



DISCLAIMER

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PLEASE SUBMIT QUESTIONS* TO

QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*

HEALTHCARE POSITION MONITOR

Sentiment Investment Ideas - Longs

Score¹ **LONG**

6	ATHN	athenahealth, Inc.
6	EXAS	Exact Sciences Corporation

Trade	Trend	Tail
---	---	✓
✓	✓	✓

Sentiment Investment Ideas - Shorts

Score¹ **SHORT**

89	CERN	Cerner Corporation
81	HOLX	Hologic, Inc.
59	AMN	AMN Healthcare Services, Inc.
53	ZBH	Zimmer Biomet Holdings, Inc.
41	HCA	HCA Holdings, Inc.
33	MD	MEDNAX, Inc.
22	QSII	Quality Systems, Inc.
17	MDRX	Allscripts Healthcare Solutions, Inc.
1	CPSI	Computer Programs and Systems, Inc.

Trade	Trend	Tail
×	×	×
×	×	×
×	×	×
---	×	×
×	×	×
×	×	×
---	---	×
×	×	×
---	---	×

Sentiment Long Bench

Score¹ **LONG**

41	ILMN	Illumina, Inc.
56	EVH	Evolent Health Inc Class A
78	ABCO	Advisory Board Company

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Sentiment Short Bench

Score¹ **SHORT**

97	WOOF	VCA Inc.
79	LH	Laboratory Corporation of America Holdings
71	ICLR	ICON Plc
53	CRL	Charles River Laboratories International, Inc.
44	MDSO	Medidata Solutions, Inc.
36	LPNT	LifePoint Health, Inc.
24	PRXL	PAREXEL International Corporation
18	Q	Quintiles IMS Holdings, Inc.
5	DGX	Quest Diagnostics Incorporated
1	CYH	Community Health Systems, Inc.

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¹Percentile rank within sub-sector (1 = High Short Interest, Negative Sell Side / 100 = Low Short Interest, Positive Sell Side)

Bench = Timing is not right, or research in progress.

HEALTHCARE EARNINGS SCORECARD (3Q16)

Sales													
Health Services					3Q16			4Q16: Estimate			CY 2016 Estimate		
Industry	Expected (6/30/16)	Blended	Reported	Surprise	6/30/2016	11/7/2016	Revision	6/30/2016	11/7/2016	Revision			
Hospital/Nursing Management	4.5%	4.6%	4.6%	0.1%	3.1%	2.7%	-0.5%	5.8%	5.7%	-0.1%			
Managed Health Care	10.6%	12.2%	12.3%	1.6%	8.9%	8.9%	0.1%	12.0%	13.1%	1.1%			
Medical/Nursing Services	13.9%	12.2%	12.5%	-1.8%	12.5%	10.8%	-1.7%	14.2%	13.2%	-1.0%			
Services to Health Industry	5.0%	3.6%	2.7%	-1.4%	3.5%	5.1%	1.6%	4.0%	3.8%	-0.2%			
Health Services	8.5%	8.1%	8.0%	-0.4%	7.0%	6.9%	-0.1%	9.0%	8.9%	-0.1%			
Health Technology					3Q16			4Q16: Estimate			CY 2016 Estimate		
Industry	Expected (6/30/16)	Blended	Reported	Surprise	6/30/2016	11/7/2016	Revision	6/30/2016	11/7/2016	Revision			
Biotechnology	3.7%	4.7%	3.6%	0.9%	1.2%	-0.8%	-2.0%	5.3%	5.5%	0.2%			
Equipment/Supplies	10.6%	12.2%	12.3%	1.6%	8.9%	8.9%	0.1%	12.0%	13.1%	1.1%			
Pharmaceuticals: Major	5.5%	6.9%	6.9%	1.4%	2.9%	3.1%	0.2%	4.9%	6.1%	1.2%			
Health Technology	6.6%	7.9%	7.6%	1.3%	4.3%	3.8%	-0.6%	7.4%	8.2%	0.8%			
EPS													
Health Services					3Q16			4Q16: Estimate			CY 2016 Estimate		
Industry	Expected (6/30/16)	Blended	Reported	Surprise	6/30/2016	11/7/2016	Revision	6/30/2016	11/7/2016	Revision			
Hospital/Nursing Management	17.1%	-4.0%	-3.7%	-21.1%	22.3%	2.8%	-19.5%	13.1%	0.9%	-12.2%			
Managed Health Care	20.1%	17.0%	16.3%	-3.1%	34.7%	31.0%	-3.7%	16.1%	15.2%	-0.9%			
Medical/Nursing Services	12.1%	0.3%	0.1%	-11.8%	14.4%	3.2%	-11.2%	12.2%	7.3%	-5.0%			
Services to Health Industry	15.6%	15.3%	15.7%	-0.3%	15.2%	14.2%	-1.0%	14.0%	13.9%	-0.1%			
Health Services	16.2%	7.1%	7.1%	-9.1%	21.6%	12.8%	-8.9%	13.8%	9.3%	-4.5%			
Health Technology					3Q16			4Q16: Estimate			CY 2016 Estimate		
Industry	Expected (6/30/16)	Blended	Reported	Surprise	6/30/2016	11/7/2016	Revision	6/30/2016	11/7/2016	Revision			
Biotechnology	-5.9%	-4.8%	-0.8%	1.1%	-13.3%	-21.2%	-7.8%	-7.4%	-9.9%	-2.5%			
Equipment/Supplies	20.1%	17.0%	16.3%	-3.1%	34.7%	31.0%	-3.7%	16.1%	15.2%	-0.9%			
Pharmaceuticals: Major	7.7%	10.5%	10.5%	2.8%	4.7%	5.2%	0.5%	7.7%	9.1%	1.5%			
Health Technology	7.3%	7.6%	8.7%	0.3%	8.7%	5.0%	-3.7%	5.4%	4.8%	-0.6%			

*All industries are U.S. industries from FACTSET, except Equipment/ Supplies which is a sub industry from the S&P 500

HEALTHCARE EARNINGS SCORECARD (2Q16)

					Sales					
Health Services	2Q16				3Q16: Estimate			4Q16: Estimate		
Industry	Expected (3/31/16)	Blended	Reported	Surprise	3/31/2016	8/9/2016	Revision	6/30/2016	8/9/2016	Revision
Hospital/Nursing Management	8.3%	7.0%	5.9%	-1.3%	7.0%	4.6%	-2.4%	3.4%	2.8%	-0.6%
Managed Health Care	14.7%	17.8%	17.8%	3.1%	10.0%	11.2%	1.2%	3.9%	8.7%	4.8%
Medical/Nursing Services	13.3%	15.3%	15.7%	2.0%	12.5%	13.7%	1.2%	12.5%	12.2%	-0.3%
Services to Health Industry	10.6%	10.7%	10.7%	0.1%	11.7%	11.5%	-0.2%	9.1%	9.1%	0.0%
Health Services	13.1%	15.1%	15.1%	2.0%	9.7%	10.2%	0.5%	8.0%	7.8%	-0.2%

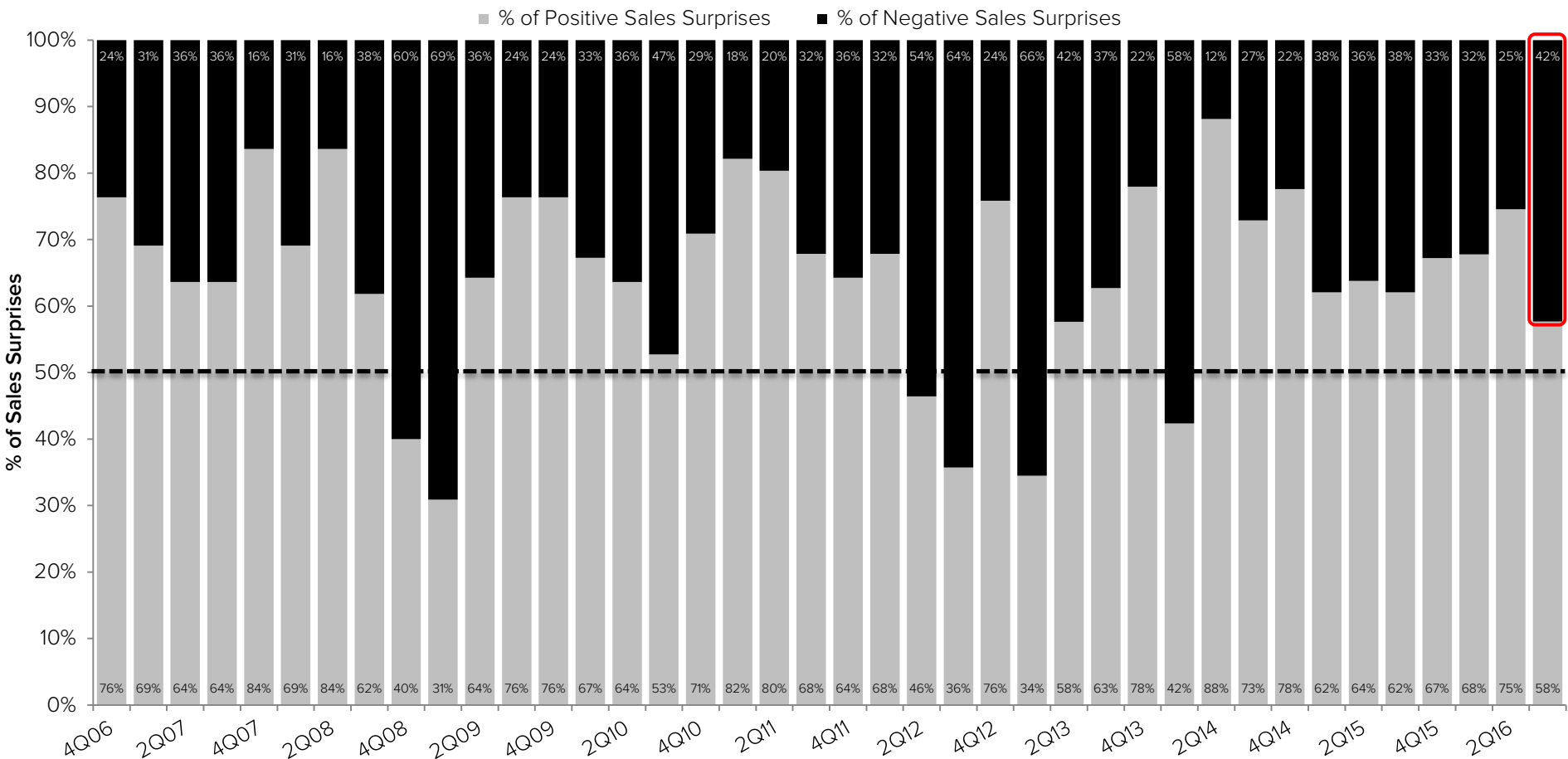
Health Technology					2Q16			3Q16: Estimate			4Q16: Estimate		
Industry	Expected (3/31/16)	Blended	Reported	Surprise	3/31/2016	8/9/2016	Revision	6/30/2016	8/9/2016	Revision			
Biotechnology	3.8%	5.7%	5.8%	1.9%	5.9%	4.9%	-1.0%	4.6%	2.9%	-1.7%			
Equipment/Supplies	4.3%	7.2%	8.3%	2.9%	6.5%	5.4%	-1.1%	6.9%	3.5%	-3.4%			
Pharmaceuticals: Major	4.1%	7.8%	7.7%	3.7%	4.7%	6.0%	1.3%	2.9%	3.0%	0.1%			
Health Technology	3.8%	5.7%	5.8%	1.9%	5.9%	4.9%	-1.0%	4.6%	2.9%	-1.7%			

					EPS					
Health Services	2Q16				3Q16: Estimate			4Q16: Estimate		
Industry	Expected (3/31/16)	Blended	Reported	Surprise	3/31/2016	8/9/2016	Revision	6/30/2016	8/9/2016	Revision
Hospital/Nursing Management	7.2%	-1.1%	-2.2%	-8.3%	21.1%	12.8%	-8.3%	21.9%	20.2%	-1.7%
Managed Health Care	13.1%	12.4%	12.4%	-0.7%	18.4%	14.4%	-4.0%	34.6%	31.9%	-2.7%
Medical/Nursing Services	10.0%	8.3%	8.9%	-1.7%	10.9%	3.9%	-7.0%	14.4%	9.2%	-5.2%
<u>Services to Health Industry</u>	<u>12.3%</u>	<u>10.1%</u>	<u>10.1%</u>	<u>-2.2%</u>	<u>12.1%</u>	<u>9.0%</u>	<u>-3.1%</u>	<u>9.7%</u>	<u>8.6%</u>	<u>-1.1%</u>
Health Services	11.8%	9.6%	9.6%	-2.2%	17.0%	12.3%	-4.7%	25.5%	23.1%	-2.4%

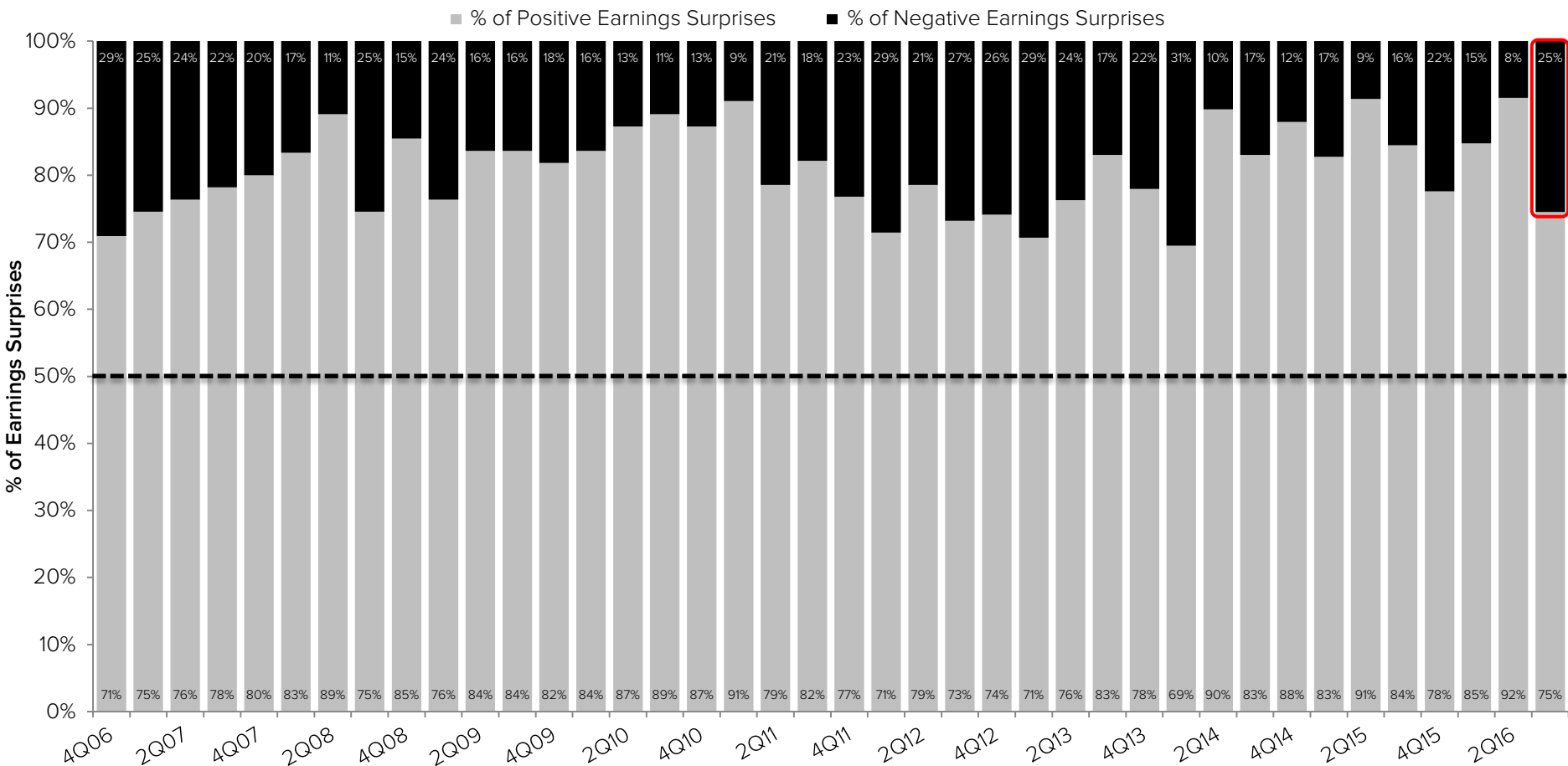
Health Technology					2Q16			3Q16: Estimate			4Q16: Estimate		
Industry	Expected (3/31/16)	Blended	Reported	Surprise	3/31/2016	8/9/2016	Revision	6/30/2016	8/9/2016	Revision			
Biotechnology	---	---	---	---	---	---	---	---	---	---			
Equipment/Supplies	6.3%	6.3%	7.9%	0.0%	11.8%	7.5%	-4.3%	9.7%	6.3%	-3.4%			
Pharmaceuticals: Major	7.8%	8.6%	8.7%	0.8%	7.8%	8.1%	0.3%	7.6%	6.3%	-1.3%			
Health Technology*	7.1%	7.5%	8.3%	0.4%	9.8%	7.8%	-2.0%	8.7%	6.3%	-2.4%			

*Average of Equipment/Supplies and Pharma Major due to incomplete data for Biotechnology EPS

