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StayWell 'looking at options' that would change its corporate structure, CEO says

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StayWell, majority owned by a subsidiary of Merck [NYSE:MRK], is considering changes to its corporate structure, possibly through an initial public offering, CEO Nicole DuPont Latimer said.

“Given how competitive the industry is, we are looking at our options,” Latimer said in an interview this week. “But at this time we have no definitive plans.” She declined to comment further on the matter.

The Yardley, Pennsylvania-based healthcare IT (HCIT) company has an integrated portfolio of solutions and content that help clients engage and educate people to improve health and business outcomes.

In 2016, Healthcare Services & Solutions, a division of Merck, paid USD 150m to take a majority position in StayWell. Previous owner Vestar Capital Partners retained a significant minority stake in StayWell.

Atlanta-based Sharecare is StayWell’s largest competitor in the payer market, said Latimer. Sharecare has raised more than USD 425m in total capital from Aflac, CareFirst, Discovery Communications, Harpo Productions, HCA, Quest Diagnostics, Sony Pictures Television, Swiss Re, Trinity Health and Wells Fargo.

Marlin Equity-backed Virgin Pulse and Trustmark-owned [NASDAQ:TRMK] HealthFitness are StayWell’s chief competitors in the employer market, according to Latimer. Virgin Pulse is meeting with bankers ahead of a potential sale next year, according to an October report from this news service.

There is also a formidable set of future competitors, Latimer noted, pointing to Apple [NASDAQ:AAPL], Amazon [NASDAQ:AMZN], and Alphabet [NASDAQ:GOOGL], which this month acquired Fitbit for USD 2.1bn.

Latimer told this news service in 2018 that StayWell generated more than USD 100m in annual revenue. She declined to update its revenue figure for this story.

The profitable company, which was founded in 1978, has made a string of acquisitions over the years. It last purchased Portland, Oregon-based Provata Health in 2018. Provata was producing roughly USD 2m in revenue at the time of the acquisition, Latimer said. StayWell has tripled the number of Provata clients since then, she noted.

StayWell continues to seek additional acquisition targets, as well as strategic partnerships, the CEO said. Companies with best-in-class programming and technologies that reduce risky behaviors such as stress management, sleep improvement and weight management are of particular interest, Latimer said.

The patient education space has seen the commoditization of some content, she acknowledged, but providers of specialized content can still fetch a premium. Pediatrics, oncology, and maternity care are areas where information is in-demand, she said. While the quality of the content is important, so too are the mechanisms in which the information is delivered, Latimer noted.

While the company is focused on North America, it is also looking to expand globally to meet the needs of its clients, many of which are international. It could use M&A to enter certain geographies, she added.

Access Partners and Kirkland & Ellis have provided financial and legal advice, respectively, on StayWell transactions in the past. StayWell maintains a relationship with those organizations but should a future M&A transaction arise, it could involve an additional third party, according to a company spokesman.

by Troy Hooper in Los Angeles

Grade: Confirmed

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