Cash used in investing activities was \$11.9 million for the three months ended March 31, 2020. Cash used in investing activities consisted of the purchases of property and equipment totaling \$0.9 million, investments in internally developed capitalized software of \$2.0 million, and \$9.0 million of pre-funding associated with the pending InTouch Technologies, Inc. acquisition.

Cash provided by investing activities was \$7.3 million for the three months ended March 31, 2019. Cash provided by investing activities consisted of maturities of short-term marketable securities of \$9.0 million, net of sales, offset by the purchases of property and equipment totaling \$0.6 million and investments in internally developed capitalized software of \$1.1 million.

Cash Provided by Financing Activities

Cash provided by financing activities for the three months ended March 31, 2020 was \$15.1 million. Cash provided by financing activities consisted of \$14.9 million of proceeds from the exercise of employee stock options and \$0.2 million of timing associated with cash proceeds for tax withholding for options exercised.

Cash provided by financing activities for the three months ended March 31, 2019 was \$10.7 million. Cash provided by financing activities consisted of \$8.9 million of proceeds from the exercise of employee stock options and \$1.8 million of timing associated with cash proceeds for tax withholding for options exercised.

Looking Forward

At March 31, 2020, the Company's cash and short-term investments were \$510.8 million. For the three months ended March 31, 2020, we have experienced positive Adjusted EBITDA and for the full year 2020 we anticipate positive Adjusted EBITDA as well as positive free cash flow.

We believe that our existing cash and cash equivalents and short-term marketable securities will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, contract renewal activity, number of visits, the timing and extent of spending to support product development efforts, our expansion of sales and marketing activities, the introduction of new and enhanced service offerings and the continuing market acceptance of telehealth. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be adversely affected.

Shelf Registration Statements

We filed an automatically effective shelf registration statement on Form S-3 under the Securities Act on November 28, 2017 (the "2017 Shelf"). Under the 2017 Shelf at the time of effectiveness, we had the ability to raise up to \$175 million by selling common stock in addition to 1,200,000 shares of common stock eligible for resale by certain shareholders. We currently have the ability under the 2017 Shelf to raise up to approximately \$32 million by selling common stock in addition to 370,000 shares of common stock eligible for resale by certain existing shareholders.

On July 23, 2018, we filed an automatically effective universal shelf registration statement on Form S-3 under the Securities Act (the "2019 Shelf"). The 2019 Shelf registers the offering of securities, including common stock, preferred stock and debt securities, that we may issue from time to time in amounts to be determined, as well as the issuance of common stock by selling stockholders. Issuances of securities under the 2019 Shelf require the filing of a prospectus supplement identifying the amount and terms of the securities to be issued. Our ability to issue securities is subject to market conditions and other factors impacting our borrowing capacity.

Indebtedness

We entered into a \$10.0 million New Revolving Credit Facility in 2017. The New Revolving Credit Facility is available for working capital and other general corporate purposes. We have maintained the New Revolving Credit Facility and, there was no amount outstanding as of March 31, 2020 and December 31, 2019. The Company utilized \$2.2 million of letters of credit for facility security deposits and credit card at March 31, 2020 and December 31, 2019,

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respectively.

On May 8, 2018, we issued, at par value, \$287.5 million aggregate principal amount of 1.375% convertible senior notes due 2025. The 2025 Notes bear cash interest at a rate of 1.375% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The 2025 Notes will mature on May 15, 2025. The net proceeds to us from the offering were \$279.1 million after deducting offering costs of approximately \$8.4 million.

The 2025 Notes are senior unsecured obligations of ours and rank senior in right of payment to our indebtedness that is expressly subordinated in right of payment to the 2025 Notes; equal in right of payment to our liabilities that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities incurred by our subsidiaries.

In June 2017, we issued, at par value, \$275 million aggregate principal amount of 3% convertible senior notes due 2022. The 2022 Notes bear cash interest at a rate of 3% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2022 Notes will mature on December 15, 2022. The net proceeds to us from the offering were \$263.7 million after deducting offering costs of approximately \$11.3 million.