HEALTHCARE SALES SURPRISES

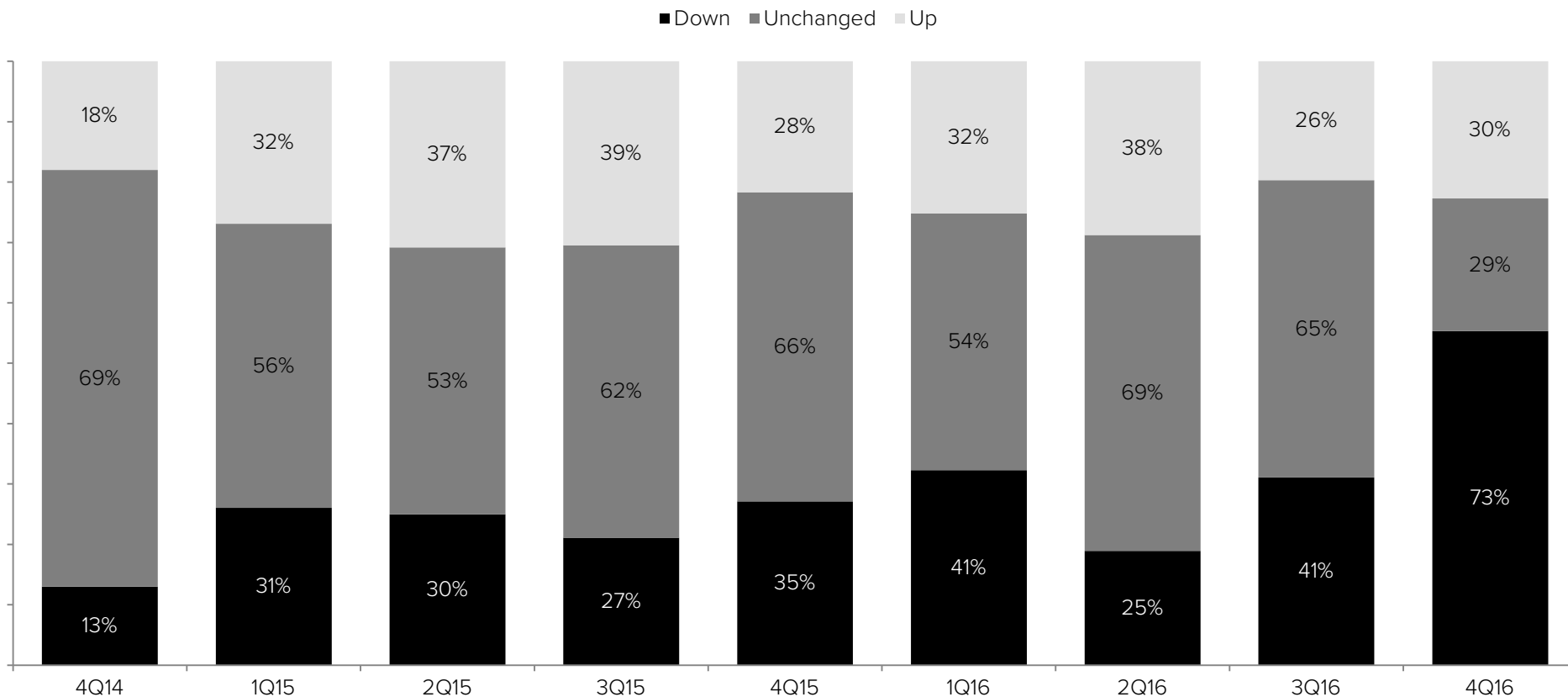


HEALTHCARE EARNINGS SURPRISES



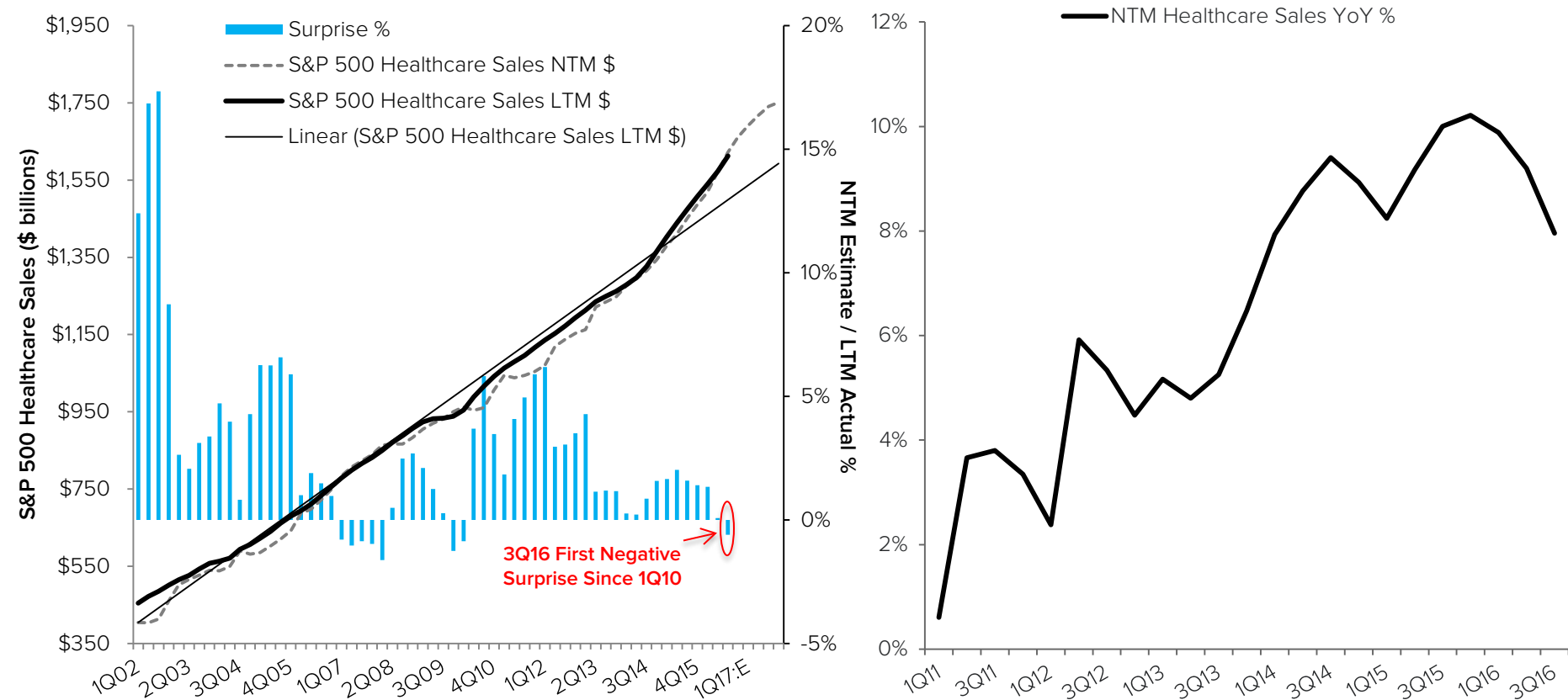
ESTIMATE TRENDS HEADING LOWER

COMBINED 2016/2017 ANNUAL EPS REVISIONS

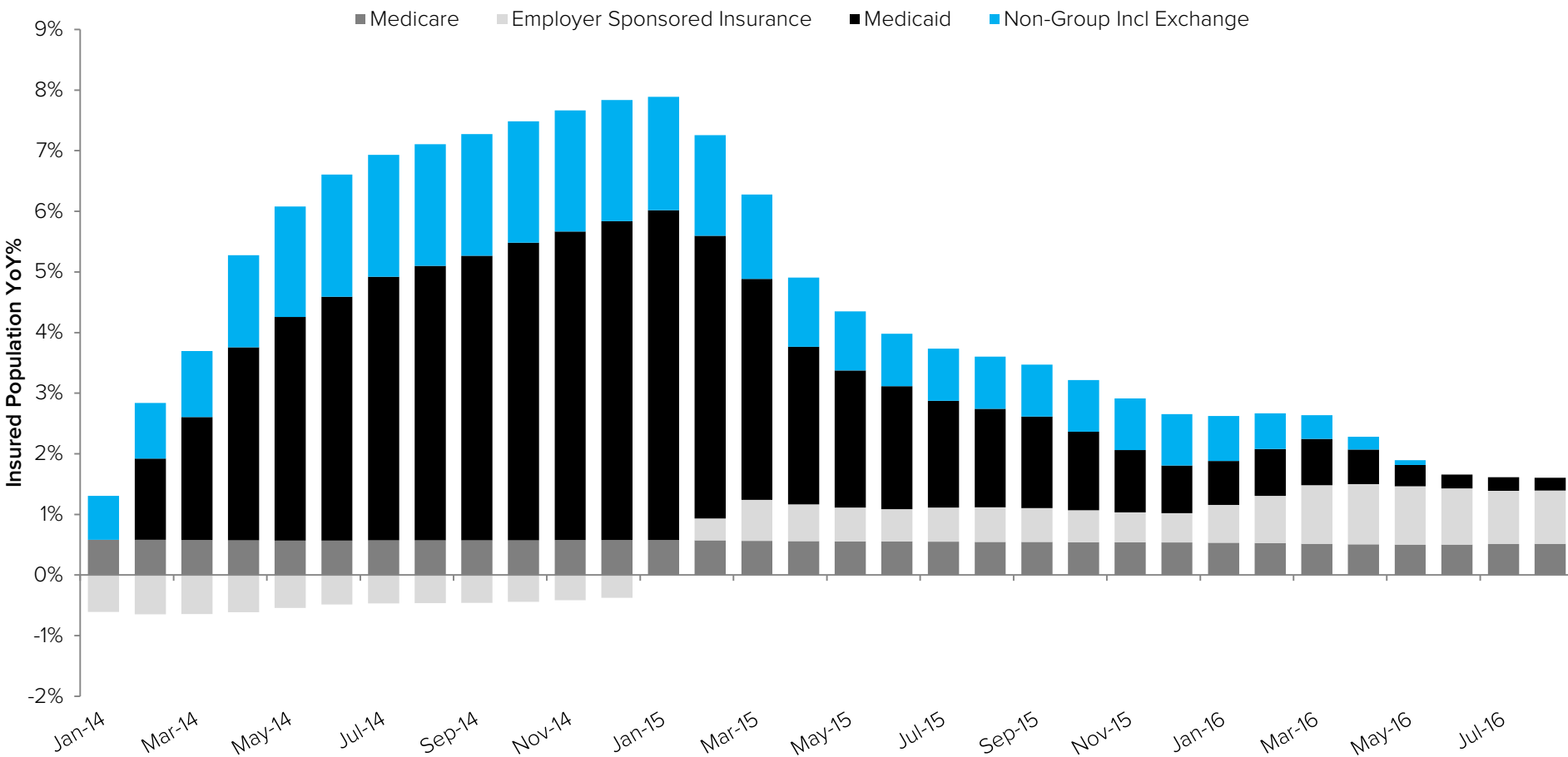


GROWTH EXPECTATIONS MODERATING

2017 ESTIMATES NEED TO COME DOWN

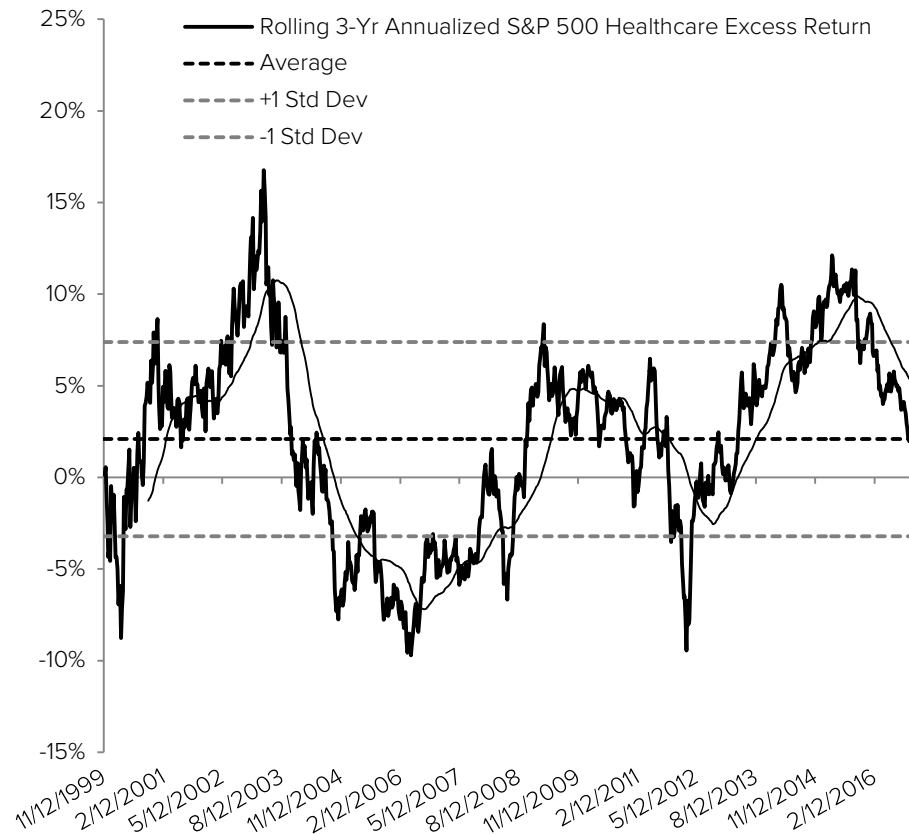
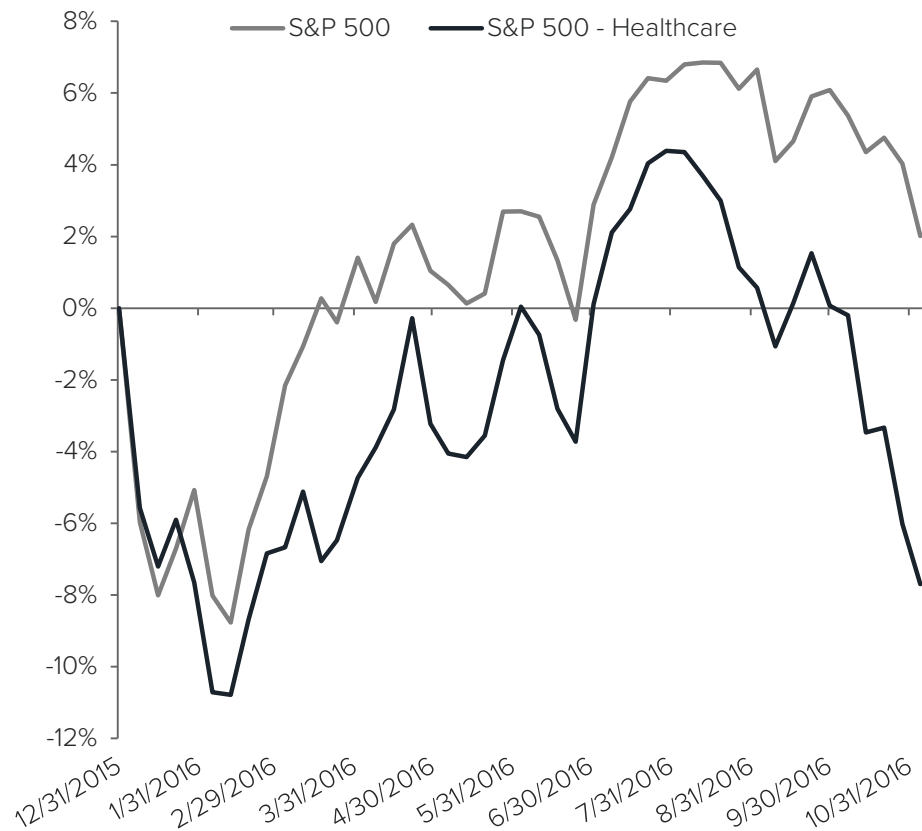


