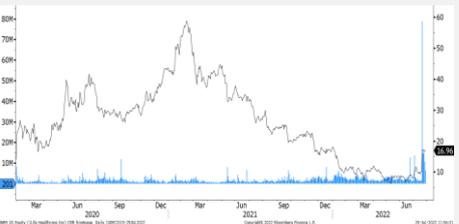


Deal Terms	
1 ONEM = \$18	
Target: 1Life Healthcare Inc	
Country	US
Bloomberg	ONEM
Sector	Medical Information Systems
Share price (USD)	16.97
Market cap (USD mn)	3,312.0
Free float %	~88
Acquirer: Amazon	
Country	US
Bloomberg	AMZN
Sector	Online marketplace
Share price (USD)	121.14
Market cap (USD bn)	1,232.5
Free float %	~87
ONEM Price Chart	
	
Deal status: HSR filing deadline August 3, 2022	
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1Life (ONEM) / Amazon (AMZN) Merger

We believe that the deal might get a second request given the global scrutiny surrounding Big Tech, however it is likely to be approved given the lack of significant antitrust concerns.

Regulatory approvals

- HSR approval is required
- We believe that the deal might get a second request given the global scrutiny surrounding Big Tech, however it is likely to be approved given the lack of significant antitrust concerns.
- While regulators might not like AMZN's entry into healthcare, they do not have a strong hand to prevent this.
- There is no significant overlap between the companies.
- Vertical issues are unlikely to arise given AMZN's limited exposure to healthcare and ONEM's low market share
 - One Medical has 767,000 members and enterprise clients such as Airbnb Inc (ABNB.O) and Alphabet Inc's (GOOGL.O) Google.
 - The company's \$493 million in commercial revenue last year is less than 1% of total annual spending on primary care in the U.S. for commercial insurance.
 - Larger rival Teladoc Health Inc (TDOC.N), by contrast, has more than 54 million paying members in the United States and double One Medical's quarterly revenue.
 - Amazon Care hasn't posed a significant threat to Teladoc so far given its limited scale, the acquisition of 1Life and its One Medical primary practice will significantly intensify competition.
- AMZN's pharmacy acquisition also got green light few years ago.
- **The key question might be the handling of sensitive data by AMZN.**
 - We note that the Fitbit / Google deal was also targeted based on data concerns and got approved in the US.
- Amazon says One Medical customers' data will not be shared without the customer's permission. "As required by law, Amazon will never share One Medical customers' personal health information outside of One Medical for advertising or marketing purposes of other Amazon products and services without clear permission from the customer," said an Amazon spokesperson. "Should the deal close, One Medical customers' HIPAA Protected Health Information will be handled separately from all other Amazon businesses, as required by law," the spokesperson added.
- In June, Amazon [offered](#) to share data, boost rivals to dodge EU antitrust fines
 - Amazon (AMZN.O) has offered to share marketplace data with sellers and boost the visibility of rival products on its platform, trying to persuade EU antitrust regulators to close their investigations without a fine by the end of the year, people familiar with the matter said.
 - The European Commission in 2020 charged Amazon with using its size, power and data to push its own products and gain an unfair advantage over rival merchants that sell on its online platform.
 - It also launched an investigation into Amazon's possible preferential treatment of its own retail offers and those of marketplace sellers that use its logistics and delivery services.

Shareholder vote / counter bid

- Bloomberg reported earlier this month that One Medical was weighing its options after attracting takeover interest, including from CVS.
- Carlyle Group Inc., the private equity firm that invested \$350 million in One Medical in 2018, is exiting its remaining 7% stake in the company as part of the deal, according to two people with knowledge of the matter.
- It appears that ONEM considered its options after receiving interest, therefore a counter bid appears to be unlikely.
- The deal premium seems to be generous.
- Also, other possible bidders might be reluctant to enter into a bidding war with Amazon.