The 2022 Notes are senior unsecured obligations of ours and rank senior in right of payment to our indebtedness that is expressly subordinated in right of payment to the 2022 Notes; equal in right of payment to our liabilities that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities incurred by our subsidiaries. See Note 11, "Convertible Senior Notes" of the Notes to the Consolidated Financial Statements of the Quarterly Report on Form 10-Q for additional information on the 2025 Notes and the 2022 Notes.

We were in compliance with all debt covenants at March 31, 2020 and December 31, 2019.

Contractual Obligations and Commitments

The following summarizes our contractual obligations as of March 31, 2020:

	Payment Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
Operating leases	\$ 42,428	\$ 6,107	\$ 14,694	\$ 13,120	\$ 8,507
Debt obligations under the Convertible Notes	562,470	0	\$ 274,970	\$ 0	\$ 287,500
Interest associated with the Convertible Notes	38,728	12,202	\$ 18,126	\$ 7,906	\$ 494
Total	<u>\$ 643,626</u>	<u>\$ 18,309</u>	<u>\$ 307,790</u>	<u>\$ 21,026</u>	<u>\$ 296,501</u>

Our existing office and hosting co-location facilities lease agreements provide us with the option to renew and generally provide for rental payments on a graduated basis. Our future operating lease obligations would change if we entered into additional operating lease agreements as we expand our operations and if we exercised the office and hosting co-location facilities lease options. The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to the financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk and Foreign Exchange Risk

We do not have any floating rate debt with our New Revolving Credit Facility as of March 31, 2020. Cash equivalents that are subject to interest rate volatility represent our principal market risk. We do not expect cash flows to be affected to any significant degree by a sudden change in market interest rates.

We operate our business primarily within the United States and currently execute more than 84% of our transactions in U.S. dollars. We have not utilized hedging strategies with respect to such foreign exchange exposure. This limited foreign currency translation risk is not expected to have a material impact on our consolidated financial statements.

Concentrations of Risk and Significant Clients

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term marketable securities and accounts receivable. Although we deposit our cash with multiple financial institutions in U.S. and in foreign countries, our deposits, at times, may exceed federally insured limits. Our short-term marketable securities are comprised of a portfolio of diverse high credit rating instruments with maturity durations of one year or less.

No Client represented over 10% of revenues for the quarters ended March 31, 2020 and 2019.

No Client represented over 10% of accounts receivable at March 31, 2020 and December 31, 2019.

Item 4. Controls and Procedures

Management's Report on Internal Control over Financial Reporting

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2020.

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to legal proceedings, claims and litigation arising in the ordinary course of its business. At March 31, 2020, the Company is not aware of any pending or threatened litigation that would have a material adverse effect on its business, results of operations, cash flows or financial condition should such litigation be resolved unfavorably.

On December 12, 2018, a purported securities class action complaint (Reiner v. Teladoc Health, Inc., et.al.) was filed in the United States District Court for the Southern District of New York (the "SDNY") against the Company and certain of the Company's officers and a former officer. The complaint is brought on behalf of a purported class consisting of all persons or entities who purchased or otherwise acquired shares of the Company's common stock during the period March 3, 2016 through December 5, 2018. The complaint asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegedly false or misleading statements and omissions with respect to, among other things, the alleged misconduct of one of the Company's previous Executive Officers. The complaint seeks certification as a class action and unspecified compensatory damages plus interest and attorneys' fees. The Company believes that the claims against the Company and its officers are without merit, and the Company and its named officers intend to defend the Company vigorously, including filing a motion to dismiss the complaint.

In addition, on June 21, 2019, a stockholder derivative lawsuit (Kreutter v. Gorevic, et al.) was filed in the SDNY against certain current and former directors and officers of the Company. The derivative lawsuit alleges that the named directors and officers breached their fiduciary duties to the Company in connection with factual assertions substantially similar to those in the purported securities class action complaint described above. The Company believes that the claims set forth in this stockholder derivative lawsuit are without merit.