INSURED POPULATION SLOWING



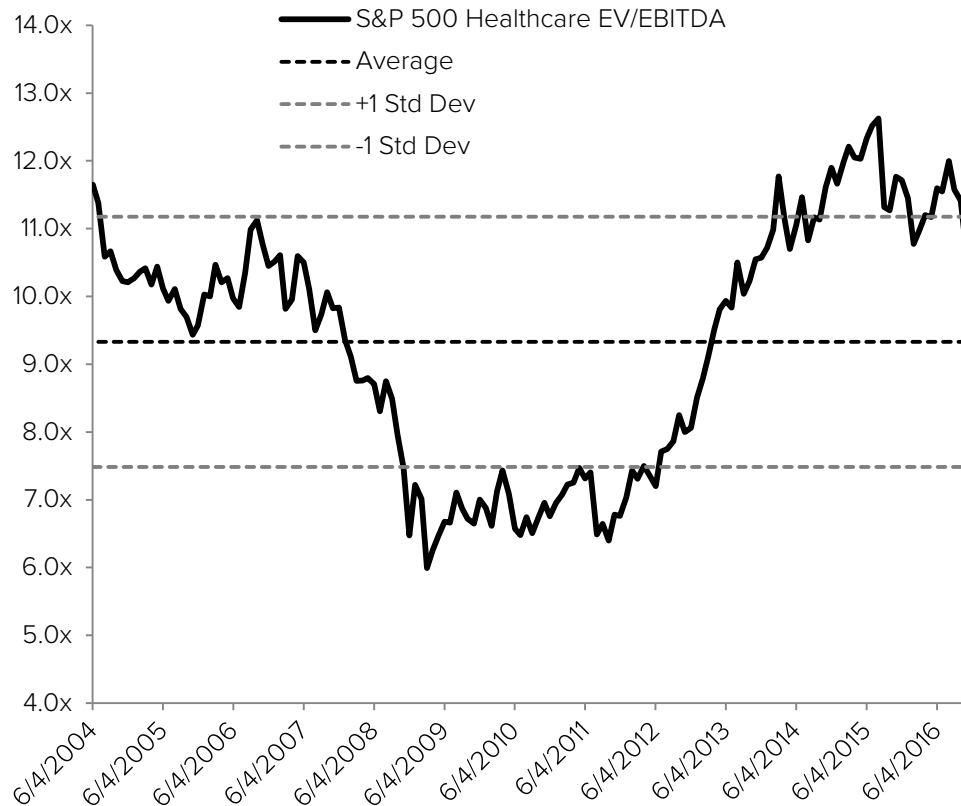
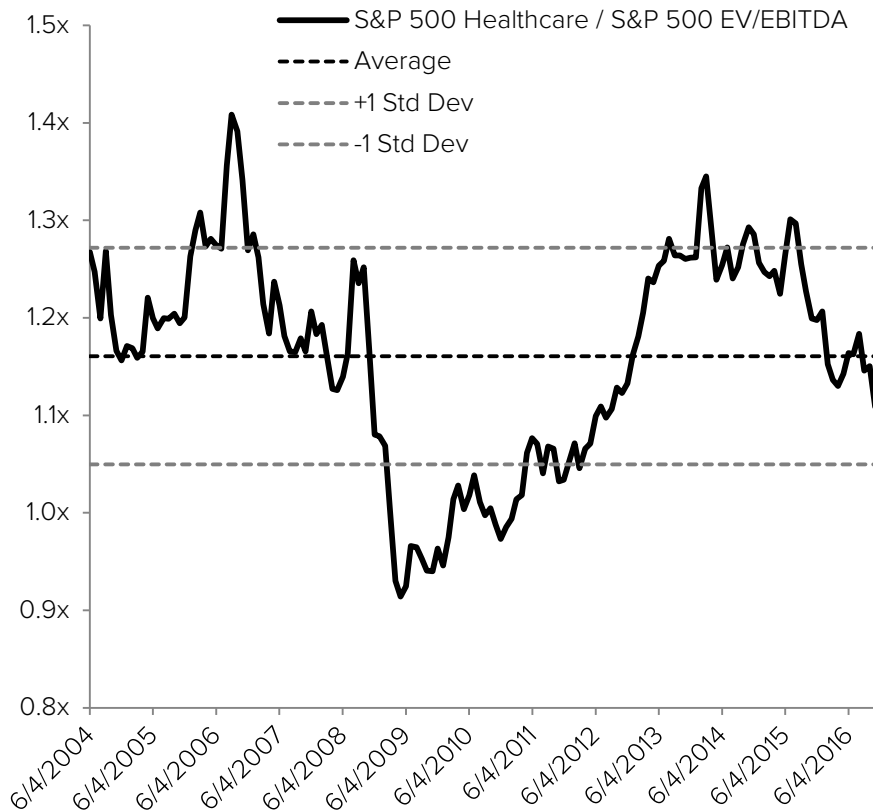
HEALTHCARE CONTINUES TO UNDERPERFORM

S&P 500 HEALTHCARE -7.7% YTD / -9.7% YTD RELATIVE SPX

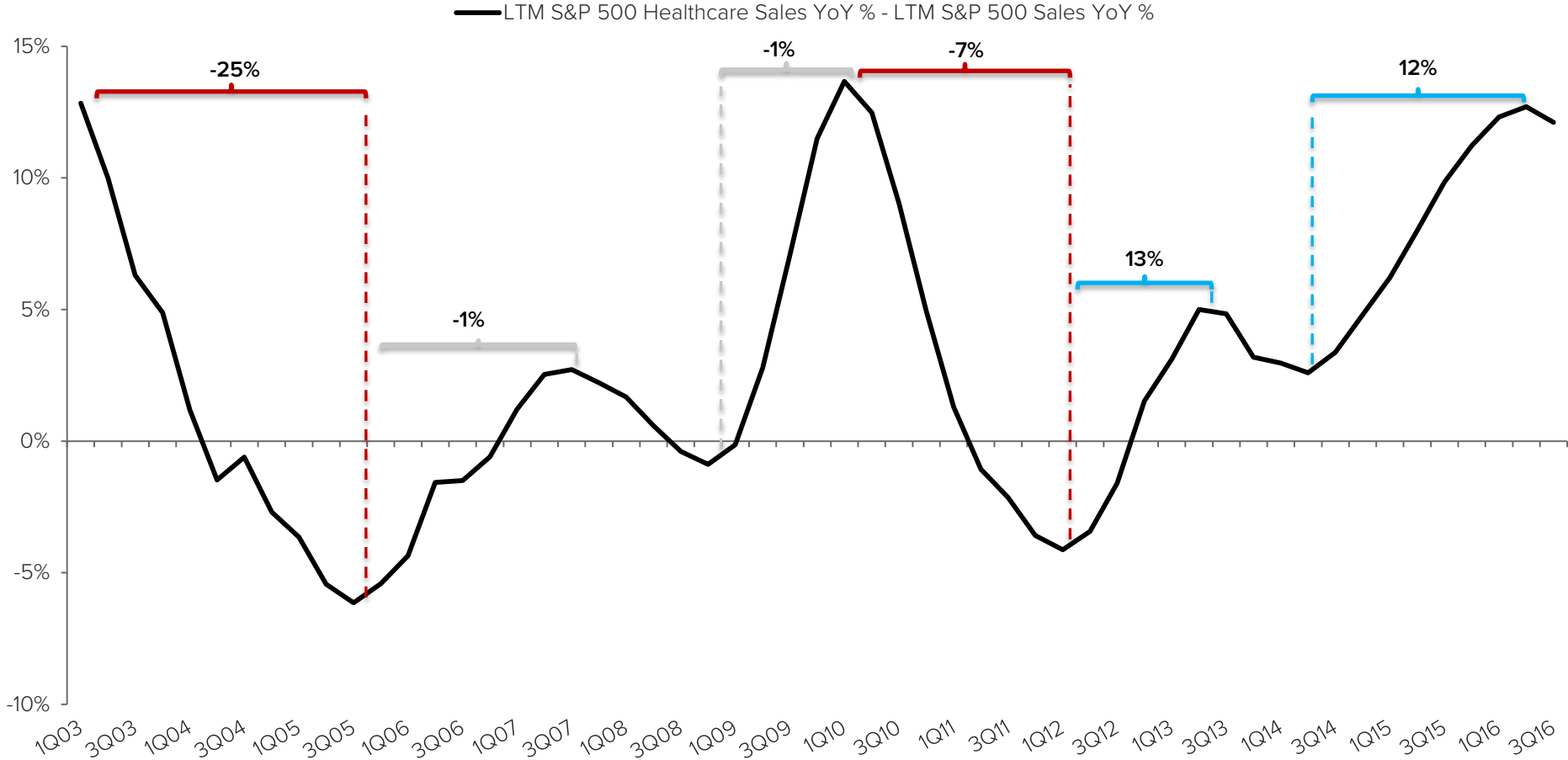


HEALTHCARE RELATIVE AND ABSOLUTE MULTIPLES

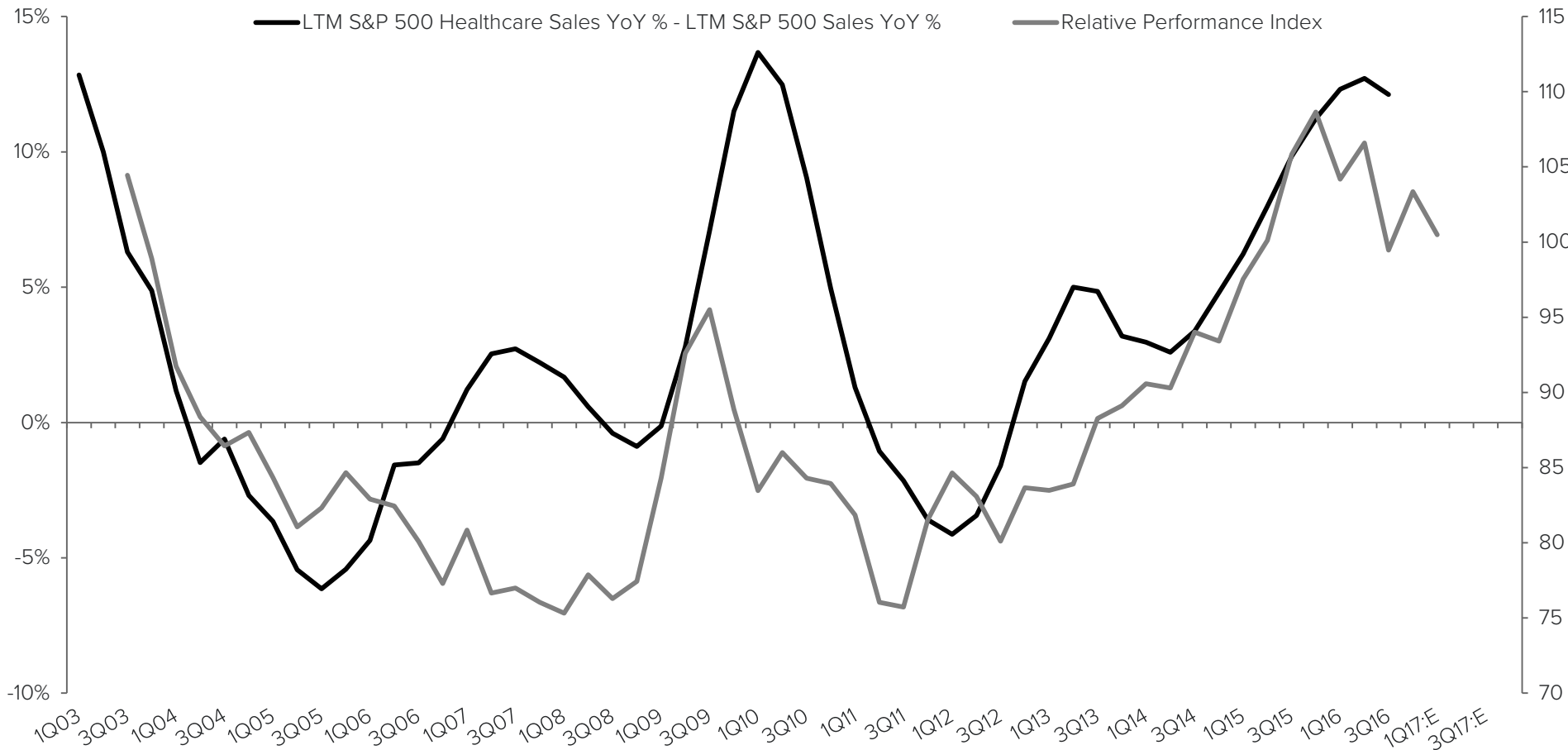
VALUATIONS HAVE COME IN, BUT CAN GO LOWER...