Key terms of the merger

Transaction Details

■ Deal announcement	Jul 21, 2022
■ Offer terms	1 ONEM = \$18
■ Deal size	\$3.9b
■ Offer structure	All cash merger
■ Target's Board Recommendation	Yes
■ Voting Agreement	No Carlyle Group Inc., the private equity firm that invested \$350 million in One Medical in 2018, is exiting its remaining 7% stake in the company as part of the deal, according to two people with knowledge of the matter.
■ ONEM incorp.	US
■ Deal announcement	Click here for the announcement
■ DMA	Click here for the DMA
■ Synergies	N/A

Indicated Closing Date

- The transaction is expected to close

Timetable

■ CA	October 14, 2015, April 24, 2022
■ DMA	July 20, 2022
■ Deal announcement	July 21, 2022
■ HSR filing deadline (10BD)	August 3, 2022
■ Proxy filing (20D)	August 9, 2022
■ Shareholder vote	4Q2022
■ Deal close	1Q/2Q2023
■ Outside Date	July 20, 2023
■ Extended Outside Date I	January 20, 2024
■ Extended Outside Date II	July 20, 2024

Dividends

- ONEM does not pay regular dividends.

Key Conditions

- Target shareholder approval – majority of all outstanding shares
- Regulatory (HSR)
- No injunction
- Reps and warranties
- No MAE

Governing Law

- Delaware, NY (financing related)

Break Fee

- The Merger Agreement contains certain termination rights for each of the Company and Parent. Upon termination of the Merger Agreement in accordance with its terms, under certain specified circumstances, the Company will be required to pay Parent a termination fee in an amount equal to \$136,000,000 (net of any Expense Reimbursement previously paid), including if the Merger Agreement is terminated due to the (i) Company accepting a superior proposal or (ii) Company Board changing its recommendation that stockholders vote to adopt the Merger Agreement prior to the Company Stockholder Meeting. This termination fee will also be payable if the (y) Merger Agreement is terminated under certain circumstances, and prior to such termination, a proposal to acquire more than 50% of the Company's assets or outstanding shares of Company Common Stock is publicly announced or disclosed and not publicly withdrawn, and (z) Company enters into or submits to the Company stockholders a definitive agreement or completes any transaction involving the acquisition of more than 50% of the Company's assets or outstanding shares of Company Common Stock within twelve months of the termination. Additionally, the Company or Parent may terminate the Merger Agreement if the Company Stockholder Approval is not received at the Company Stockholder Meeting, in which case the Company will be required to reimburse Parent and Merger Sub for reasonable expenses incurred in connection with the Merger Agreement and the Contemplated Transactions in an amount up to \$20,000,000 (the "Expense Reimbursement").
- The Merger Agreement further provides that Parent will be required to pay the Company a termination fee in an amount equal to \$195,000,000 in the event the Merger Agreement is terminated under certain specified circumstances. Specifically, this termination fee is payable by Parent to the Company if the Merger Agreement is terminated by Parent or the Company (i) because of a legal restraint

prohibiting the Merger and such legal restraint is pursuant to or arises under antitrust law or (ii) on or after July 20, 2023 (which will be automatically extended for up to two additional six-month periods if certain U.S. antitrust closing conditions have not been satisfied).

MAE Definition

- “Company Material Adverse Effect” means any event, circumstance, change, condition, occurrence or effect that, individually or in the aggregate with any other event, circumstance, change, condition, occurrence or effect, has had, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the assets, business, condition (financial or otherwise) or results of operations of the Company Group, taken as a whole

Carve-outs:

- (A) a change in general economic, political, regulatory, business, financial, credit or capital market conditions, or any changes therein, including interest or exchange rates,
- (B) any change in accounting requirements or principles required by GAAP or required by or any change in applicable Laws after the date hereof,
- (C) any disease outbreak, epidemic or pandemic (including COVID-19) and any evolutions or mutations thereof or quarantine restrictions, natural disasters or the worsening of any of the foregoing, escalation of or acts of armed hostility or terrorism or escalation or worsening of war, or any similar force majeure events,
- (D) the announcement of the execution of this Agreement or the pendency of the Transactions provided that the exceptions in this clause (D) shall not apply to any representations or warranties contained in Section 3.05 or Section 3.11(j) (or the condition in Section 7.02(a) as it relates to the representations or warranties contained in Section 3.05 or Section 3.11(j)), or
- (E) compliance with the express terms of, or the taking of any action expressly required by, this Agreement (excluding the Company operating in the ordinary course of business, unless the Company seeks prior written approval from Parent for an exception to such operation, and Parent denies such approval) or the taking of any action requested in writing by Parent prior to the taking of such action;