On May 14, 2018, a purported class action complaint (Thomas v. Best Doctors, Inc.) was filed in the United States District Court for the District of Massachusetts against the Company's wholly owned subsidiary, Best Doctors, Inc. The complaint alleges that on or about May 16, 2017, Best Doctors violated the U.S. Telephone Consumer Protection Act (TCPA) by sending unsolicited facsimiles to plaintiff and certain other recipients without the recipients' prior express invitation or permission. The lawsuit seeks statutory damages for each violation, subject to trebling under the TCPA, and injunctive relief. The Company will vigorously defend the lawsuit and any potential loss is currently deemed to be immaterial.

Item 1A. Risk Factors

Other than the risk factor set forth below, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019. For a discussion of potential risks and uncertainties related to our Company see the information in Part I, Item 1A ("Risk Factors") of our Annual Report on Form 10-K for the year ended December 31, 2019.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in the "Special Note Regarding Forward-Looking Statements" section in Part I, Item 2, of this Quarterly Report on Form 10-Q.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious outbreak, which has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, customers, economies and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours.

This outbreak, as well as intensified measures undertaken to contain the spread of COVID-19, could cause disruptions and severely impact our business, including, but not limited to:

- causing one or more of our Clients to file for bankruptcy protection or shut down;
- reducing Client and Member subscription fees generated, as well as visit fees by other individuals, as a result of funding constraints related to loss of revenue or employment;

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- negatively impacting collections of accounts receivable;
- negatively impacting our ability to facilitate the provision of our services to Clients and other consumers; and
- harming our business, results of operations and financial condition.

We cannot predict with any certainty whether and to what degree the disruption caused by the COVID-19 pandemic and reactions thereto will continue, and expect to face difficulty accurately predicting our internal financial forecasts.

Our continued access to sources of liquidity also depend on multiple factors, including global economic conditions, the condition of global financial markets, the availability of sufficient amounts of financing and our operating performance. As of March 31, 2020, we had unused commitments under our revolving credit facility available to us of \$10.0 million (without giving effect to approximately \$2.2 million of letters of credit). There is no guarantee that additional debt financing will be available in the future to fund our obligations, or that it will be available on commercially reasonable terms, in which case we may need to seek other sources of funding. In addition, the terms of the agreements governing our current indebtedness include, and any future debt agreements could include, restrictive covenants, which could restrict our business operations.

The outbreak also presents challenges as our entire workforce is currently working remotely and shifting to assisting new and existing Clients, Members and other consumers, who are also generally working remotely.

It is not possible for us to accurately predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations or financial condition at this time, but such effects may be material. The COVID-19 pandemic may also have the effect of heightening many of the other risks identified in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019, such as those relating to our indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

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Item 6. Exhibits

Exhibit Number	Exhibit Description	Exhibit Index				
		Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger, dated January 11, 2020, by and among Teladoc Health, Inc., Jonata Sub One, Inc., Jonata Sub Two, Inc., InTouch Technologies, Inc. and Fortis Advisors LLC, as equity holder representative	8-K	001-37477	2.1	1/13/20	
3.1	Sixth Amended and Restated Certificate of Incorporation of Teladoc, Inc.	8-K	001-37477	3.1	5/31/17	
3.2	Certificate of Amendment to the Sixth Amended and Restated Certificate of Incorporation of Teladoc, Inc.	8-K	001-37477	3.1	6/1/18	
3.3	Second Certificate of Amendment to the Sixth Amended and Restated Certificate of Incorporation of Teladoc, Inc.	8-K	001-37477	3.1	8/10/18	
3.4	Fourth Amended and Restated Bylaws of Teladoc Health, Inc.	8-K	001-37477	3.1	2/25/19	
10.1	Separation and Release of Claims Agreement, dated January 3, 2020, by and between Teladoc Health, Inc. and Peter McClennen.					*
10.2	Form of Performance Restricted Stock Unit Agreement under the Teladoc Health, Inc. 2015 Incentive Award Plan					*
21.1	Subsidiaries of the Registrant.					*
31.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C.					**

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[Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	XBRL Taxonomy Extension Schema Document.	*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	XBRL Definition Linkbase Document.	*
101.LAB	XBRL Taxonomy Label Linkbase Document.	*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	

* Filed herewith.