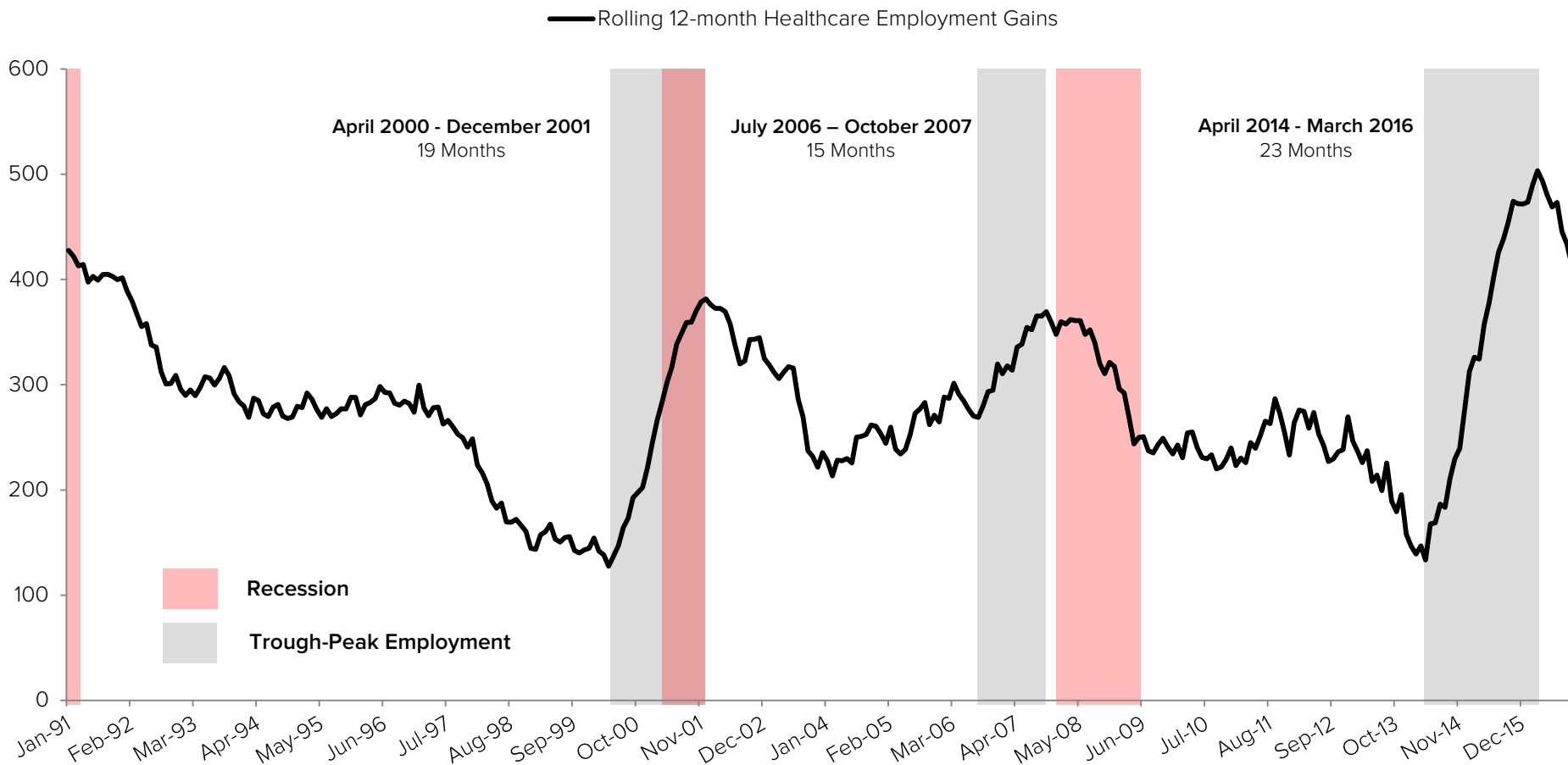
RELATIVE PERFORMANCE VERSUS GROWTH



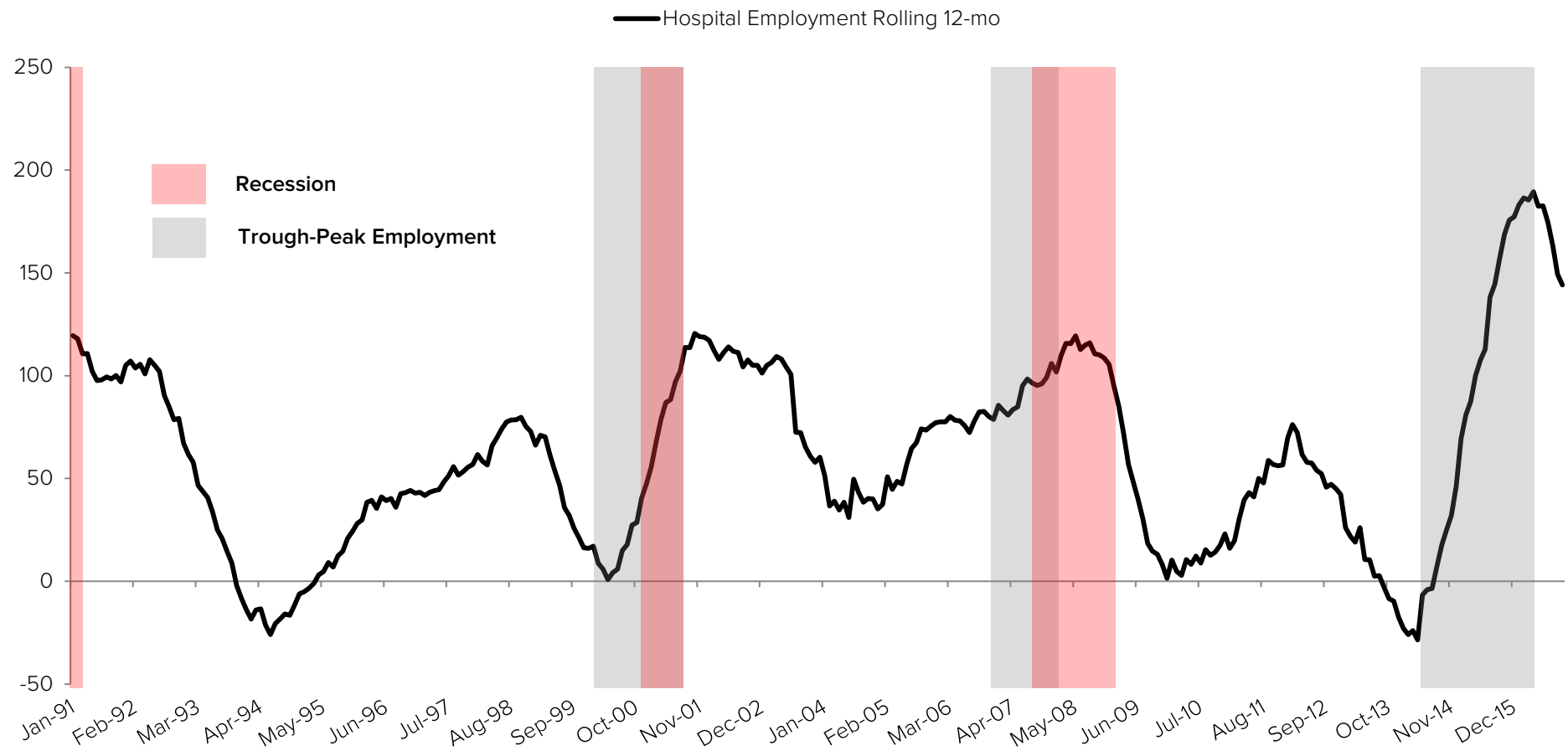
RELATIVE PERFORMANCE VERSUS GROWTH



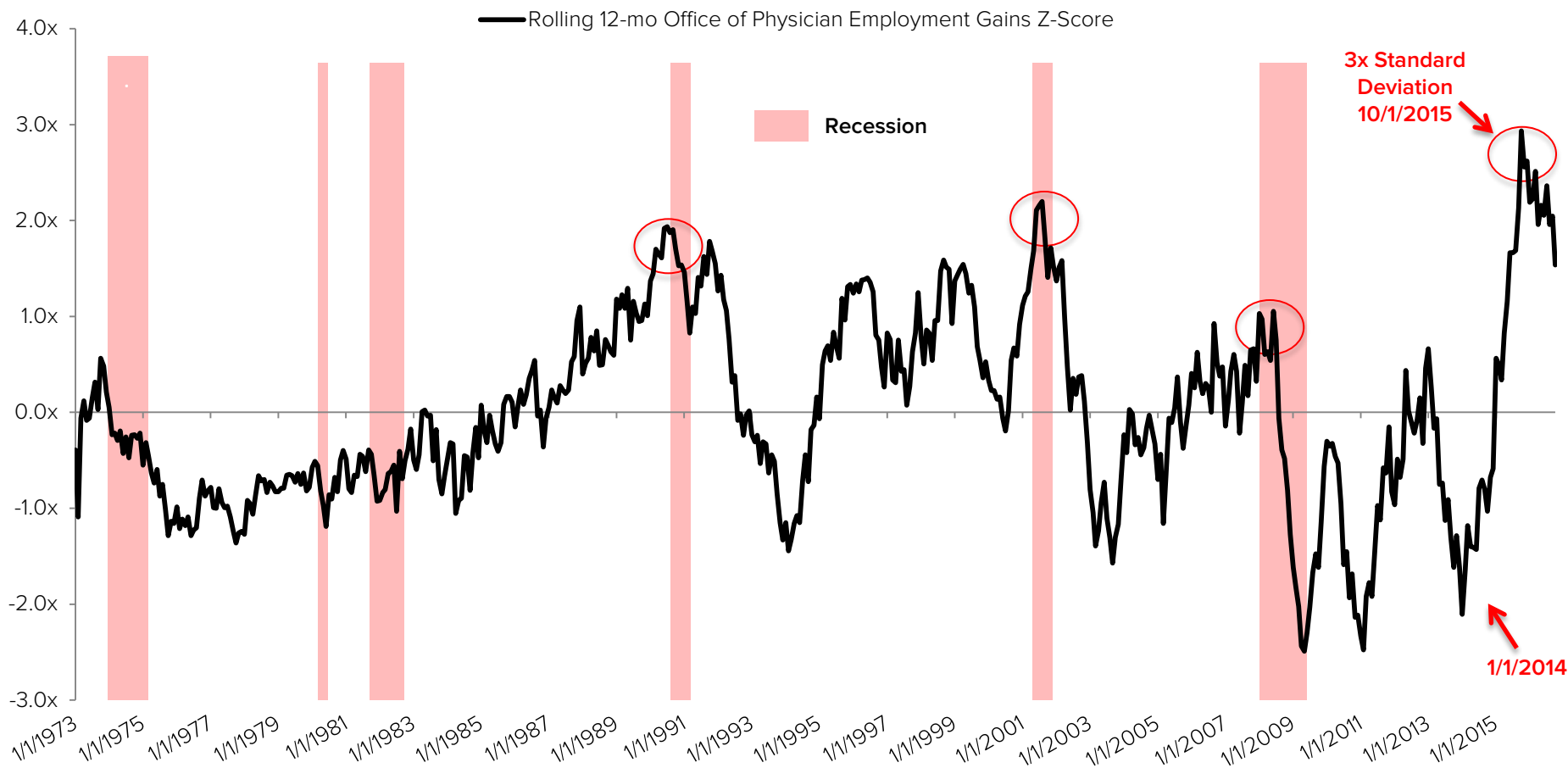
HEALTHCARE EMPLOYMENT GAINS



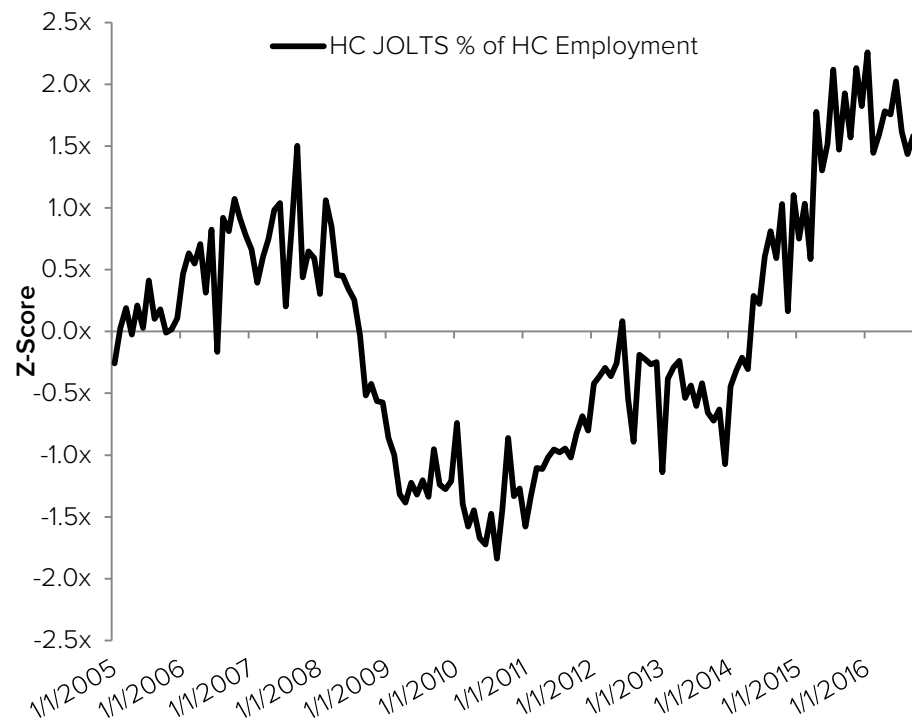
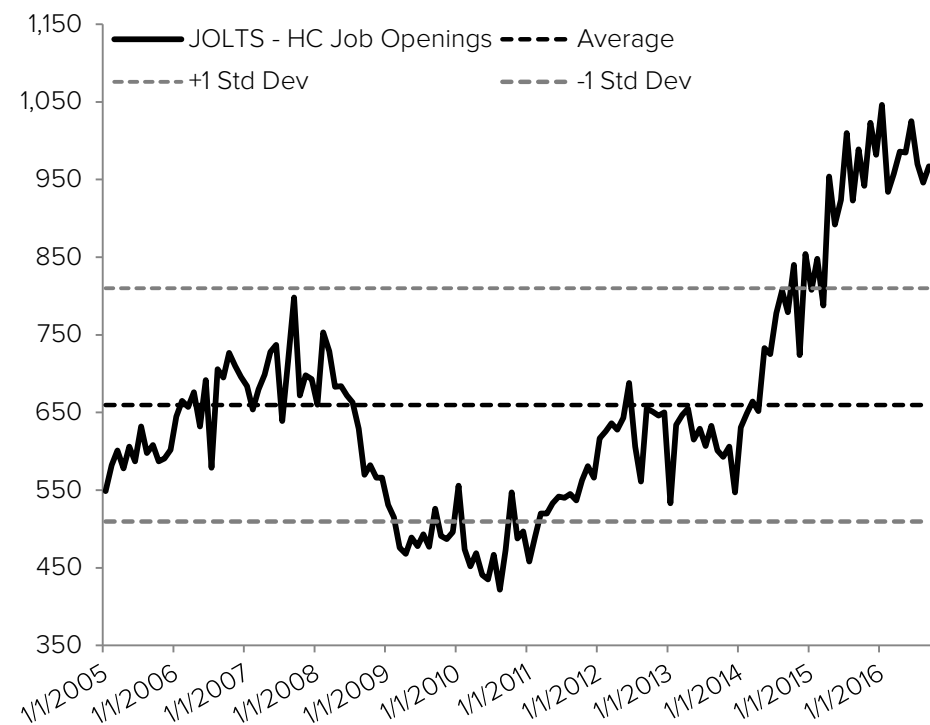
HOSPITAL EMPLOYMENT GAINS



PHYSICIAN EMPLOYMENT GAINS



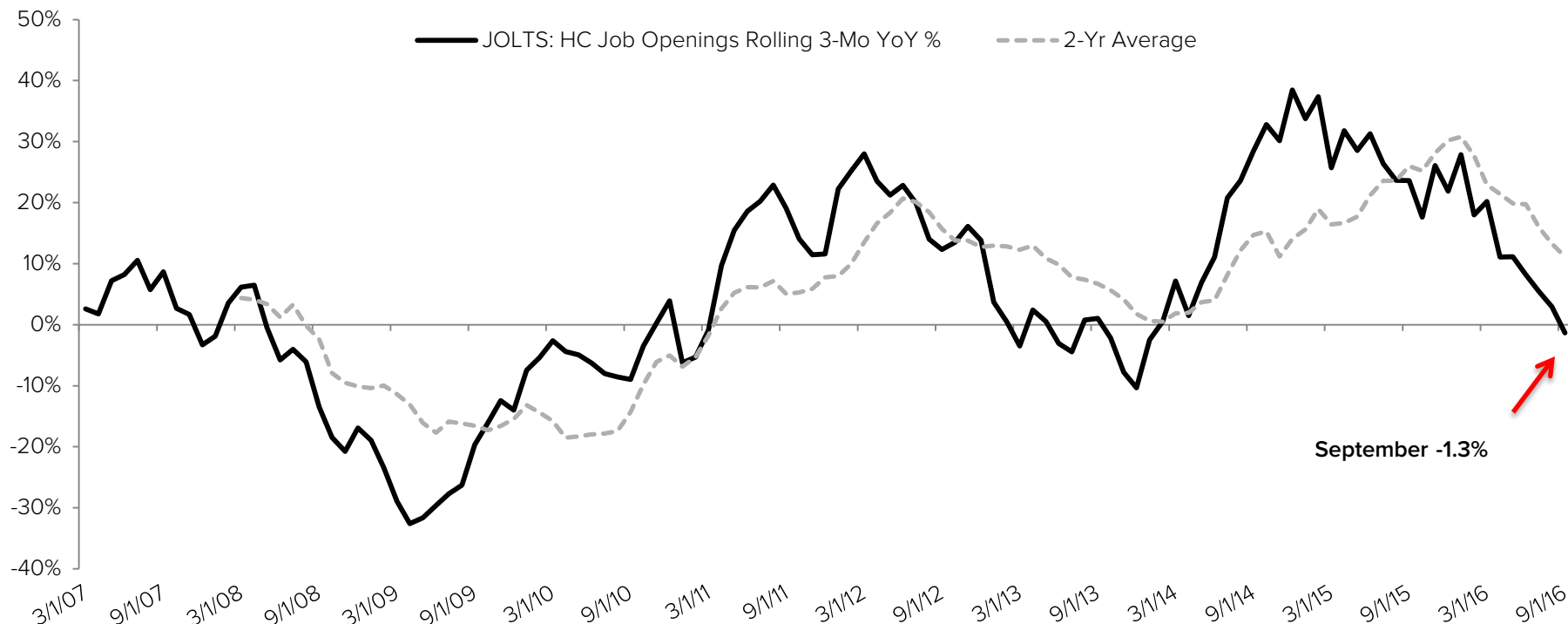
HEALTHCARE JOB OPENINGS (JOLTS)



HEALTHCARE JOB OPENINGS EXTENDED

After peaking in December 2014, Healthcare Job Openings posted the slowest growth in approximately 2-years. We expect growth to slow further as we comp out of stimulus.

HEALTHCARE JOB OPENINGS (JOLTS)



HEALTHCARE JOB OPENINGS EXTENDED...

We have observed similar patterns across multiple metrics tied to medical consumption, enrollment, and employment suggesting that the Healthcare Economy is extended.

HCA[®]

THE TIDE IS GOING OUT...

HCA | EARNINGS TAKEAWAYS

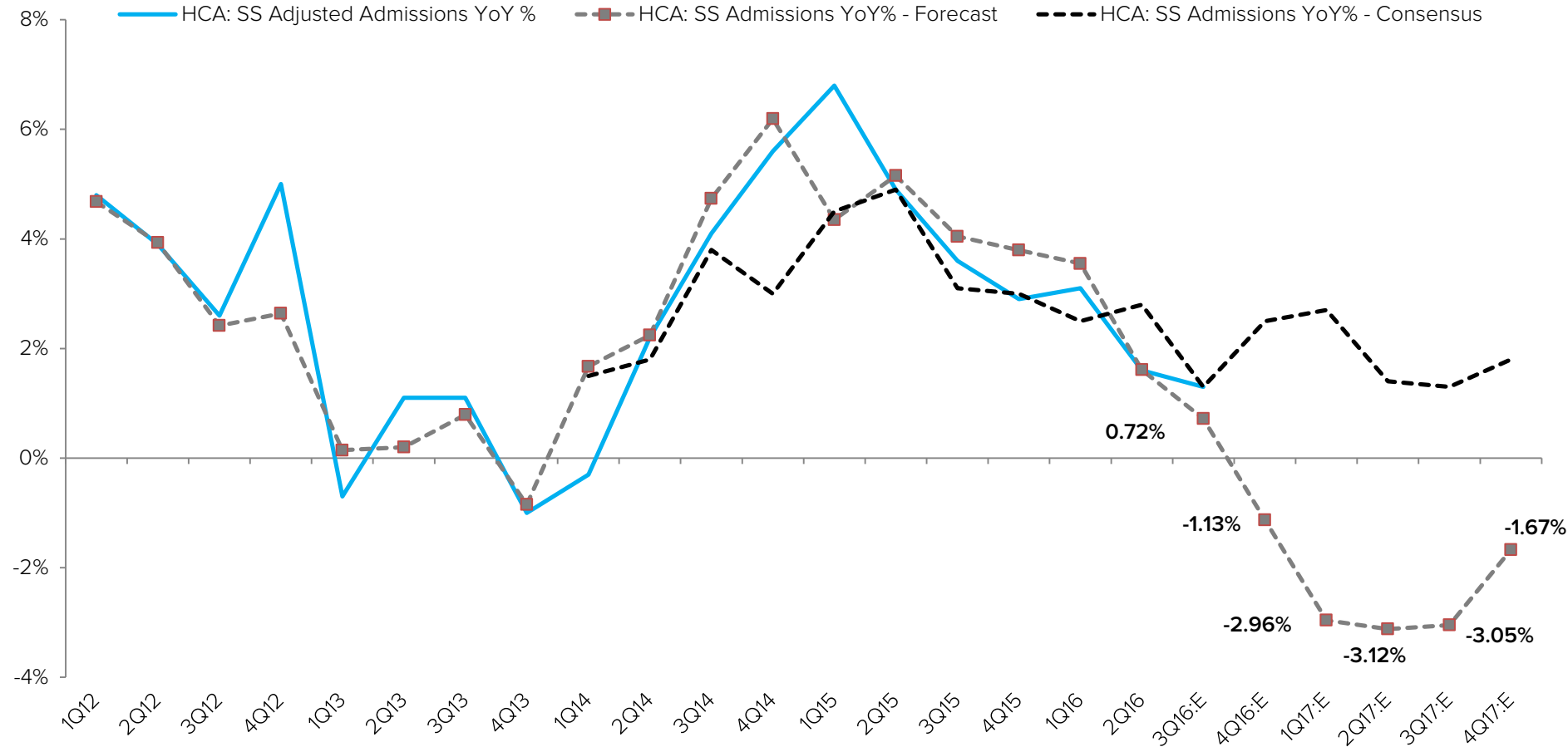
Positive

- Better contribution from acquired/built beds
- Solid, and unusual control across Salaries and Supplies