provided further that if the exceptions set forth in subclauses (A), (B), or (C) of this clause (i) have a disproportionate impact on the Company Group, taken as a whole, compared to other companies that operate in the industries or geographies in which the Company Group operates, then such effects, changes, developments or occurrences may be taken into account in determining whether a Company Material Adverse Effect has occurred solely to the extent of such disproportionate impact, or (ii) any failure to meet internal or published projections or forecasts for any period or a decline in the price or trading volume of the Shares (provided that, except as otherwise provided in this definition, the underlying causes of such failure or decline may be considered in determining whether there is a Company Material Adverse Effect).

Antitrust related clauses

- Litigation obligation: Yes
- Regulatory break fee: Yes
- Divestiture obligation: No

Specific performance

- Yes

Key ONEM Shareholders

Tiger Global Management 9.1%

Vanguard 7.4%

Carlyle 7.0%

FMR 5.8%

Blackrock 5.7%

Company Description

1LIFE DESCRIPTION

- One Medical is a U.S. national human-centered and technology-powered primary care organization with seamless digital health and inviting in-office care, convenient to where people work, shop, live, and click.
- One Medical’s vision is to delight millions of members with better health and better care while reducing costs, within a better team environment. One Medical’s mission is to transform health care for all through a human-centered, technology-powered model.
- Headquartered in San Francisco, 1Life Healthcare, Inc. is the administrative and managerial services company for the affiliated One Medical physician-owned professional corporations that deliver medical services in-office and virtually. 1Life and the One Medical entities do business under the “One Medical” brand.

- One Medical combines in-person care in inviting offices across the country with digital health and virtual care services, making it easier for patients to schedule appointments, renew prescriptions, access up-to-date health records, and advance health outcomes
- One Medical, whose parent is called 1Life Healthcare Inc., operates 182 medical offices in 25 markets in the US. Customers pay a subscription fee for access to its physicians and round-the-clock digital health services.
- One Medical is a membership-based primary-care practice with offices in 12 major U.S. markets, according to its website. It offers healthcare service in person and provides access to virtual care as well. It works with more than 8,000 companies to provide One Medical health benefits to their employees.
- One Medical uses a subscription model and a strategy of planting offices close to where people work, and has billed itself as more of a tech company by allowing members to use an app to book appointments and track health records.
- The company said roughly 50 percent of revenue stems from Medicare, the government's insurance program for people over 65, the latest quarterly report shows.
- Patients are charged an annual fee of \$199 with offices serving major metro areas including Atlanta, Chicago, Los Angeles and the District.
- One Medical began as an early attempt to revamp primary-care services with sleek clinics in urban centers that patients or their employers paid a premium to join. For an annual fee, the company promised easier access to appointments and virtual consultations as well as a higher level of customer service than typical medical practices. It struck deals with large health networks such as Mount Sinai Health System in New York to refer patients for specialty care.
- But unlike other investor-backed clinic chains such as Oak Street Health Inc., One Medical has historically focused on fee-for-service medical care, rather than new payment models that much of the industry is moving to. That changed last year with the company's \$1.4 billion acquisition of Medicare-focused chain Iora Health Inc., known for trying to reinvent senior care by improving quality while managing costs.
- Congress launched an investigation into One Medical's Covid-19 vaccination practices in March 2021 after several outlets, including *Forbes*, reported the company did not enforce state vaccination guidelines by allowing healthcare workers to get vaccinated without proof of identification, effectively allowing people to jump the line during a time when vaccines were scarce.

Deal rationale

- The deal will give Amazon relationships with hundreds of thousands of patients and their employers as well as brick-and-mortar clinics in major cities across the US.
- Amazon's goal is to be capable of providing a service that can begin with a chat in an app, continue with a virtual visit with a healthcare professional and even include a home visit within an hour after a user connects with the service. It could end with the delivery of prescription medication to a patient's home, Amazon executives have said.
- “We think health care is high on the list of experiences that need reinvention,” said Neil Lindsay, SVP of Amazon Health Services, “We see lots of opportunity to both improve the quality of the experience and give people back valuable time in their days.”