** Furnished herewith.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TELADOC HEALTH, INC.

Date: April 29, 2020

By: /s/ JASON GOREVIC
Name: Jason Gorevic
Title: Chief Executive Officer

Date: April 29, 2020

By: /s/ MALA MURTHY
Name: Mala Murthy
Title: Chief Financial Officer

Separation and Release of Claims Agreement

This Separation and Release of Claims Agreement (“**Agreement**”) is entered into by and between Teladoc Health, Inc., a Delaware corporation, (the “**Employer**”) on behalf of itself, its subsidiaries and other corporate affiliates and each of their respective employees, officers, directors, owners, shareholders and agents (collectively referred to herein as the “**Employer Group**”), and Mr. Peter McClennen (the “**Employee**”) (the Employer and the Employee are collectively referred to herein as the “**Parties**”) as of January 3, 2020 (the “**Execution Date**”).

The Employee’s last day of employment with the Employer is January 3, 2020 (the “**Separation Date**”). After the Separation Date, the Employee will not represent himself as being an employee, officer, attorney, agent or representative of the Employer Group for any purpose. Except as otherwise set forth in this Agreement, the Separation Date will be the employment termination date for the Employee for all purposes, meaning the Employee will no longer be entitled to any further compensation, monies or other benefits from the Employer Group, including coverage under any benefits plans or programs sponsored by the Employer Group.

1. Return of Property. By the Separation Date, the Employee must return all Employer Group property, including identification cards or badges, access codes or devices, keys, laptops, computers, telephones, mobile phones, hand-held electronic devices, credit cards, electronically stored documents or files, physical files and any other Employer Group property in the Employee’s possession.
2. Employee Representations. In exchange for the consideration described in Section 3, which the Employee acknowledges to be good and valuable consideration for his obligations hereunder, the Employee hereby represents that he intends to irrevocably and unconditionally fully and forever release and discharge any and all claims he may have, have ever had or may in the future have against the Employer Group that may lawfully be waived and released arising out of or in any way related to his hire, benefits, employment or separation from employment with the Employer as further explained and in accordance with Section 4. The Employee specifically represents, warrants and confirms that: (a) he has no claims, complaints or actions of any kind filed against the Employer Group with any court of law, or local, state or federal government or agency; and (b) he has been properly paid for all hours worked for the Employer Group, and that all overtime, commissions, bonuses and other compensation due to him has been paid, with the exception, as applicable, of his final payroll check for his wages through and including the Separation Date and any validly incurred and un-submitted requests for reimbursement, which will be paid on the next regularly scheduled payroll date for the pay period including the Separation Date or otherwise as soon as practicable. Any vested benefits under any of the Employer Group’s employee benefit plans are excluded and shall be governed by the terms of the applicable plan documents and award agreements. The Employee specifically represents, warrants and confirms that he has not engaged in, and is not aware of, any unlawful conduct in relation to the business of the Employer Group. If any of these statements is not true, the

Employee cannot sign this Agreement and must notify the Employer Group immediately, in writing, of the statements that are not true. Such notice will not automatically disqualify the Employee from receiving these benefits, but will require the Employer Group's review and consideration.

3. Separation Benefits. In consideration for the Employee's execution, non-revocation of, and compliance with this Agreement, including the waiver and release of claims in Section 4, the Employer agrees to provide the following benefits:

(a) In consideration for the Employee's execution, non-revocation of, and compliance with this Agreement, including the waiver and release of claims in Section 4, the Employer agrees to provide the payments and benefits that are required by Employer for a "Good Reason" separation under the applicable provisions of that certain Executive Severance Agreement, dated as of July 7, 2017, by and between the Employer and the Employee (the "**Severance Agreement**"), subject to the terms and conditions set forth therein.

(b) The Employee understands, acknowledges and agrees that these benefits exceed what he is otherwise entitled to receive upon separation from employment, and that these benefits are in exchange for executing this Agreement. The Employee further acknowledges no entitlement to any additional payment or consideration not specifically referenced herein.

(c) Notwithstanding the foregoing, no payment shall be made or begin before the Effective Date of this Agreement.

