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amazon

one medical

Intrepid's Observations on Amazon's Proposed Acquisition of One Medical

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Amazon's Opportunity for Disruption in Primary Care…

There are ~200x more Amazon Prime members in the U.S. than One Medical members, suggesting a substantial membership opportunity for the primary care platform.

Technology is becoming an increasingly critical differentiator to provide a seamless patient experience in healthcare. The transaction combines One Medical's clinical footprint with the IT development resources of tech-giant Amazon.

Tech adoption in healthcare has been lacking. Introducing even elementary technologies can substantially improve the patient and physician experience.

Combination allows for integration with Amazon's Pillpack pharmacy services to capture additional offerings across the continuum of care. The opportunity also exists to leverage the massive retail footprint of Whole Foods to build a network of in-store clinics.

If successful, where is Amazon going to go next? We believe there is strategic rationale for Amazon to enhance One Medical's existing footprint with additional acquisitions in telehealth, mental health and home care.

…With Several Key Considerations To Ensure Success

Challenges for Amazon to Overcome

Healthcare is not as straightforward as groceries (Whole Foods), streaming (Twitch.TV) or production studios (MGM) given compliance requirements and other complexities specific to the delivery of patient care.

Previous stumbles prove that entering the healthcare space has been a challenge for Amazon; however, the company views the healthcare business as a critical future growth category.

One Medical has yet to reach profitability, with net losses of $91 million in the first quarter of 2022.

Current Primary Care Market Dynamics to Consider

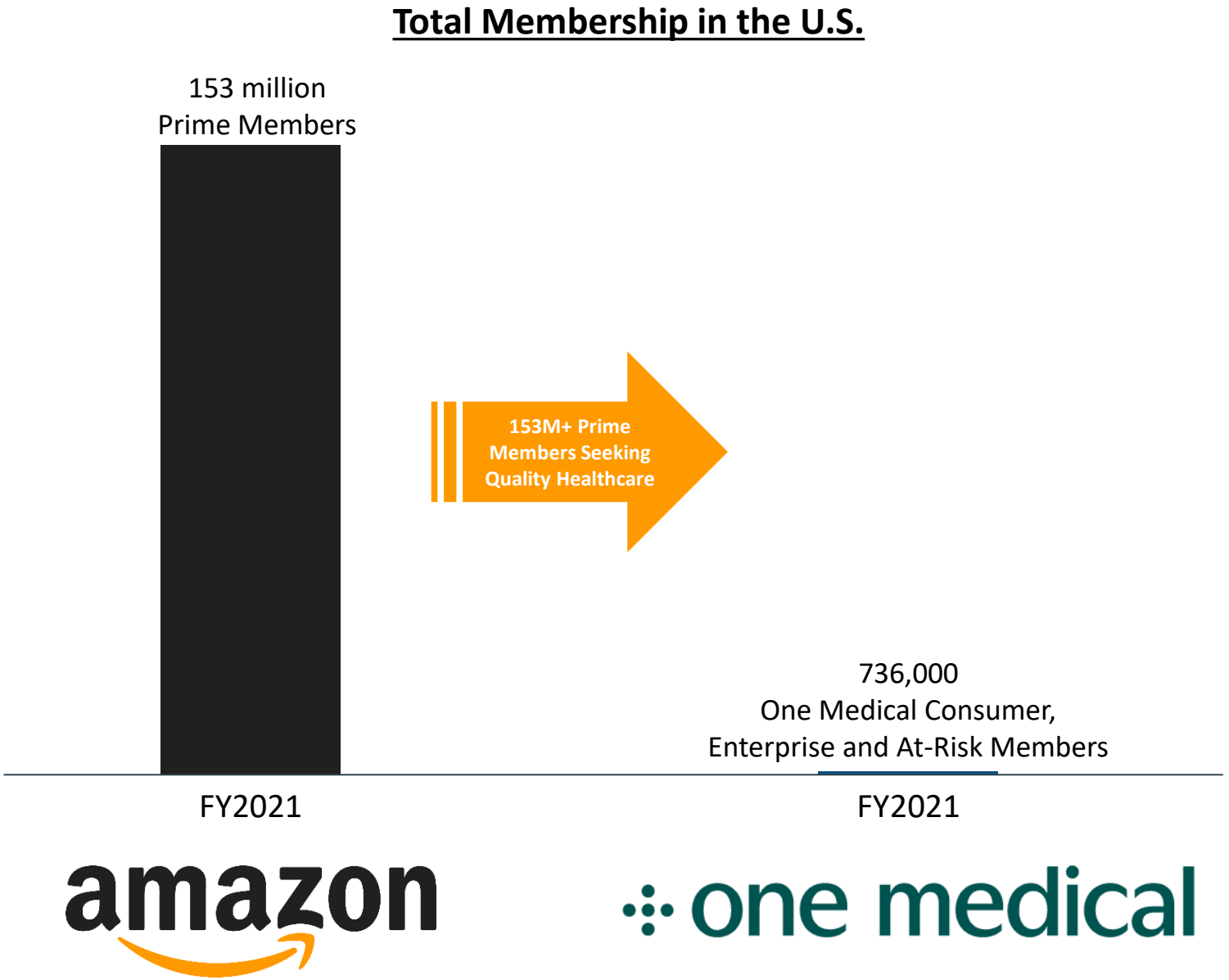
Consolidation in recent years has created national players of scale, such as UnitedHealth Group's Optum division. Despite these trends, the primary care market remains highly fragmented with few players possessing the economies of scale to substantially improve outcomes and reduce costs.