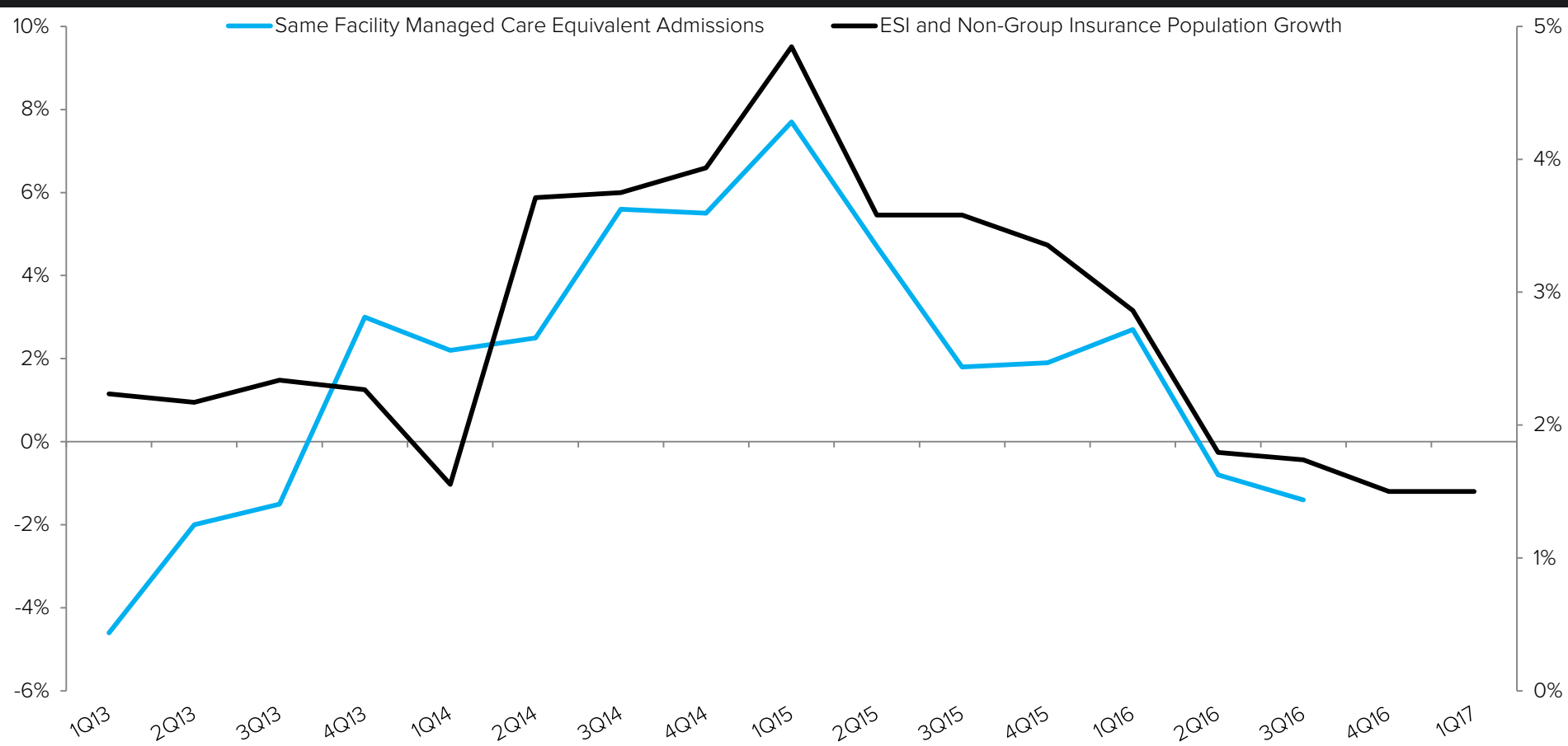
Negative

- Same-Store equivalent admissions +1.3%, well below consensus of 2.7%
- Same facility admissions +0.7% versus consensus of 2.1%
- Management cited ceding market share
- Florida Medicare Advantage keeping patients in observation status and not at full admission
- Management called out “slowing” market growth as of 1Q16

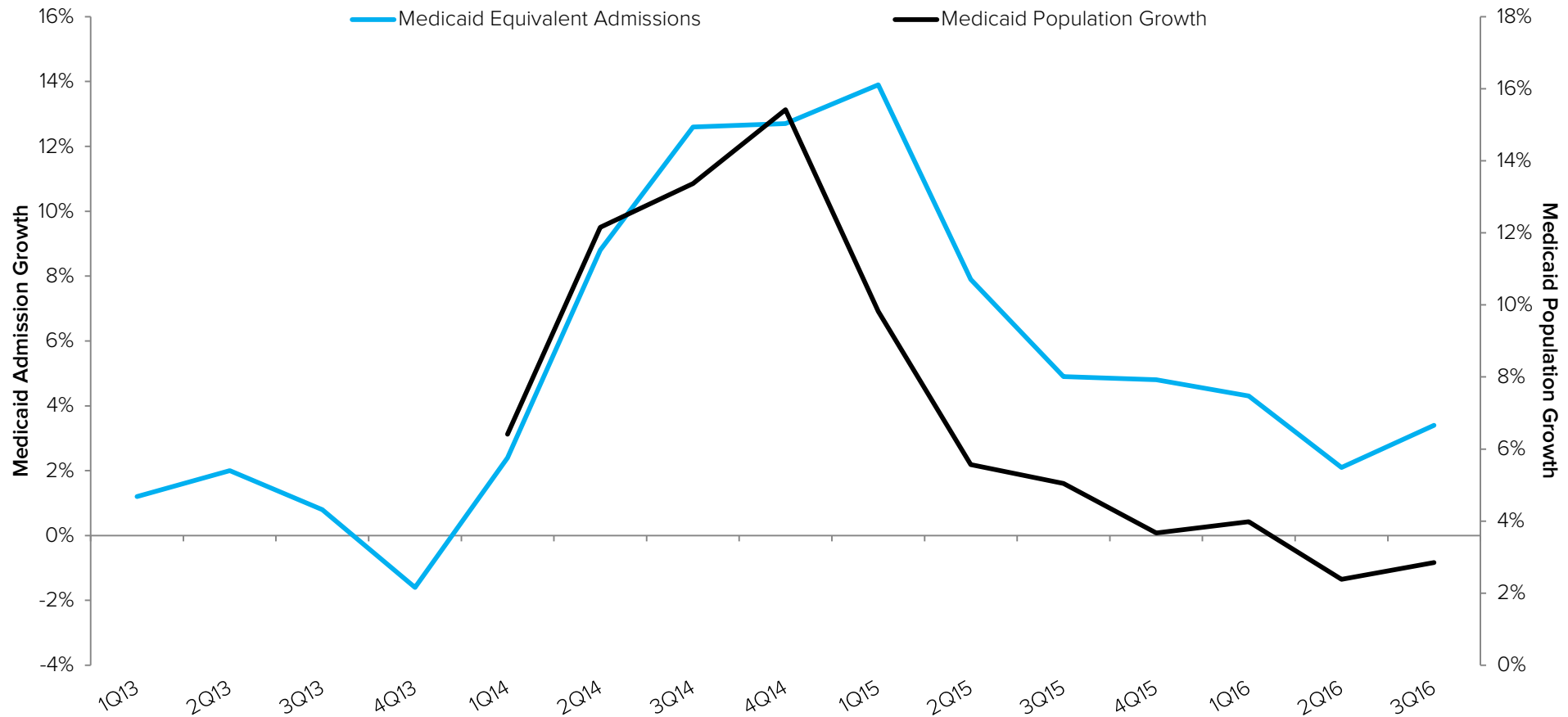
HCA | ADMISSIONS JOLTS FORECAST



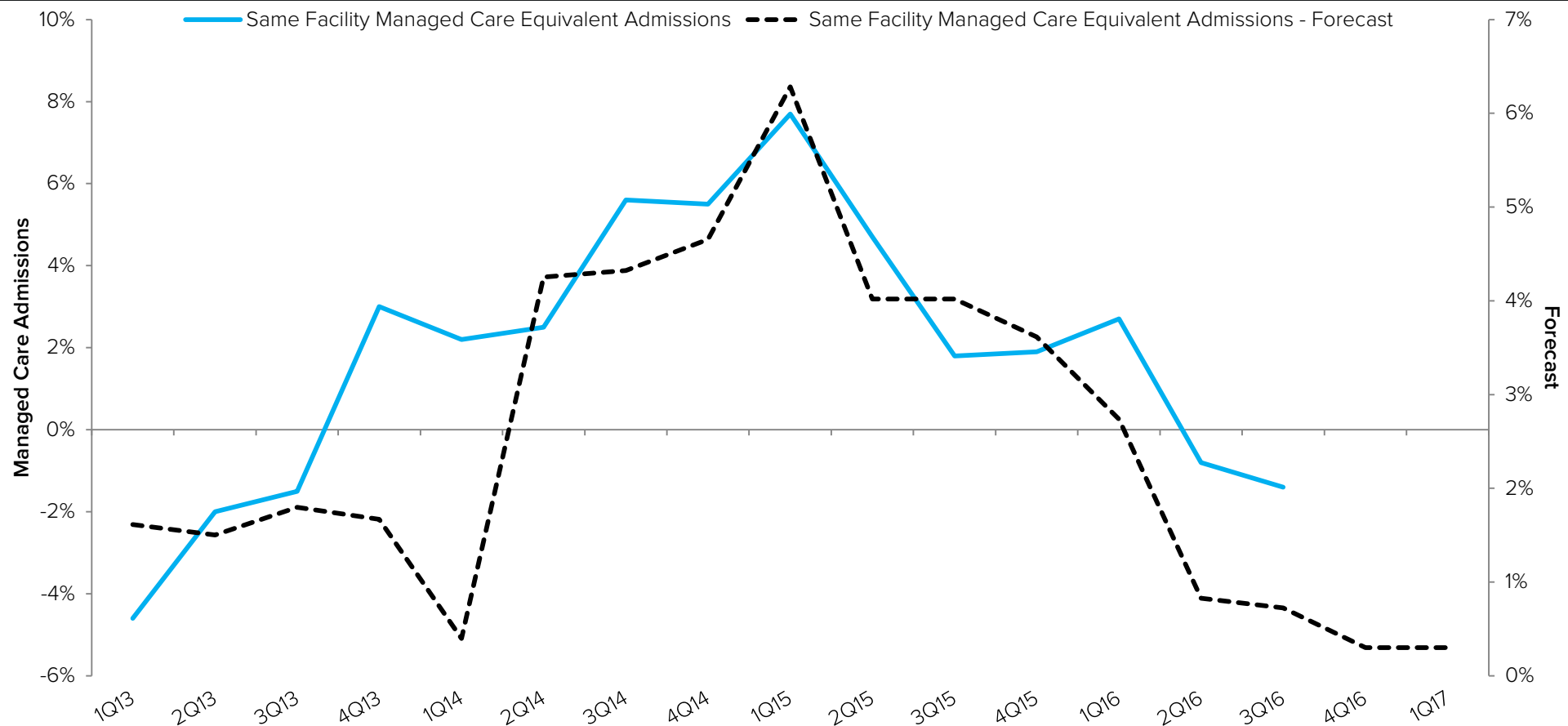
HCA | MCO SS ADMISSIONS



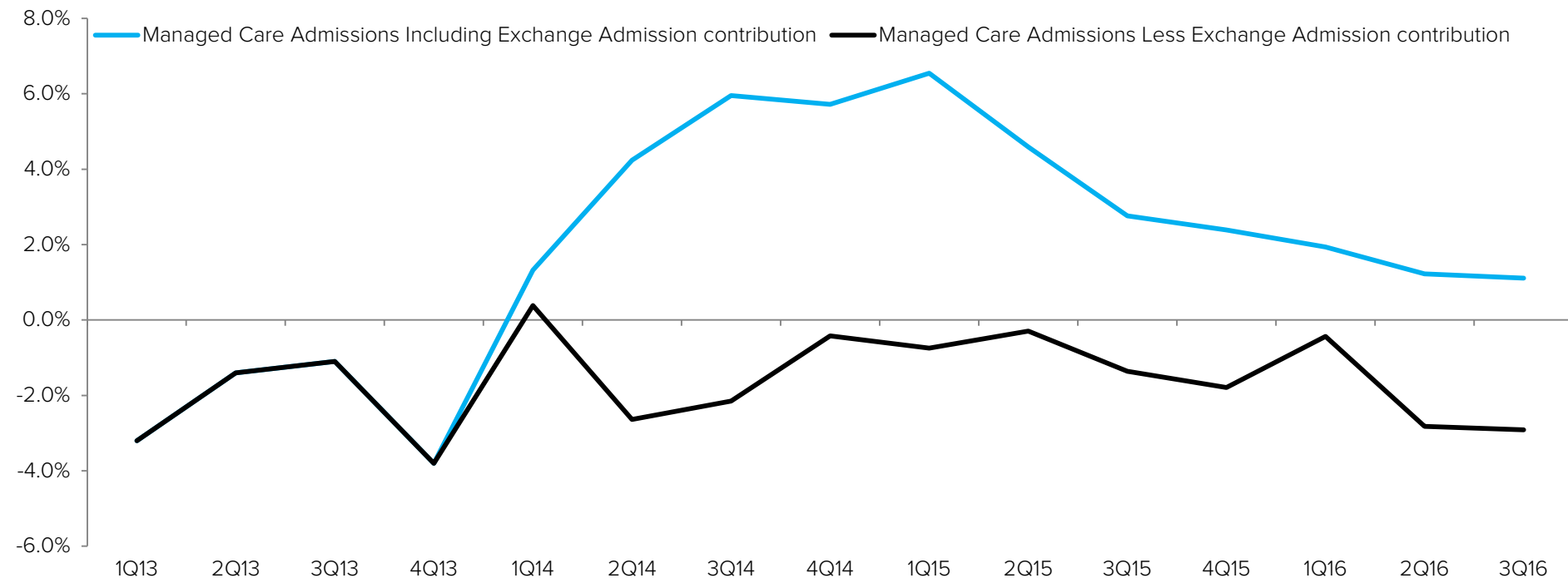
HCA | MEDICAID SS ADMISSIONS



HCA | MCO SS ADMISSIONS TREND AND FORECAST



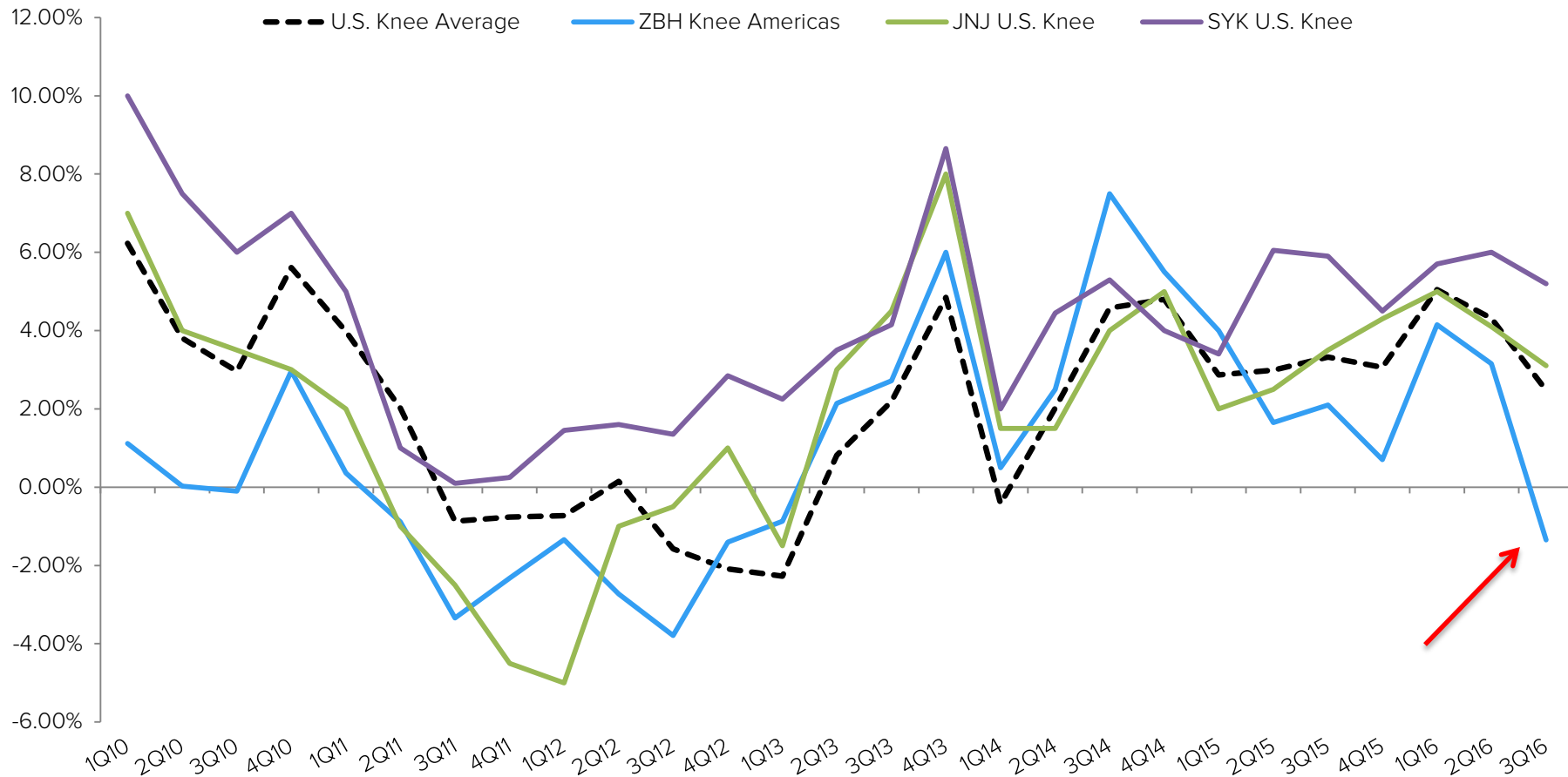
HCA | CORE MCO GROWTH NEGATIVE FOR HCA



SAME FACILITY MANAGED CARE ADMISSIONS ARE DOWN NET OF EXCHANGES

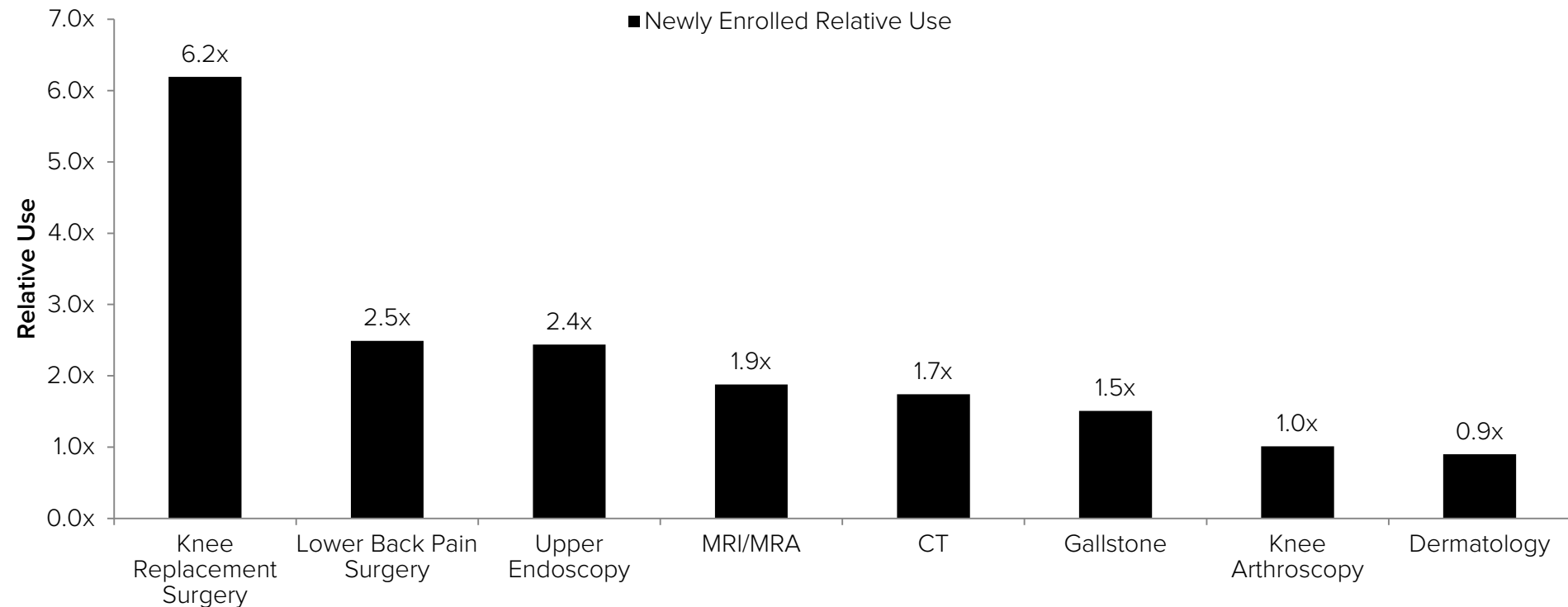
We've deducted the year over year contribution from Exchange Admissions from Managed Care and Exchange Admission growth discussed by management on their earnings call. According to this chart Managed Care Admission growth is negative on a same facility basis and has been for some time.