4. Release.

(a) General Release and Waiver of Claims

In exchange for the consideration provided in this Agreement, the Employee and his heirs, executors, representatives, agents, insurers, administrators, successors and assigns (collectively, the "**Releasers**") irrevocably and unconditionally fully and forever waive, release and discharge the Employer Group, including each member of the Employer Group's parents, subsidiaries, affiliates, predecessors, successors and assigns, and all of their respective officers, directors, employees and stockholders, in their corporate and individual capacities (collectively, the "**Releasees**") from any and all claims, demands, actions, causes of actions, obligations, judgments, rights, fees, damages, debts, obligations, liabilities and expenses (inclusive of attorneys' fees) of any kind whatsoever (collectively, "**Claims**"), whether known or unknown, from the beginning of time to the date of the Employee's execution of this Agreement, including, without limitation, any claims under any federal, state, local or foreign law, that Releasers may have, have ever had or may in the future have arising out of, or in any way related to the Employee's hire, benefits, employment, termination or separation from employment with the Employer and any actual or alleged act, omission, transaction, practice, conduct, occurrence or other matter, including, but not limited to (i) any and all claims under Title VII of the Civil Rights Act, as amended, the Americans with Disabilities Act, as amended, the Family and Medical Leave Act, as amended, the Fair Labor Standards Act, the Equal Pay Act, as amended,

the Employee Retirement Income Security Act, as amended (with respect to unvested benefits), the Civil Rights Act of 1991, as amended, Section 1981 of U.S.C. Title 42, the Sarbanes-Oxley Act of 2002, as amended, the Worker Adjustment and Retraining Notification Act, as amended, the National Labor Relations Act, as amended, the Age Discrimination in Employment Act, as amended, the Uniform Services Employment and Reemployment Rights Act, as amended, the Genetic Information Nondiscrimination Act of 2008, the Massachusetts Fair Employment Practices Law (MFEPL), the Massachusetts Civil Rights Act (MCRA), the Massachusetts Equal Rights Act (MERA), the Minimum Fair Wage Act, the Massachusetts Wage Act, the Massachusetts Equal Pay Act, all of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise) that may be legally waived and released; (ii) any and all claims for compensation of any type whatsoever, including but not limited to claims for salary, wages, bonuses, commissions, incentive compensation, vacation and/or severance; (iii) any and all claims arising under tort, contract and/or quasi-contract law, including but not limited to claims of breach of an expressed or implied contract, tortious interference with contract or prospective business advantage, breach of the covenant of good faith and fair dealing, promissory estoppel, detrimental reliance, invasion of privacy, nonphysical injury, personal injury or sickness or any other harm, wrongful or retaliatory discharge, fraud, defamation, slander, libel, false imprisonment, negligent or intentional infliction of emotional distress; and (iv) any and all claims for monetary or equitable relief, including but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs and disbursements.

However, this general release and waiver of claims excludes, and the Employee does not waive, release or discharge, (i) any right to file an administrative charge or complaint with the Equal Employment Opportunity Commission or other administrative agency, although the Employee waives any right to monetary relief related to such a charge or administrative complaint; and (ii) claims which cannot be waived by law, such as claims for unemployment benefit rights with the Massachusetts Department of Unemployment Assistance; and (iii) any rights to vested benefits, such as pension or retirement benefits.

5. Knowing and Voluntary Acknowledgment. The Employee specifically agrees and acknowledges that: (i) the Employee has read this Agreement in its entirety and understands all of its terms; and (ii) the Employee knowingly, freely and voluntarily assents to all of its terms and conditions including, without limitation, the waiver, release and covenants contained herein; (iii) the Employee is executing this Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which he is otherwise entitled; (iv) the Employee is not waiving or releasing rights or claims that may arise after his execution of this Agreement; and (v) the Employee understands that the waiver and release in this Agreement is being requested in connection with the cessation of his employment with the Employer.

The Employee further acknowledges that he has had twenty-one (21) days to consider the terms of this Agreement and consult with an attorney of his choice, although he may sign it sooner if desired. Further, the Employee acknowledges that he shall have an additional seven (7)

days from the date on which he signs this Agreement to revoke consent to his release of claims under the Age Discrimination in Employment Act, as amended, by delivering notice of revocation to Adam Vandervoort at the Employer Group, by e-mail, fax or overnight delivery before the end of such seven-day period. In the event of such revocation by the Employee, the Employer Group shall have the option of treating this Agreement as null and void in its entirety.