The consumer and employer direct primary care market is becoming increasingly competitive with platforms such as Carbon Health, AllCare, Everside Health and CVS Minute Clinic/HealthHUB gaining market share.

Success in primary care and physician practice management is all about recruiting and retaining providers.

Deal Data Point #1: Member Synergy Opportunity

There are over 150 million Amazon Prime Members in the U.S. that are not yet One Medical Members, suggesting a substantial cross-sell opportunity to drive membership to the innovative primary care platform.



Source: One Medical Form 10-K 2021, Amazon Form 10-K 2021

Deal Data Point #2: One Medical's Position in the U.S. Primary Care Marketplace

The U.S. primary care market remains highly fragmented with no players of scale. One Medical's current footprint includes markets that account for an estimated ~32% of U.S. primary care spend, with One Medical holding less than 1% of this market share.

U.S. Primary Care Market

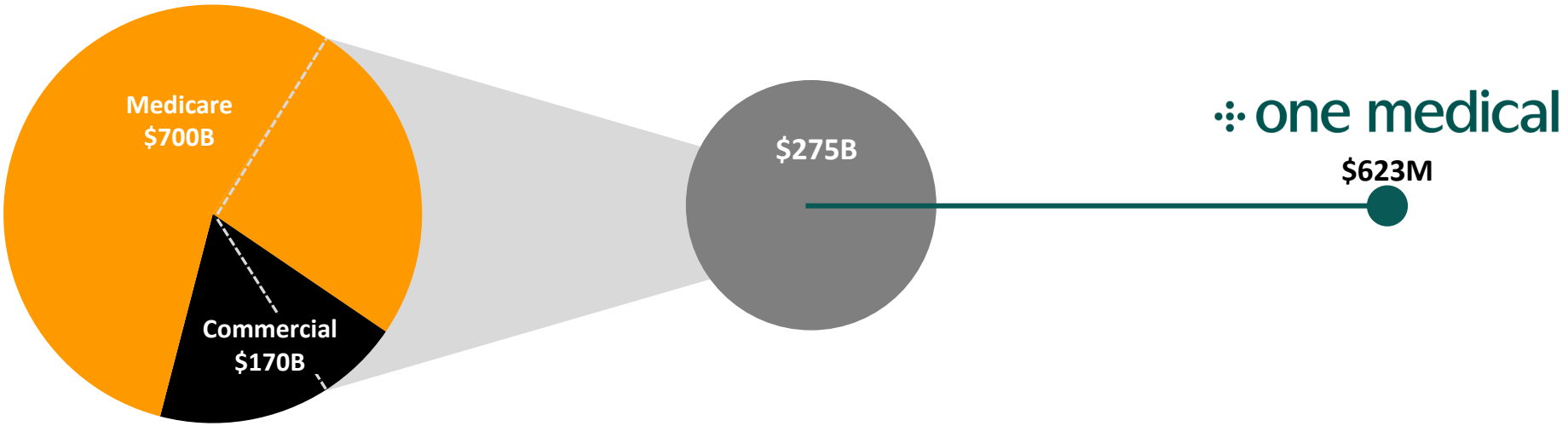
~$870 billion revenue

One Medical Existing Markets

$275 billion revenue
(~32% of total market)