ZBH | SLOWING U.S. KNEE GROWTH

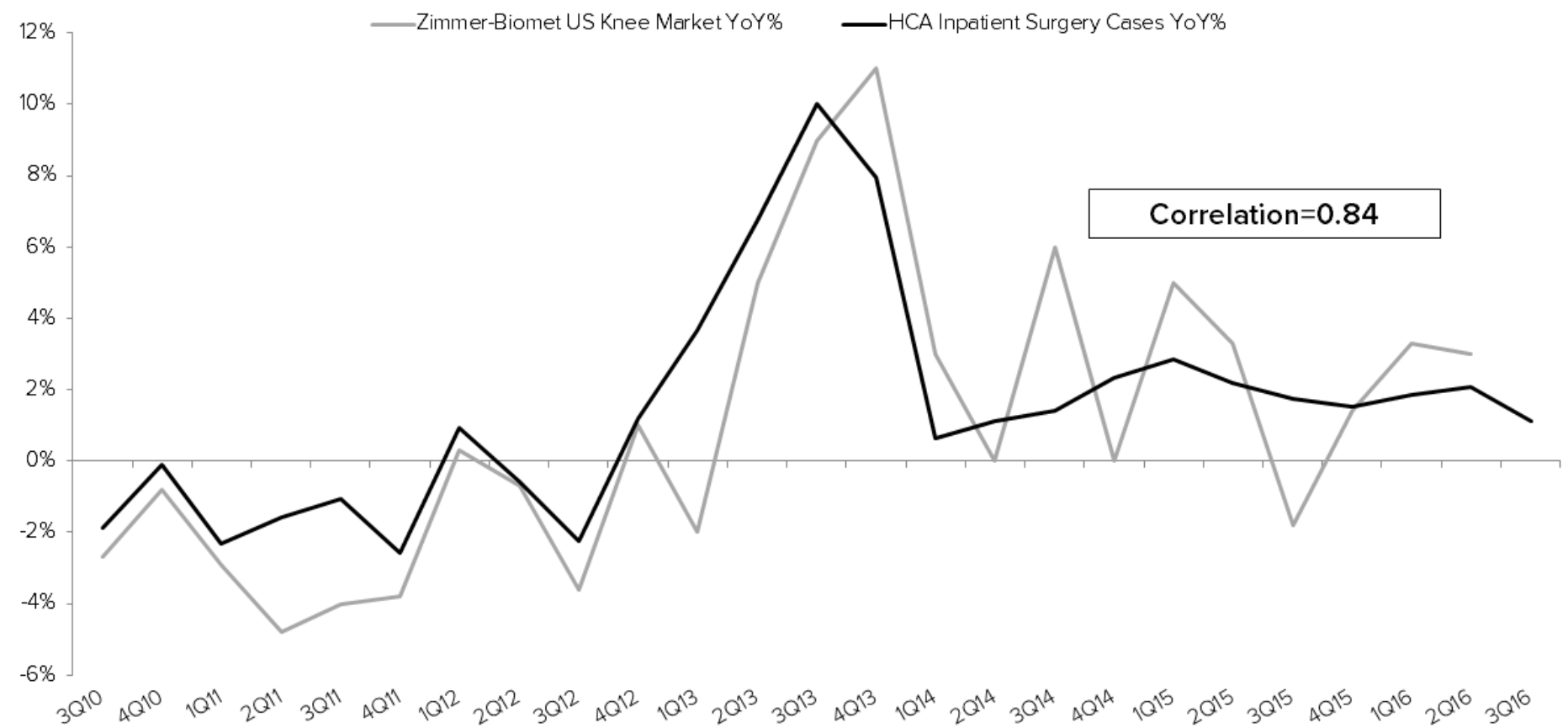


ZBH | PENT-UP DEMAND NEWLY INSURED

SOCIETY OF ACTUARIES ANALYSIS OF KS CLAIMS DATA



ZBH | U.S. KNEE AND HCA INPATIENT SURGERY





GROWTH SLOWING AND PROFITABILITY DECLINING

MD | EARNINGS TAKEAWAYS

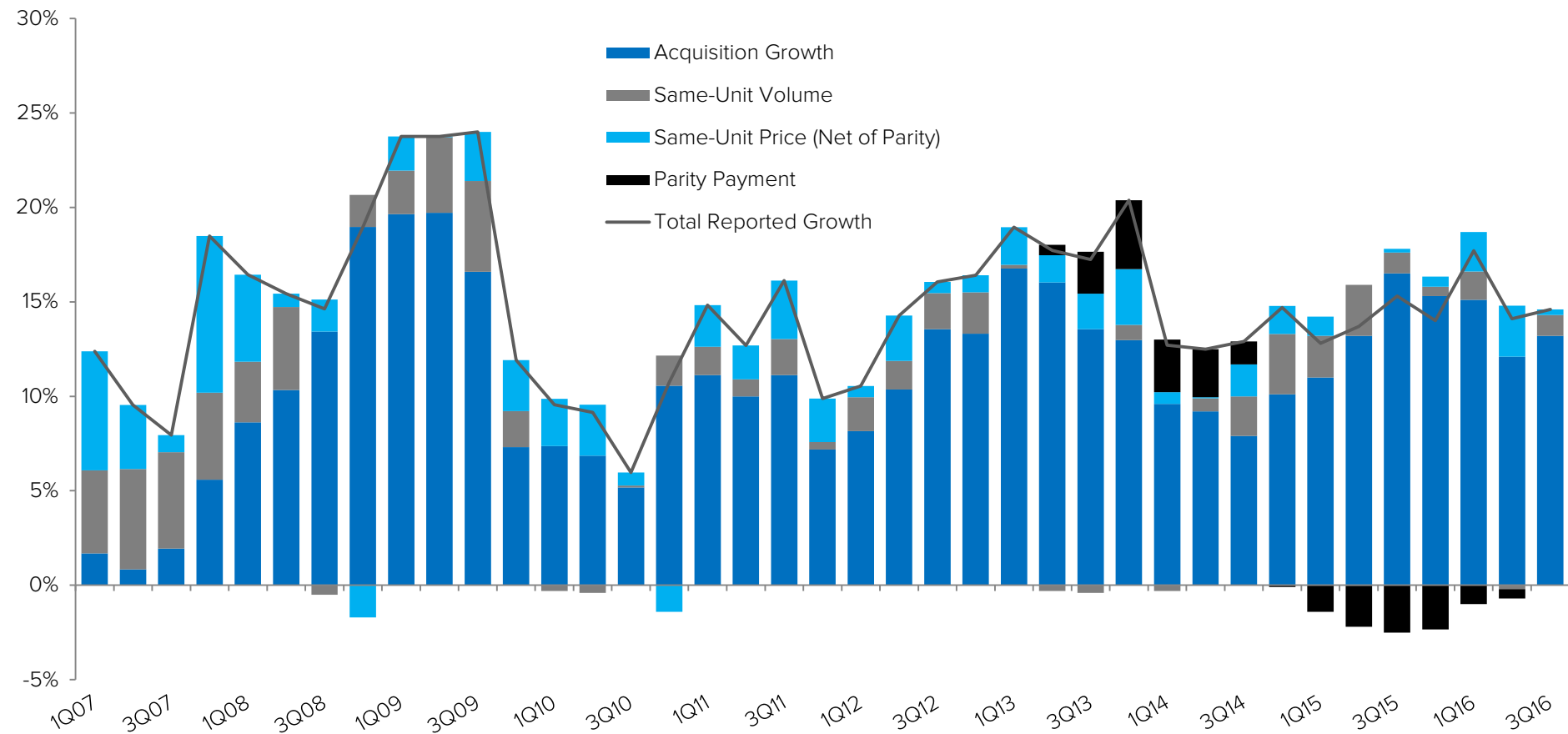
Positive

- NICU days improved sequentially to +1.3% YoY

Negative

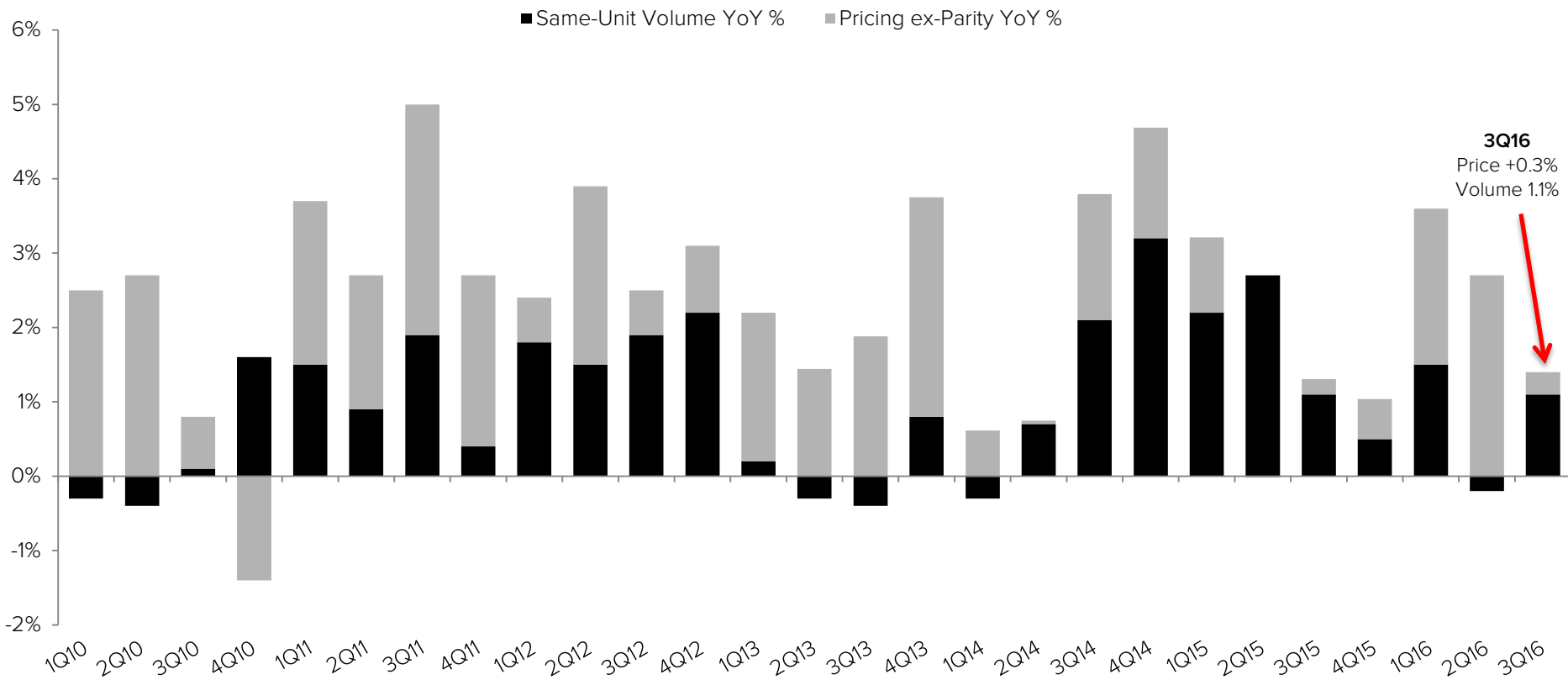
- Non-gaap EPS miss \$1.09 vs \$1.11 consensus on higher revenue
- 4Q16 EPS guide below consensus \$1.08 vs \$1.13 on 1-3% same-unit revenue growth
- Same-unit volume +1.4% YoY despite inclusion of vRad in same-store
- Operating margin -197 bps YoY and ROIC declining to 8.4% TTM versus cost of capital ~6.6%
- Acquisition growth continues to slow +13.2% YoY in 3Q16 from 16.5% 3Q15
- Weak pricing +0.3% supports view of limited pricing power absent 'rate lift' from acquisitions

MD | SOURCES OF GROWTH



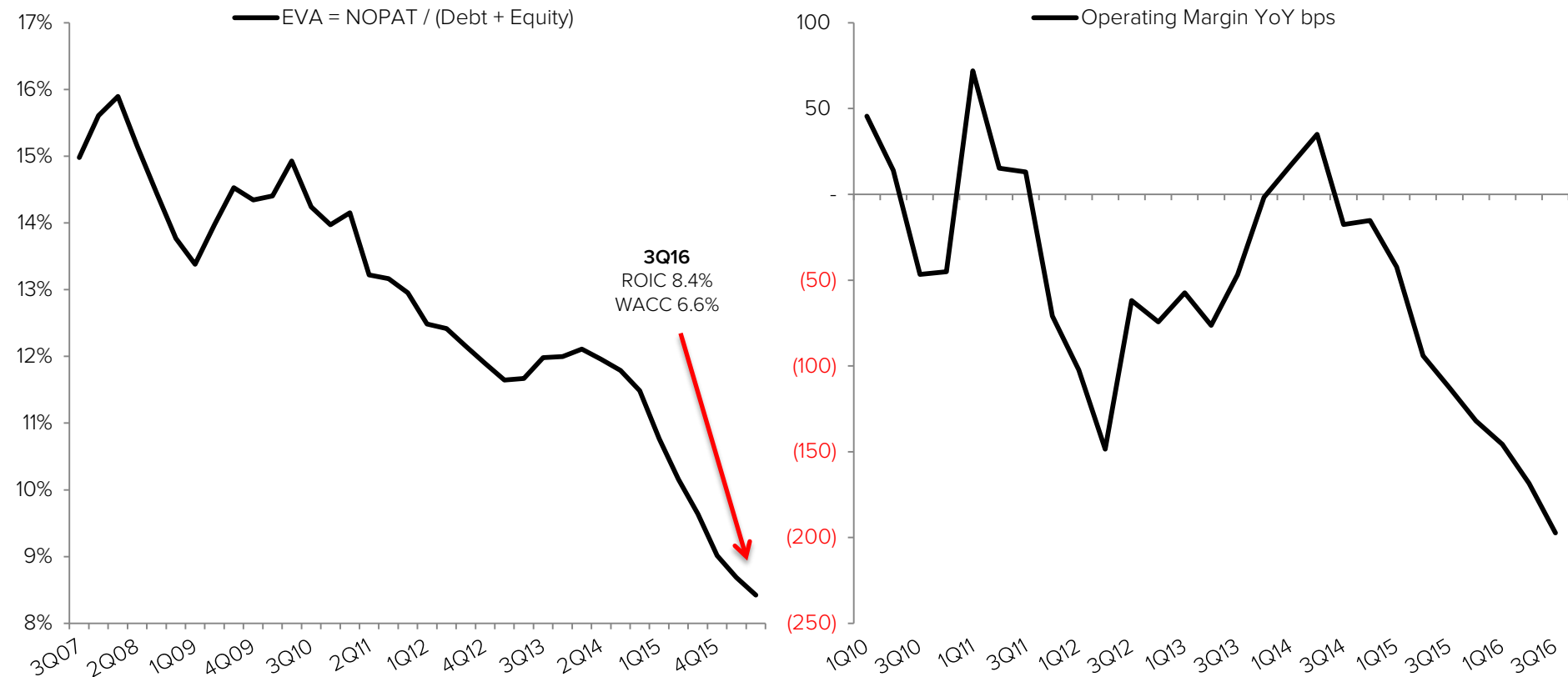
MD | VOLUME AND PRICE

WEAK PRICING ABSENT 'RATE-LIFT'