Key risks

REGULATORY APPROVALS / TIMING

- HSR approval is required.
 - **We believe that the deal might get a second request given the global scrutiny surrounding Big Tech, however it is likely to be approved given the lack of significant antitrust concerns.**
 - **While regulators might not like AMZN's entry into healthcare, they do not have a strong hand to prevent this.**
- Amazon health businesses
 - The company acquired mail-order pharmacy PillPack Inc. and folded the operation into its retail website, then started Amazon Care, a primary-care and telehealth venture offered at first to employees.
 - Amazon today offers that service to [other companies](#).
 - Amazon Care right now only has a limited amount of customers which include Hilton and semiconductor company Silicon Lab
 - The company last year wound down a joint venture with Berkshire Hathaway Inc. and JPMorgan Chase & Co. that had tried to cut employees' health care costs.
 - An earlier attempt to expand into healthcare, a joint venture set up by Amazon, Berkshire Hathaway Inc. and JPMorgan Chase & Co. called Haven, fizzled after three years. The three companies spent roughly \$100 million but [struggled to manage fundamental issues](#) related to the cost of healthcare, data and staff turnover.
 - The most expansive version of Amazon Care isn't yet available over all the U.S. The company said the telehealth component would be available nationwide last summer, and in-person care would be available in cities such as Washington, D.C., and Baltimore.
 - In 2022, [Amazon is proposing](#) to bring in-person Amazon Care to 16 more cities, bringing the total number of new additions to 20: Atlanta; Denver; Detroit; Houston; Indianapolis; Kansas City, Missouri; Los Angeles; Miami; Minneapolis; Nashville, Tennessee; New York; Phoenix; Pittsburgh; San Francisco; San Jose, California; and St. Louis

- About 40,000 people were enrolled in Amazon Care as of earlier this summer, the people said, though that's heavily weighted to Amazon employees
 - Amazon Care services include video care, in-app text chat with clinicians, mobile care visits, prescription delivery from a care courier and in-person care, where Amazon Care can dispatch a medical professional to a patient's home for services ranging from routine blood draws to listening to a patient's lungs.

■ Data concerns

- **As part of the One Medical acquisition, Amazon would get the target's national chain of primary-care clinics and access to its electronic records system.**
- The company became the world's largest online retailer in part thanks to meticulous collection and analysis of shopping data. With One Medical, it's set to become the custodian of medical records for hundreds of thousands of people.
- Regulators and lawmakers have accused Amazon of using the shopping data it collects from third-party merchants to copy their products. The company has said that it has policies against using individual seller data to compete with them
- Senator Amy Klobuchar wrote to FTC Chair Lina Khan on the same day Amazon announced the purchase of health-care provider One Medical, according to a copy of the letter obtained by a Washington Post reporter.
 - Klobuchar says Amazon "has a history of engaging in business practices that raise serious anticompetitive concerns"
 - Asks that the FTC investigate the role of data in the transaction, "given that this proposed deal could result in the accumulation of highly sensitive personal health data in the hands of an already data-insensitive company"
- "Amazon's takeover of One Medical is the latest shot in a terrifying new stage in the business model of the world's largest corporations," said Barry Lynn, the executive director of Open Markets Institute, an organization that advocates for stricter antitrust regulation. "The deal will expand Amazon's ability to collect the most intimate and personal of information about individuals, in order to track, target, manipulate, and exploit people in ever more intrusive ways."
- **Amazon says One Medical customers' data will not be shared without the customer's permission. "As required by law, Amazon will never share One Medical customers' personal health information outside of One Medical for advertising or marketing purposes of other Amazon products and services without clear permission from the customer,"** said an Amazon spokesperson. **"Should the deal close, One Medical customers' HIPAA Protected Health Information will be handled separately from all other Amazon businesses, as required by law," the spokesperson added.**
- Amazon, One Medical Deal Raises Data Issue, Hawley Tells FTC
 - Republican Sen. Josh Hawley is urging the Federal Trade Commission to review how Amazon.com Inc. will handle health data in the retail giant's planned \$3.49 billion purchase of primary care provider One Medical.
 - The commission should press Amazon on whether it would establish firewalls between patient data and retail customer data, Hawley (R-Mo.) said in a Thursday letter to the FTC. He raised concerns that a high blood pressure diagnosis, for example, could fuel targeted advertisements for related medication.
 - "Promoting wellness is one thing; dystopian corporate 'nudging' is quite another," his letter said. Hawley questioned whether the deal should be allowed to proceed, saying Amazon already wields too much power in his view.
- In June, Amazon [offered](#) to share data, boost rivals to dodge EU antitrust fines
 - Amazon (AMZN.O) has offered to share marketplace data with sellers and boost the visibility of rival products on its platform, trying to persuade EU antitrust regulators to close their investigations without a fine by the end of the year, people familiar with the matter said.
 - The European Commission in 2020 charged Amazon with using its size, power and data to push its own products and gain an unfair advantage over rival merchants that sell on its online platform.
 - [It also launched](#) an investigation into Amazon's possible preferential treatment of its own retail offers and those of marketplace sellers that use its logistics and delivery services.
 - Amazon's process for choosing which retailer appears in the "buy box" on its website and which generates the bulk of its sales also came under the spotlight.
 - Amazon has now proposed to allow sellers access to some marketplace data while its commercial arm will not be able to use seller data collected by its retail unit, the people said.
 - The company will also create a second buy box for rival products in the event an Amazon product appears in the first buy box, the people said.
 - The EU competition enforcer is expected to [seek feedback](#) from rivals and users in the coming weeks, which could lead to tweaks in the proposal and a final decision by the end of the year, the people said.
- Amazon is also investigated [by UK](#) antitrust watchdog over its marketplace practices
- A [US bill](#) would bar giant tech companies like Amazon from favoring their own products over those of their rivals. It would force Amazon to stop, for example, promoting its own private-label products at the top of searches on its e-commerce site.