This Agreement shall not become effective, until the eighth (8th) day after the Employee and the Employer execute this Agreement. Such date shall be the “*Effective Date*” of this Agreement. No payments due to the Employee hereunder shall be made or begin before the Effective Date.

6. Confidentiality. The Employee agrees and covenants that he shall not disclose any of the terms of or amount paid under this Agreement or the negotiation thereof to any individual or entity; provided, however, that the Employee will not be prohibited from making disclosures to his attorney, tax advisors and/or immediate family members, or as may be required by law. This Section does not, in any way, restrict or impede the Employee from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Employee shall promptly provide written notice of any such order to the Employer’s Chief Legal Officer. The provisions of this Section 6 are in addition to, and not in limitation of, the terms of that certain Employee Confidentiality and Proprietary Rights Agreement, dated as of July 7, 2017, by and between the Employer the Employee (the “*Confidentiality Agreement*”).

7. Successors and Assigns.

(a) Assignment by the Employer

The Employer may freely assign this Agreement at any time. This Agreement shall inure to the benefit of the Employer Group and its successors and assigns.

(b) No Assignment by the Employee

The Employee may not assign this Agreement or any part hereof. Any purported assignment by the Employee shall be null and void from the initial date of purported assignment.

8. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of New York without regard to conflicts-of-law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought only in any state or federal court located in the State of New York, County of Westchester. The Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

9. Entire Agreement. Unless specifically provided herein, this Agreement contains all the understandings and representations between the Employee and the Employer Group pertaining to the subject matter hereof, except for (i) the provisions of the Severance Agreement, and (ii) those of the Confidentiality Agreement.
10. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Employee and by the Chief Legal Officer of the Employer. No waiver by either of the Parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the Parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.
11. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.
12. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.
13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
14. Non-Admission. Nothing in this Agreement shall be construed as an admission of wrongdoing or liability on the part of the Employer Group.
15. Notices. All notices under this Agreement must be given in writing by overnight letter and received e-mail at the addresses indicated in this Agreement or any other address designated in writing by either party. When providing written notice to the Employer, a copy must be provided to the Employer's General Counsel at the address below.

Notice to the Employer:

Teladoc Health, Inc.
2 Manhattanville Road, Suite 203
Purchase, New York 10577
Attn: Adam Vandervoort
avandervoort@teladochealth.com
(914) 369-1637
(203) 702-5243 (facsimile)

Notice to the Employee:

The employee's address on file with the Employer.

16. Reaffirmation and Non-Disparagement. The Employee hereby acknowledges, agrees and reaffirms that he is and remains bound by the applicable provisions of the Confidentiality Agreement and of the Severance Agreement, including, without limitation, those set forth in Sections 4 and 5 of the Severance Agreement. In addition, and not in limitation, of any provision of the Confidentiality Agreement or of the Severance Agreement, the Employee agrees and covenants that the Employee shall not at any time make, publish, or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Employer Group or its businesses, or any of its employees or officers, and existing and prospective customers, suppliers, investors, and other associated third parties, now or in the future. This Section does not in any way restrict or impede the Employee from exercising protected rights, including rights under the National Labor Relations Act (NLRA) or the federal securities laws, including the Dodd-Frank Act, to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or order. The Employee shall promptly provide written notice of any such order to the Employer's Chief Legal Officer.

17. Acknowledgment of Full Understanding. THE EMPLOYEE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EMPLOYEE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT. THE EMPLOYEE FURTHER ACKNOWLEDGES THAT HIS SIGNATURE BELOW IS AN AGREEMENT TO RELEASE TELADOC, INC. FROM ANY AND ALL CLAIMS.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Execution Date above.

Signature

Teladoc Health, Inc.