MD | RETURN ON INVESTED CAPITAL

GROWTH AT THE COST OF PROFITABILITY



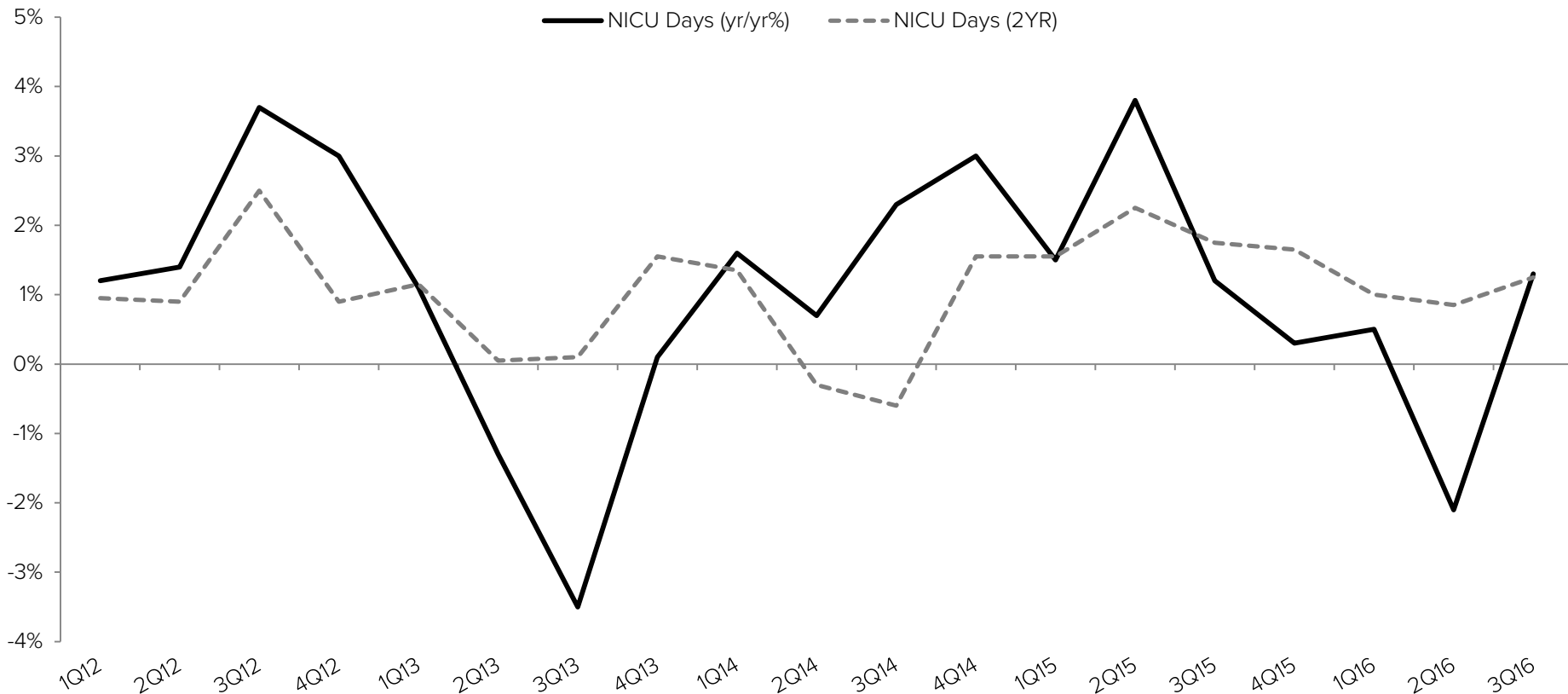
MD | ACQUISITION GROWTH

....CONTINUES TO SLOW YOY



MD | MATERNITY TRENDS

NICU DAYS BOUNCE BACK FROM WEAK 2Q16





ENTER THE TWILIGHT ZONE

Positive

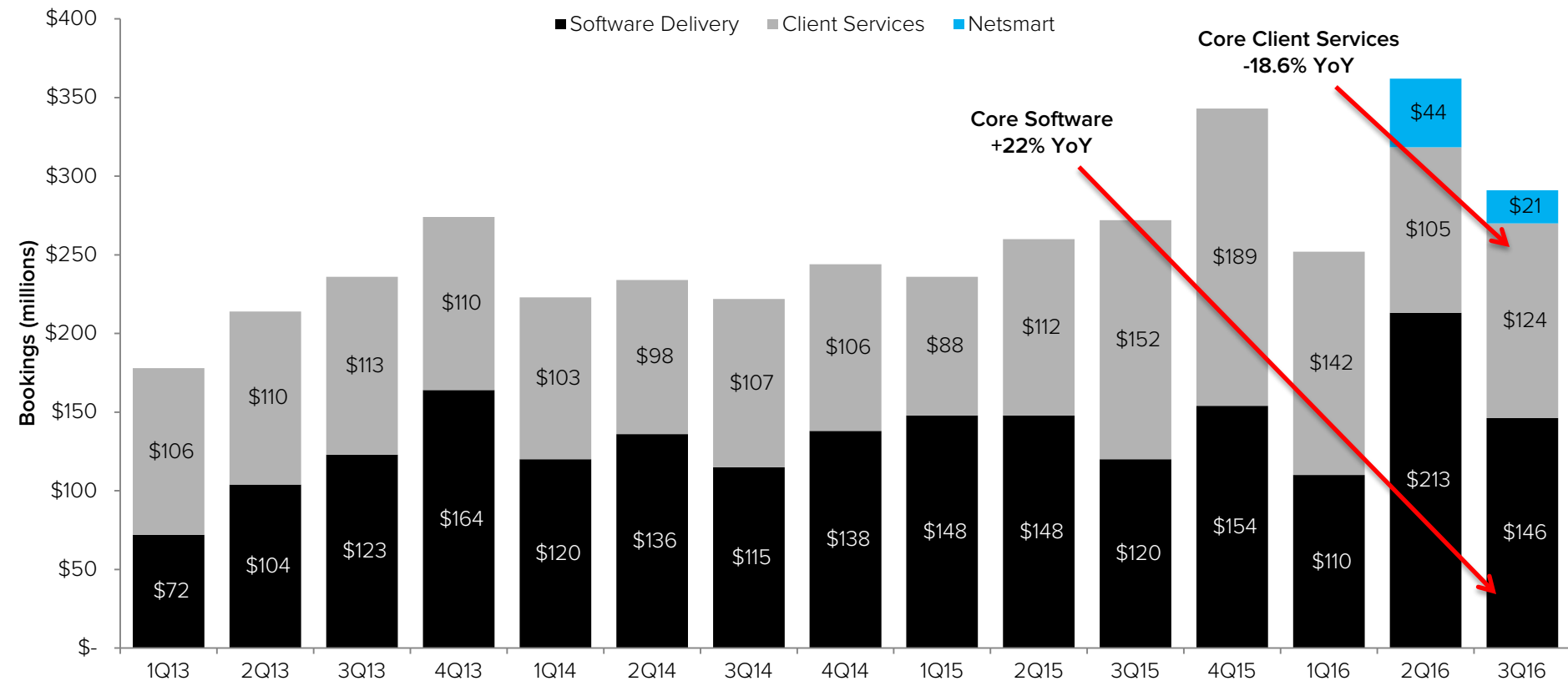
- Organic bookings were better than our expectation of -11%, but still -0.7% YoY and consistent with our view of a slowing market
- RCM bookings +90% YoY but on a low base and conducted through third-party partnership with CHMB, which also does billing for competitors
- Non-GAAP Client Services Gross Margin 16.8% 3Q16 up from 13.9% in 2Q16

Negative

- Organic bookings -0.7% vs consensus +4.8% YoY
- Organic sales growth flat YoY on continued declines in non-recurring revenue; YTD +1.2% versus managements 3-5% guidance range
- Recurring revenue growth only coming from client services with declines in recurring software
- Backlog declined sequentially by \$82 million and +1.8% YoY in 3Q16
- Lack of consistency in reporting Netsmart JV; indicated no breakout in 2017

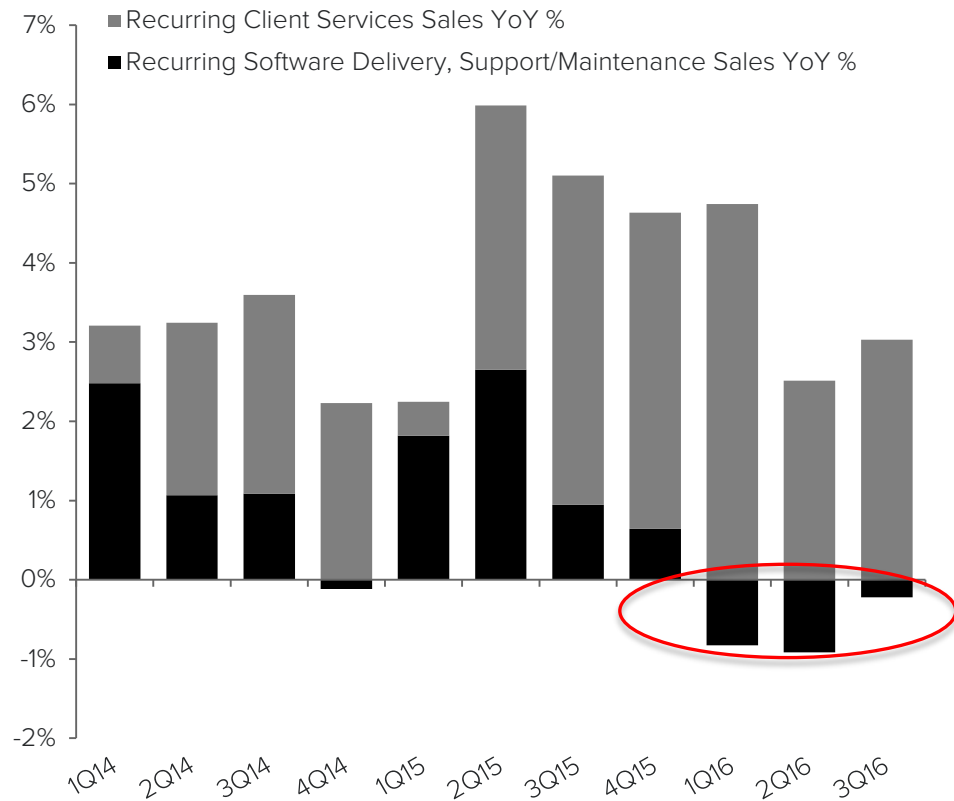
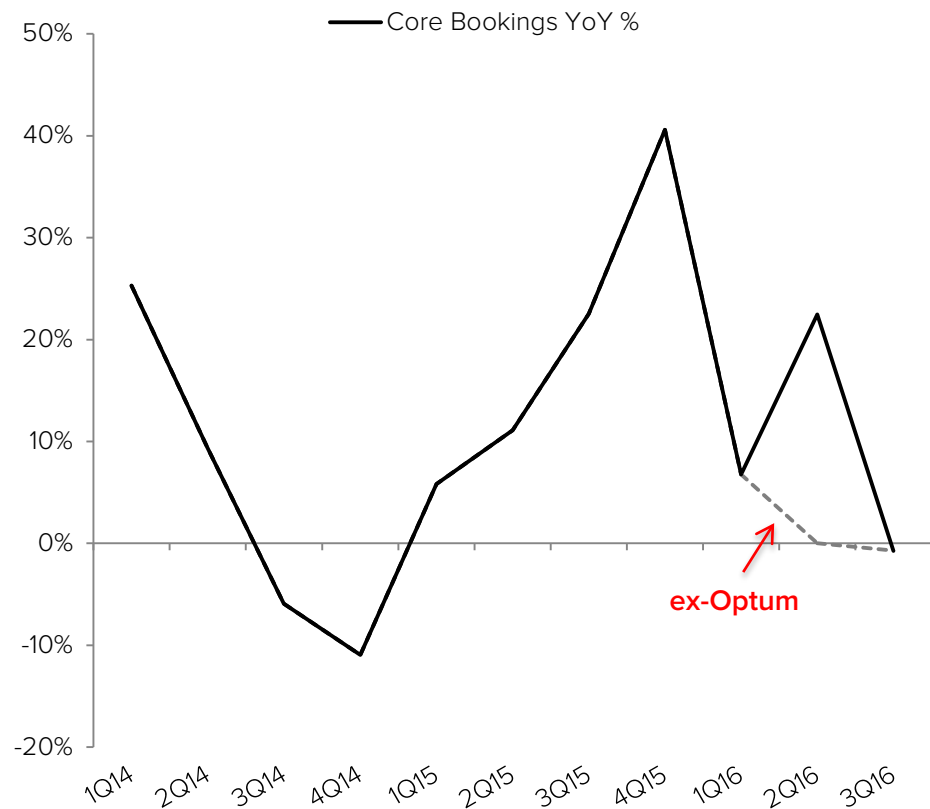
MDRX | BOOKINGS COMPONENTS