■ CBR view:

- **There is no significant overlap between the companies.**
- **Vertical issues are unlikely to arise given AMZN's limited exposure to healthcare and ONEM's low market share**

- One Medical has 767,000 members and enterprise clients such as Airbnb Inc (ABNB.O) and Alphabet Inc's (GOOGL.O) Google.
 - The company's \$493 million in commercial revenue last year is less than 1% of total annual spending on primary care in the U.S. for commercial insurance.
- Larger rival Teladoc Health Inc (TDOC.N), by contrast, has more than 54 million paying members in the United States and double One Medical's quarterly revenue.
- Amazon Care hasn't posed a significant threat to Teladoc so far given its limited scale, the acquisition of 1Life and its One Medical primary practice will significantly intensify competition.
- Other telehealth providers include American Well Corp. and MDLive—which Cigna Corp. has agreed to acquire.
- **AMZN's pharmacy acquisition also got green light few years ago.**
- **The key question might be the handling of sensitive data by AMZN.**
 - **We note that the Fitbit / Google deal was also targeted based on data concerns and got approved in the US.**

COUNTER BID

- Bloomberg reported earlier this month that One Medical was weighing its options after attracting takeover interest, including from CVS.
- Carlyle Group Inc., the private equity firm that invested \$350 million in One Medical in 2018, is exiting its remaining 7% stake in the company as part of the deal, according to two people with knowledge of the matter who asked not to be identified because the information hasn't been made public.
- It appears that ONEM considered its options after receiving interest, therefore a counter bid appears to be unlikely.
- Also, other possible bidders might be reluctant to enter into a bidding war with Amazon.
- Premium of 77% based on One Medical's last closing price before the announcement and a premium of 88% based on the 20-day average closing price
- The deal premium seems to be generous.

FINANCING

- Under the Merger Agreement, Parent has agreed to provide senior unsecured interim debt financing to the Company in an aggregate principal amount of up to \$300,000,000 to be funded in up to ten tranches of \$30,000,000 per month, beginning on March 20, 2023 until the earlier of Closing and the termination of the Merger Agreement pursuant to its terms, with a maturity date of 24 months after the termination of the Merger Agreement pursuant to its terms. The Company will agree to certain restrictive covenants and events of default customary for transactions of this type in connection with the debt financing, and other terms and conditions to be set forth in definitive agreements to be entered into by the parties in connection with the financing.

Valuation

PREMIUM

- Premium of 77% based on One Medical's last closing price before the announcement and a premium of 88% based on the 20-day average closing price

Disclosures:

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