/s/ Adam C. Vandervoort
Adam C. Vandervoort

Date 1/6/2020

Signature

/s/ Peter McClennen
Peter McClennen

Date 1.6.2020

**TELADOC HEALTH, INC.
2015 INCENTIVE AWARD PLAN**

PERFORMANCE RESTRICTED STOCK UNIT GRANT NOTICE

Capitalized terms not specifically defined in this Performance Restricted Stock Unit Grant Notice (the “*Grant Notice*”) have the meanings given to them in the 2015 Incentive Award Plan (as amended from time to time, the “*Plan*”) of Teladoc Health, Inc. (f/k/a Teladoc, Inc.) (the “*Company*”).

The Company hereby grants to the participant listed below (“*Participant*”) the Restricted Stock Units described in this Grant Notice (the “*PSUs*”), subject to the terms and conditions of the Plan and the Performance Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the “*Agreement*”), both of which are incorporated into this Grant Notice by reference.

Participant:	[_____]
Grant Date:	March 2, 2020
Number of PSUs:	[_____]
Performance Period:	January 1, 2020 through December 31, 2020
Vesting Schedule:	The PSUs will vest in accordance with the vesting schedule set forth in <u>Exhibit A</u> .

By Participant’s signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

TELADOC HEALTH, INC.

PARTICIPANT

By: _____
 Print Name: _____
 Title: _____

 Print Name: _____



PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

**ARTICLE I.
GENERAL**

1.1 Award of PSUs and Dividend Equivalents.

(a) The Company has granted the PSUs to Participant effective as of the grant date set forth in the Grant Notice (the “**Grant Date**”). The number of PSUs stated in the Grant Notice is the target number of PSUs that may be earned under this Award (the “**Target Number of PSUs**”). The number of PSUs that may actually be earned under this Award ranges from between 50% and 200% of the Target Number of PSUs. Each earned PSU represents the right to receive one Share or, at the option of the Administrator, an amount of cash, in either case, as set forth in this Agreement. Participant will have no right to the distribution of any Shares or payment of any cash until the time (if ever) the PSUs have vested.

(b) The Company hereby grants to Participant, with respect to each earned PSU, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable PSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share. The Company will establish a separate Dividend Equivalent bookkeeping account (a “**Dividend Equivalent Account**”) for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid.

1.2 Incorporation of Terms of Plan. The PSUs and Dividend Equivalents are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Unsecured Promise. The PSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company’s general assets.

**ARTICLE II.
VESTING; FORFEITURE AND SETTLEMENT**

2.1 Vesting; Forfeiture.

(a) The PSUs will be earned, if at all, based on the Company’s achievement of the performance conditions fixed by the Compensation Committee of the Board of Directors of the Company over the Performance Period set forth in the Grant Notice (the “**Performance Period**”). Within ninety (90) days following completion of the Performance Period, the Administrator will determine, in its sole and absolute discretion, the extent to which the performance conditions have been satisfied (the date of such determination, the “**Determination Date**”). To the extent earned, the PSUs will vest as set forth in Section 2.1(c).

(b) Change in Control. Notwithstanding Section 2.1(a), if a Change in Control occurs on or prior to the last day of the Performance Period, the PSUs will be earned on the date of the Change in Control or an earlier date determined by the Administrator (the date of such determination, the “**CIC Determination Date**”) and the number of earned PSUs will equal the greater of (i) 100% of the Target

Number of PSUs and (ii) the sum of the number of earned EBITDA PSUs and earned Revenue PSUs using the Company's expected full year performance based on its then current year-to-date results, in each case, as determined by the Administrator prior to the date of the Change in Control; provided that, if the Administrator does not make such a determination or determines that there is insufficient information to accurately estimate the Company's full year performance, the number of earned PSUs will equal the Target Number of PSUs. Any PSUs that have not been earned will be automatically forfeited on the CIC Determination Date unless the Administrator otherwise determines.

(c) Vesting of Earned PSUs; Forfeiture. The earned PSUs will vest as to one-third on each of the Determination Date or the CIC Determination Date, as applicable, and the first and second anniversaries thereof. Any fraction of a PSU that would otherwise be vested will be accumulated and will vest only when a whole PSU has accumulated. In the event of Participant's Termination of Service for any reason, all unvested PSUs will immediately and automatically be cancelled and forfeited, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the corresponding PSU.