One Medical 2021 Revenue

$623 million revenue
(<1% of existing markets)



The total addressable primary care market in the U.S. is estimated to be over $870 billion revenue per year. The Medicare vs. commercial demographic spend is estimated to be split 80%/20%.

Based on a current footprint in 29 markets in the U.S., One Medical is estimated to operate within 31.6% of the total addressable U.S. primary care market

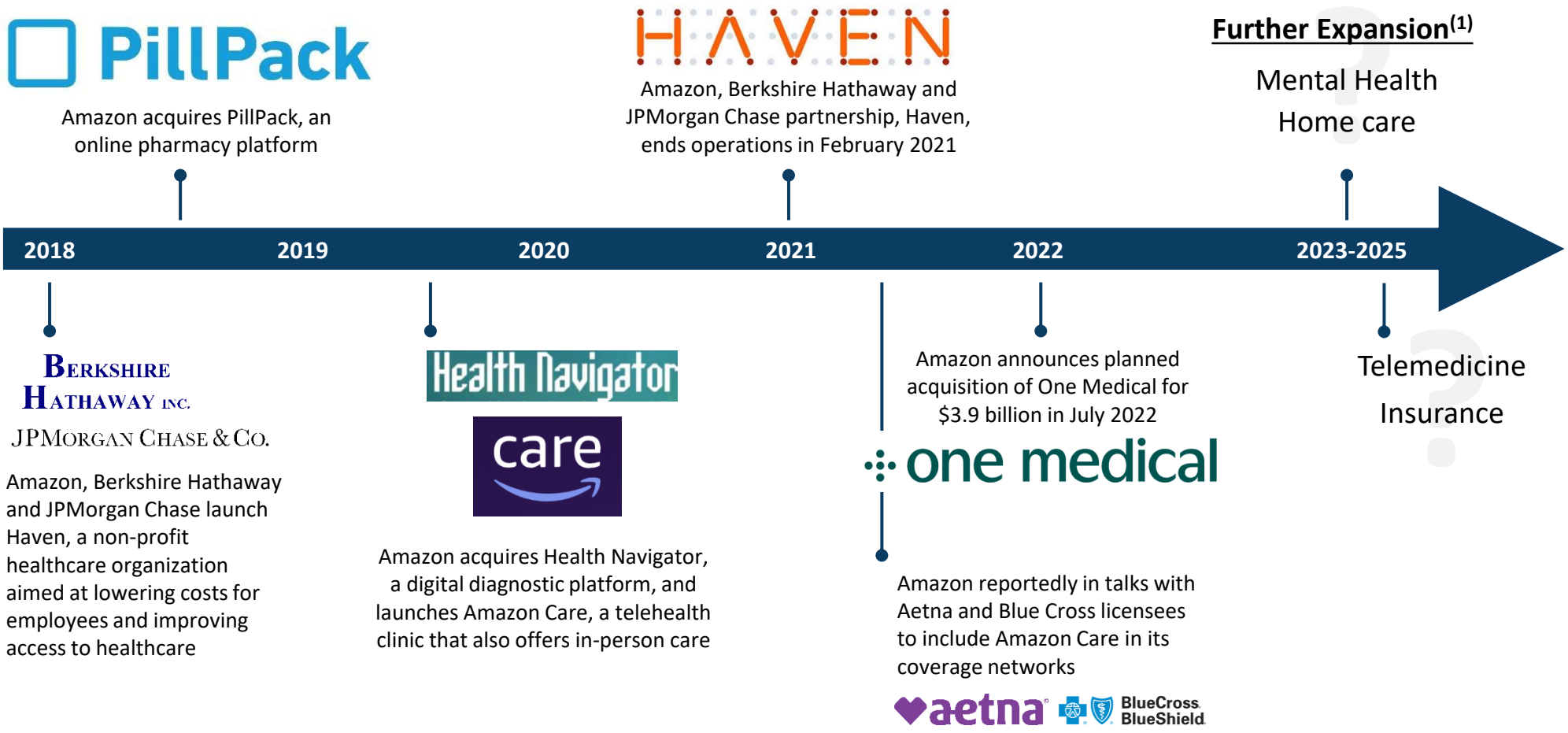
One Medical's 2021 revenue of $623 million is less than 1% market share in the Company's existing markets

Source: One Medical Form 10-K 2021

Deal Data Point #3: Where is Amazon Headed Next?