2.2 Settlement.

(a) PSUs and Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid in Shares or cash at the Administrator's option as soon as administratively practicable after the vesting of the applicable PSU, but in no event more than sixty (60) days after the PSU's vesting date. Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)), provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

(b) If a PSU is paid in cash, the amount of cash paid with respect to the PSU will equal the Fair Market Value of a Share on the day immediately preceding the payment date. If a Dividend Equivalent is paid in Shares, the number of Shares paid with respect to the Dividend Equivalent will equal the quotient, rounded down to the nearest whole Share, of the Dividend Equivalent Account balance divided by the Fair Market Value of a Share on the day immediately preceding the payment date.

ARTICLE III. TAXATION AND TAX WITHHOLDING

3.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the PSUs or Dividend Equivalents as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the PSUs and the Dividend Equivalents, regardless of any action the

Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the PSUs or Dividend Equivalents. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the PSUs or the Dividend Equivalents or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the PSUs or Dividend Equivalents to reduce or eliminate Participant's tax liability.

ARTICLE IV. OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the PSUs, the Shares subject to the PSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement, the PSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

4.8 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.9 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the PSUs and Dividend Equivalents, and rights no greater than the right to receive cash or the Shares as a general unsecured creditor with respect to the PSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

4.10 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.11 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

Subsidiaries			
Name	Domestic Jurisdiction	Parent	Ownership by Parent
Compile, Inc.	Delaware	Teladoc Health, Inc.	100%
Stat Health, LLC	Delaware	Teladoc Health, Inc.	100%
HY Holdings, Inc.	Delaware	Teladoc Health, Inc.	100%
Best Doctors Holdings, Inc.	Delaware	Teladoc Health, Inc.	100%
Best Doctors, Inc.	Delaware	Best Doctors Holdings, Inc.	100%
Rise Health, Inc.	Delaware	Best Doctors, Inc.	100%
Teladoc Health Canada Inc.	Canada	Best Doctors, Inc.	100%
Best Doctors International Insurance S.a.r.l.	Luxembourg	Best Doctors, Inc.	100%
Teladoc Health UK Ltd.	United Kingdom	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Best Doctors Portugal Ltd.	Portugal	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Best Doctors Australasia Pty Limited	Australia	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Advance Holdco Limited	United Kingdom	Best Doctors International Insurance S.a.r.l.	100%
TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	Spain	Best Doctors International Insurance S.a.r.l.	100.00%
AMHMS - Health Care Management Services, S.A.	Portugal	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Yi Yi Medical Health Management Consulting (Shanghai) Co., Ltd.	China	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Advance Medical - Serviços de Consultoria e Gestao de Dados Ltda	Brazil	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	99.99%
Advance Medical, Inc.	Massachusetts	TELADOC HEALTH, INC.	100%
Advance Medical Health Care Management Services Chile S.A.	Chile	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	99.99%
Teladoc Hungary Consulting and Services Limited Liability Company	Hungary	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
AM Healthcare Management Consulting Sdn. Bhd.	Malaysia	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Institute of Patient Safety and Quality in Virtual Care, LLC	Texas	Teladoc Health, Inc.	100%
Médecin Direct	France	TELADOC HEALTH INTERNATIONAL, SOCIEDAD ANÓNIMA	100%
Teladoc Health Massachusetts Holdings, Inc.	Massachusetts	Teladoc Health, Inc.	100%

Certification

I, Jason Gorevic, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Teladoc Health, Inc. for the period ended March 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2020

/s/ JASON GOREVIC

Jason Gorevic
Chief Executive Officer

Certification

I, Mala Murthy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Teladoc Health, Inc. for the period ended March 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2020

/s/ MALA MURTHY

Mala Murthy

Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002**

In connection with the Quarterly Report of Teladoc Health, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jason Gorevic, Chief Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2020

/s/ JASON GOREVIC

Jason Gorevic

Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002**

In connection with the Quarterly Report of Teladoc Health, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mala Murthy, Chief Financial Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2020

/s/ MALA MURTHY

Mala Murthy

Chief Financial Officer