Success in healthcare remains an exciting opportunity for Amazon's continued expansion goals. Historical attempts to enter the healthcare sector have been less than successful, including discontinuing the Haven joint venture with J.P. Morgan and Berkshire Hathaway in February 2021. If One Medical maintains its strong clinical care and rapid growth within Amazon, there are several potential segments within the continuum of care for the company to further expand.

Timeline of Amazon's Foray Into Healthcare



(1) One Medical's current operations include limited mental health, home care and telemedicine services. The opportunity exists for Amazon to build on this platform or acquire an existing platform focused on this segment.

Intrepid Case Study: Recapitalization of AllCare by Summit Partners

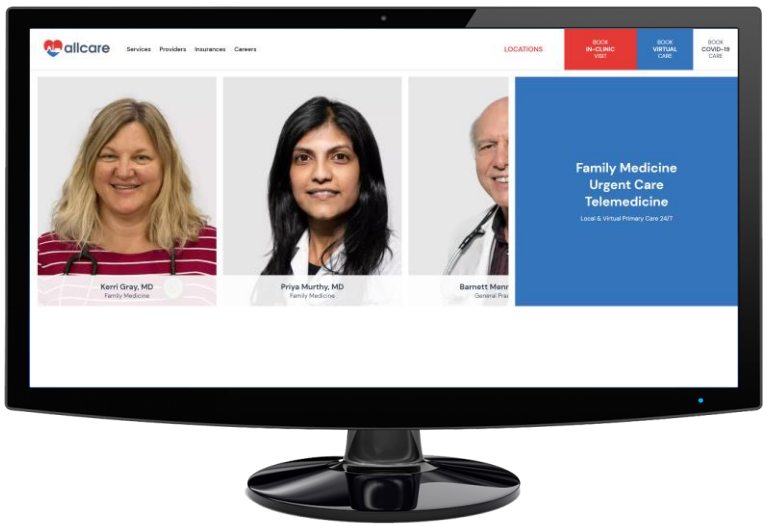
Case Study: AllCare Family Medicine

Description: Capital Healthcare PC dba AllCare Family Medicine ("AllCare") is a 28-clinic multi-state tech-enabled primary care provider with a unique physician-focused model.

Positioning: Highlighted the proprietary, tech-enabled processes that drove provider satisfaction and improved patient care. Focused investors on the proven model with untapped growth potential given additional operational and financial support.

Marketing: Approached a broad universe of value-added strategic and financial investors.

Outcome: Generated significant interest from a large group of experienced and well-regarded investors and ultimately selected Summit Partners due to their deep experience building multi-site healthcare businesses into billion-dollar companies.



Unlocking massive value creation with an experienced and well-resourced partner

allcare

has received a growth equity investment from

SUMMIT PARTNERS

Advisor to AllCare

Happy Doctors Healthy Patients

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Select Recent Healthcare Transactions

Autism Services

hopebridge

a portfolio company of

Arsenal Capital Partners

has acquired

CONFIDENTIAL

Multi-State Autism Services Provider

Tech-Enabled Primary Care

allcare

has received a growth equity investment from

SUMMIT PARTNERS

Healthcare Staffing

CONNETICS USA

has been acquired by

AMN Healthcare

(NYSE: AMN)

Multi-Site Ophthalmology Group

EASTWEST EYE INSTITUTE

has been acquired by

NVISION

Direct-to-Patient Teledermatology Platform

Apostrophe

has been acquired by

hims & hers

(NYSE: HIMS)

Bio-Analytical Testing Services

MOSAIC LABORATORIES

has been acquired by

CellCarta

a portfolio company of

Arsenal Capital Partners

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