CORE BOOKINGS DECLINE -0.7% YOY

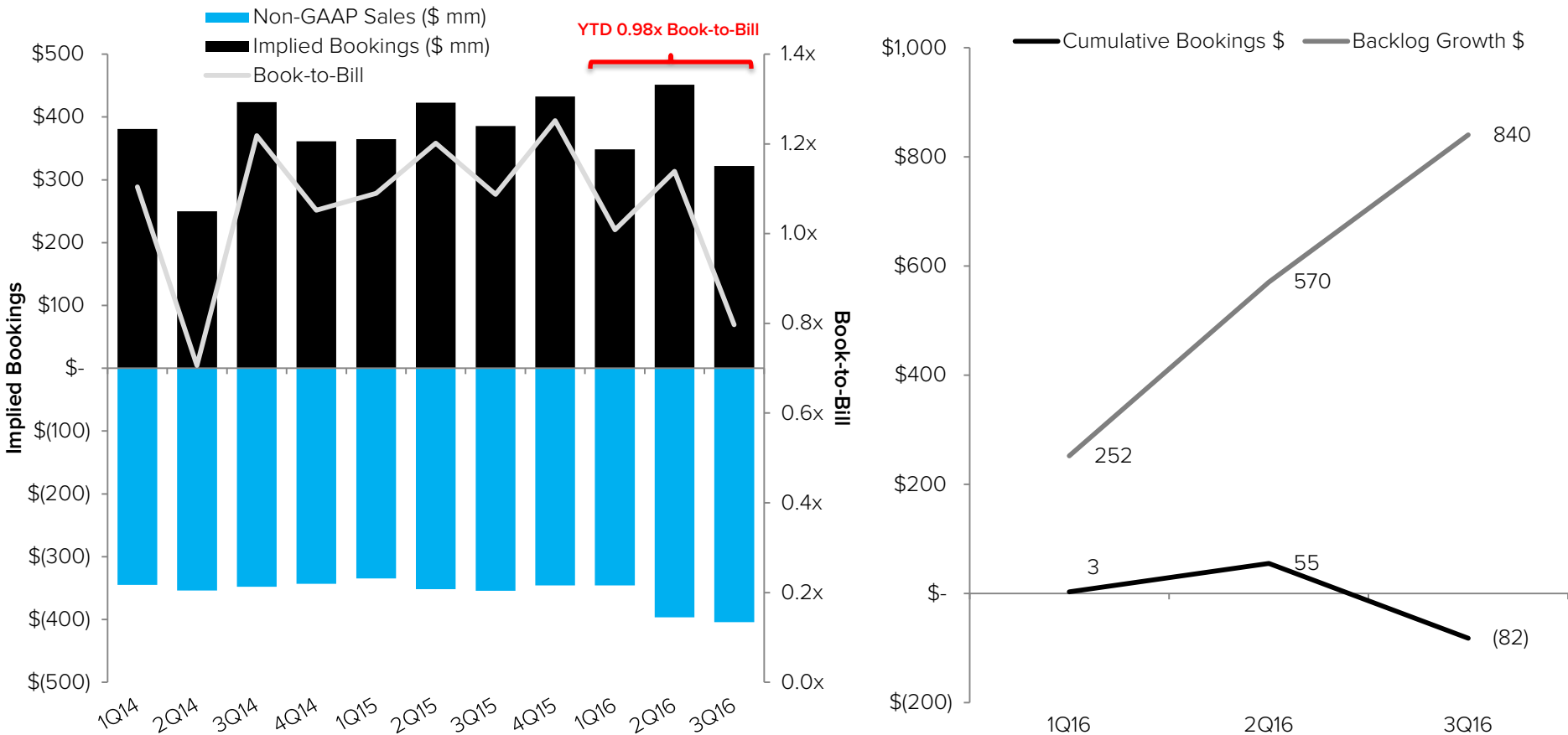


MDRX | NO GROWTH DESPITE STRONG BOOKINGS

BOOKINGS +20% IN 2015; SOFTWARE DELIVERY +12% OR \$570 MILLION

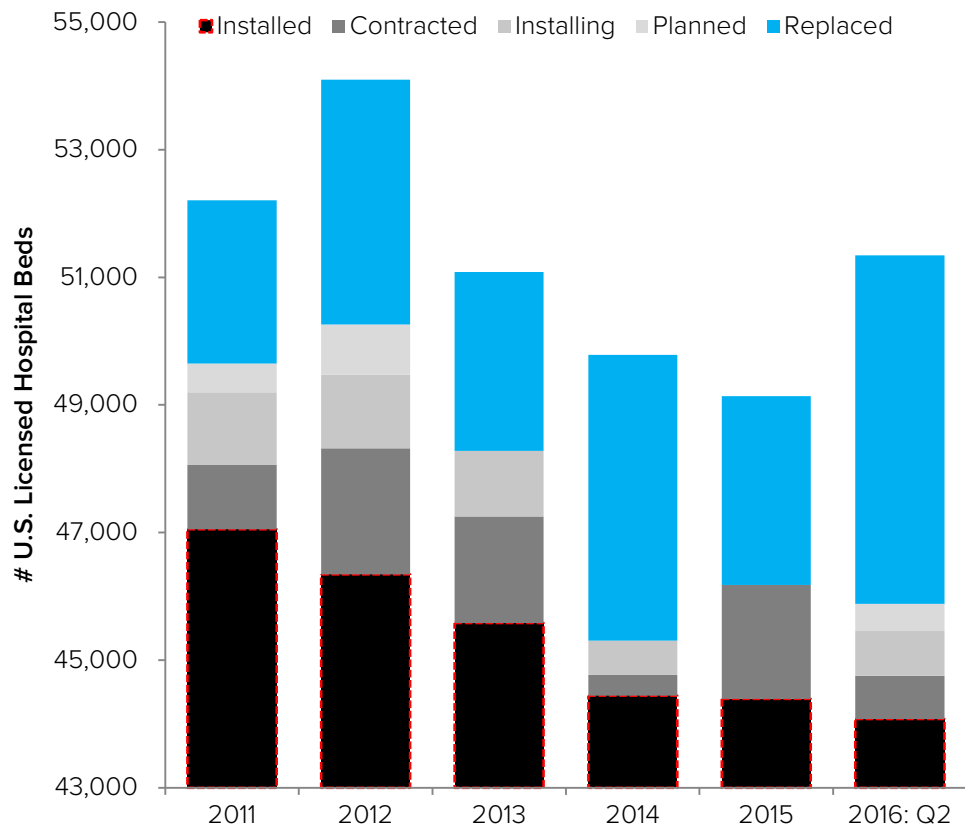
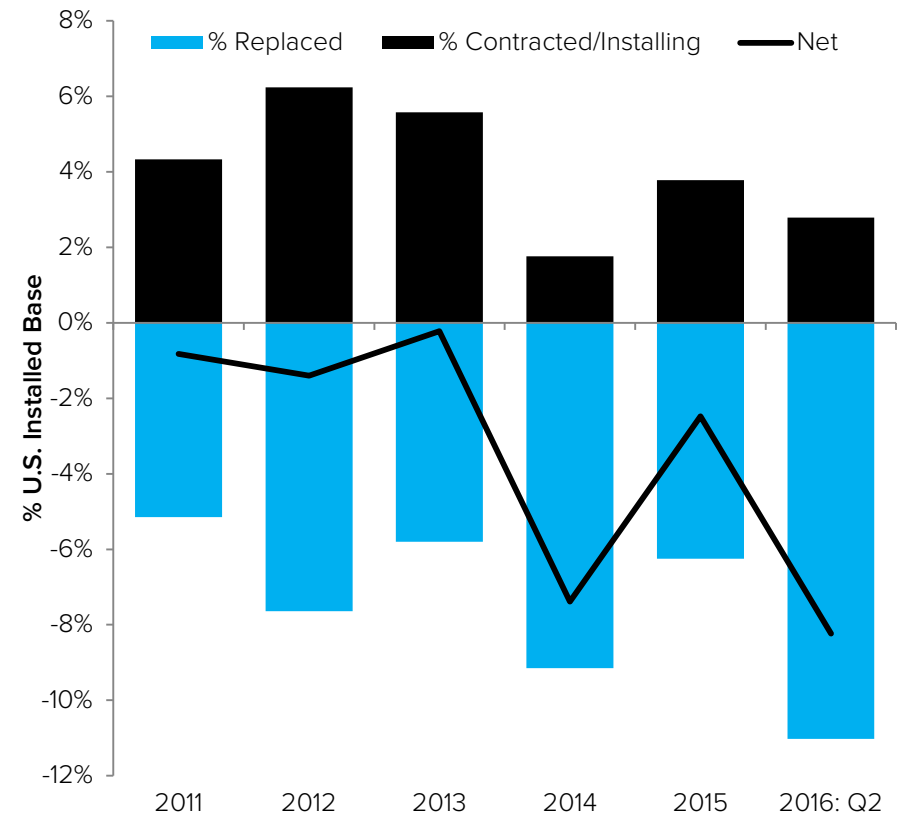


MDRX | BACKLOG DECLINE CONCERNING

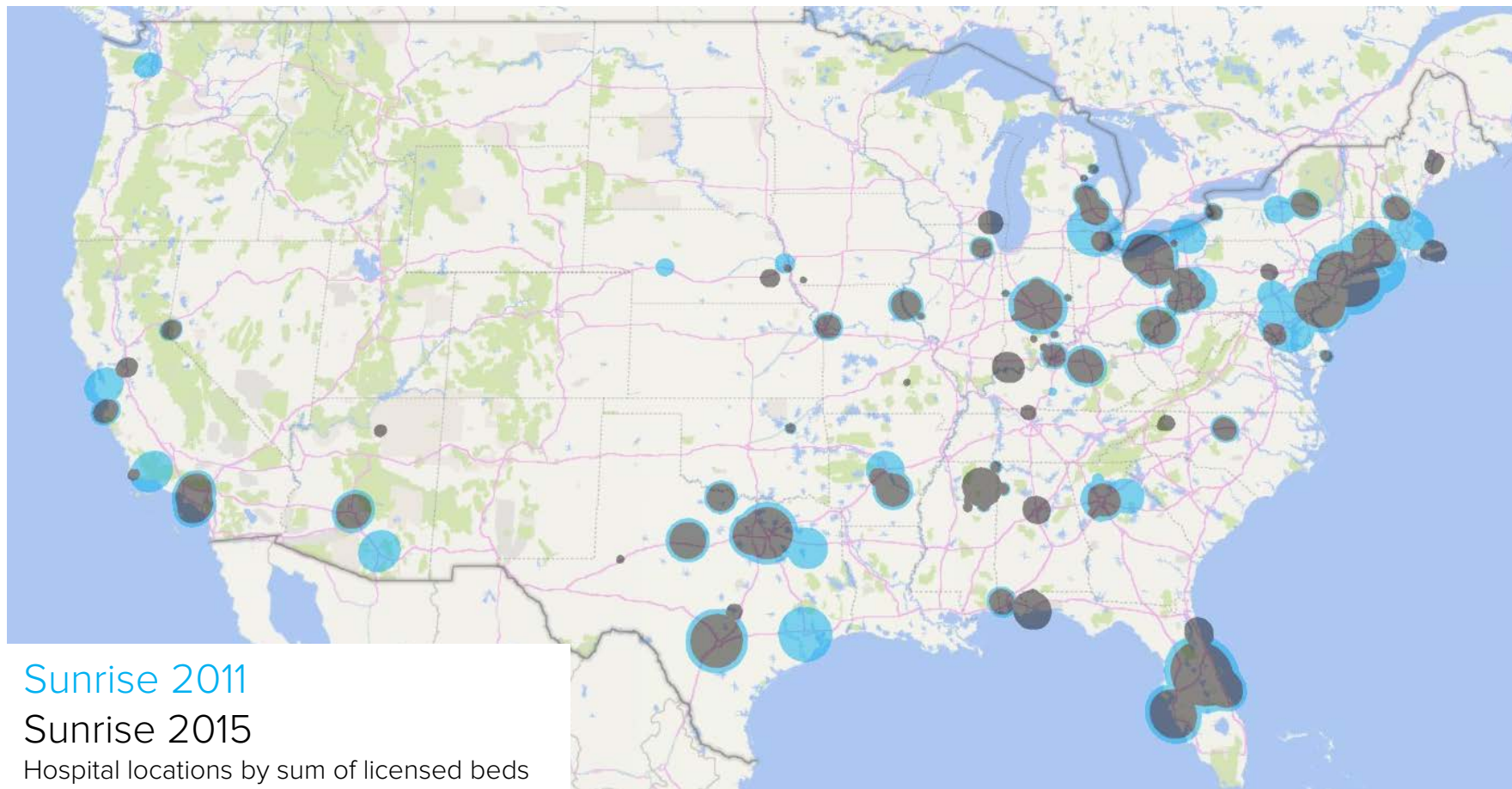


ALLSCRIPTS SUNRISE EHR ATTRITION

LOSING MORE THAN THEY ARE WINNING



SHRINKING SUNRISE EHR FOOTPRINT



MDRX | FINANCIAL VALUATION SUMMARY

Allscripts Healthcare Solutions, Inc.

\$ 11.78

Financial and Valuation Summary

FY16 ends Dec '16	1Q15:A	2Q15:A	3Q15:A	4Q15:A	1Q16:A	2Q16:A	3Q16:E	4Q16:E	2015:A	2016:E	2017:E	2018:E
Hedgeye EPS (\$)	0.08	0.12	0.13	0.13	0.13	0.14	0.14	0.15	0.47	0.57	0.60	0.64
Consensus (\$)	0.08	0.12	0.13	0.13	0.13	0.14	0.15	0.17	0.47	0.59	0.70	0.81
Variance %	---	---	---	---	---	---	---	---	---	---	-14.6%	-20.4%
Hedgeye Sales (\$MM)	334.6	351.7	354.5	345.6	345.6	396.6	406.6	408.7	1,386.4	1,557.4	1,681.4	1,710.1
Consensus (\$MM)	334.6	351.7	354.5	345.6	345.6	396.6	414.5	425.6	1,386.4	1,575.8	1,728.1	1,855.0
Core Bookings												
Software Delivery	148	148	120	154	110	213	120	139	570	582	521	508
Client Services	88	112	152	189	142	105	122	151	541	520	479	455
Total	236	260	272	343	252	318	242	290	1,111	1,102	999	962
Margins												
Gross Margin	42.3%	44.2%	46.3%	47.3%	46.9%	48.1%	46.1%	46.6%	45.0%	46.9%	46.2%	46.8%
EBIT Margin	7.7%	11.1%	12.1%	12.8%	12.2%	16.0%	14.0%	14.6%	10.9%	14.2%	14.1%	14.7%
EBITDA (\$MM)	49.5	61.7	65.9	65.0	61.7	69.5	70.1	72.6	242.6	274.0	293.8	308.9
Consensus	49.5	61.7	65.9	65.0	61.5	69.5	73.7	79.9	242.6	286.4	334.9	377.0
Multiples												
P/E	---	---	---	---	---	---	---	---	25.2	20.8	19.7	18.4
EV/EBITDA	---	---	---	---	---	---	---	---	15.2	13.5	12.5	11.9
EV/Sales	---	---	---	---	---	---	---	---	2.7	2.4	2.2	2.2



BEGINNING OF THE END

Positive

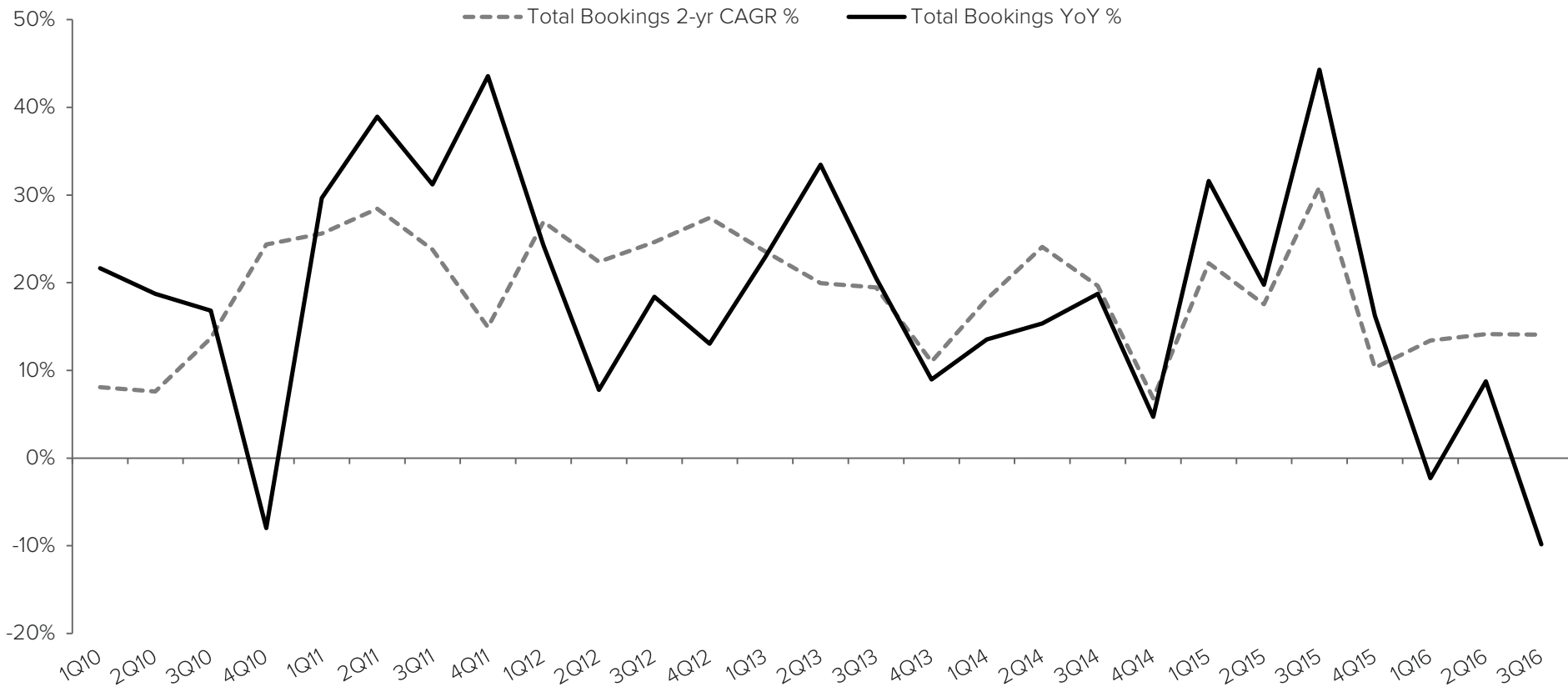
- Bookings were down on difficult compare, but 2-yr CAGR held steady at 14% QoQ
- Large ITWorks deals in pipeline

Negative

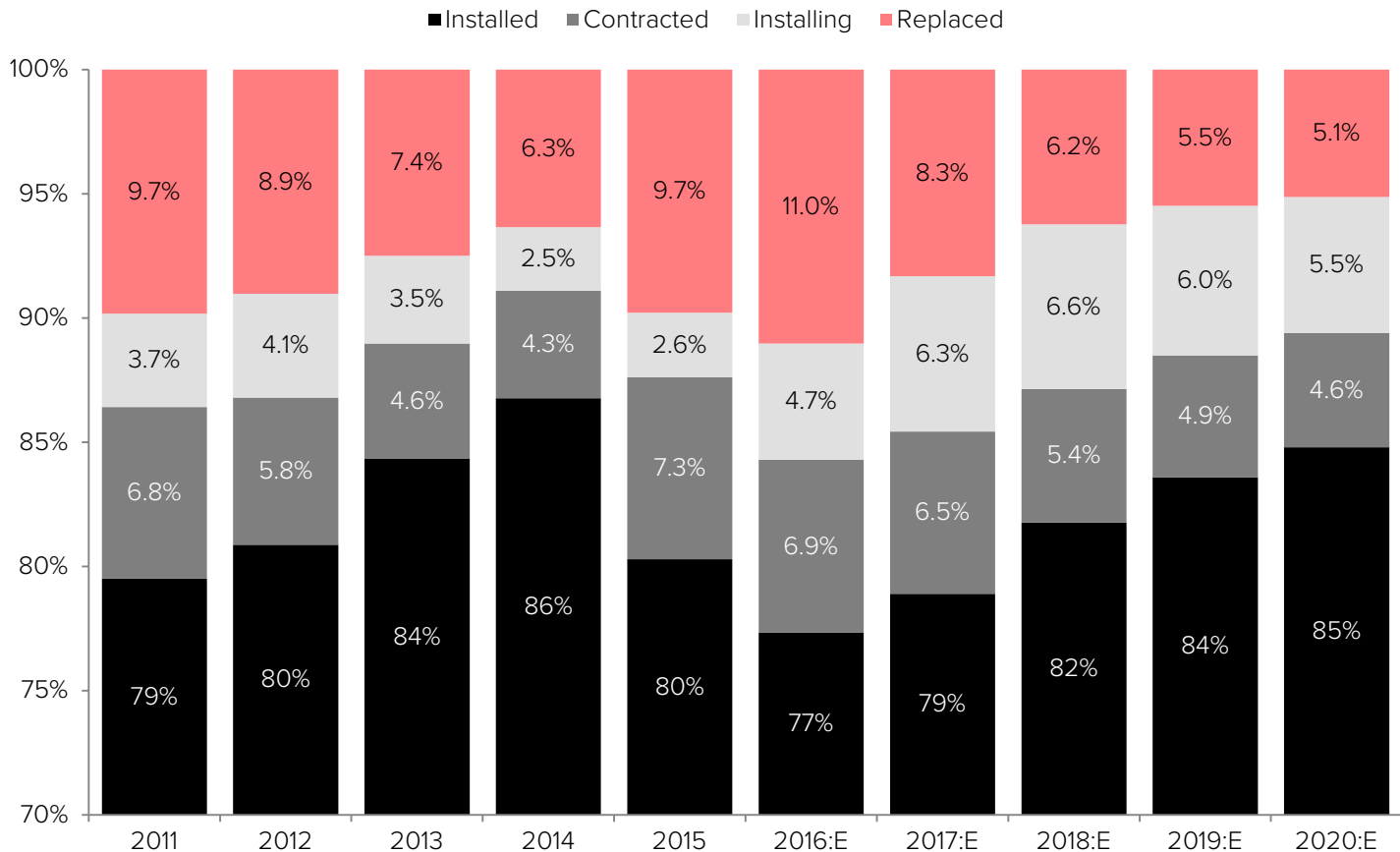
- Top-line miss driven by -7.3% YoY in system sales on -12% YoY licensed software, -21% hardware and partially offset by subscription growth
- Total bookings -10% versus consensus -6%, and below managements guidance range of flat to -6% YoY.
- Preliminary 2017 sales and EPS guidance below consensus, with low-end in-line with our model and implies flat-to-down bookings

CERN | BOOKINGS GROWTH SLOWS

NEW CLIENT BOOKINGS -21% YOY / EXISTING CLIENT -2% YOY

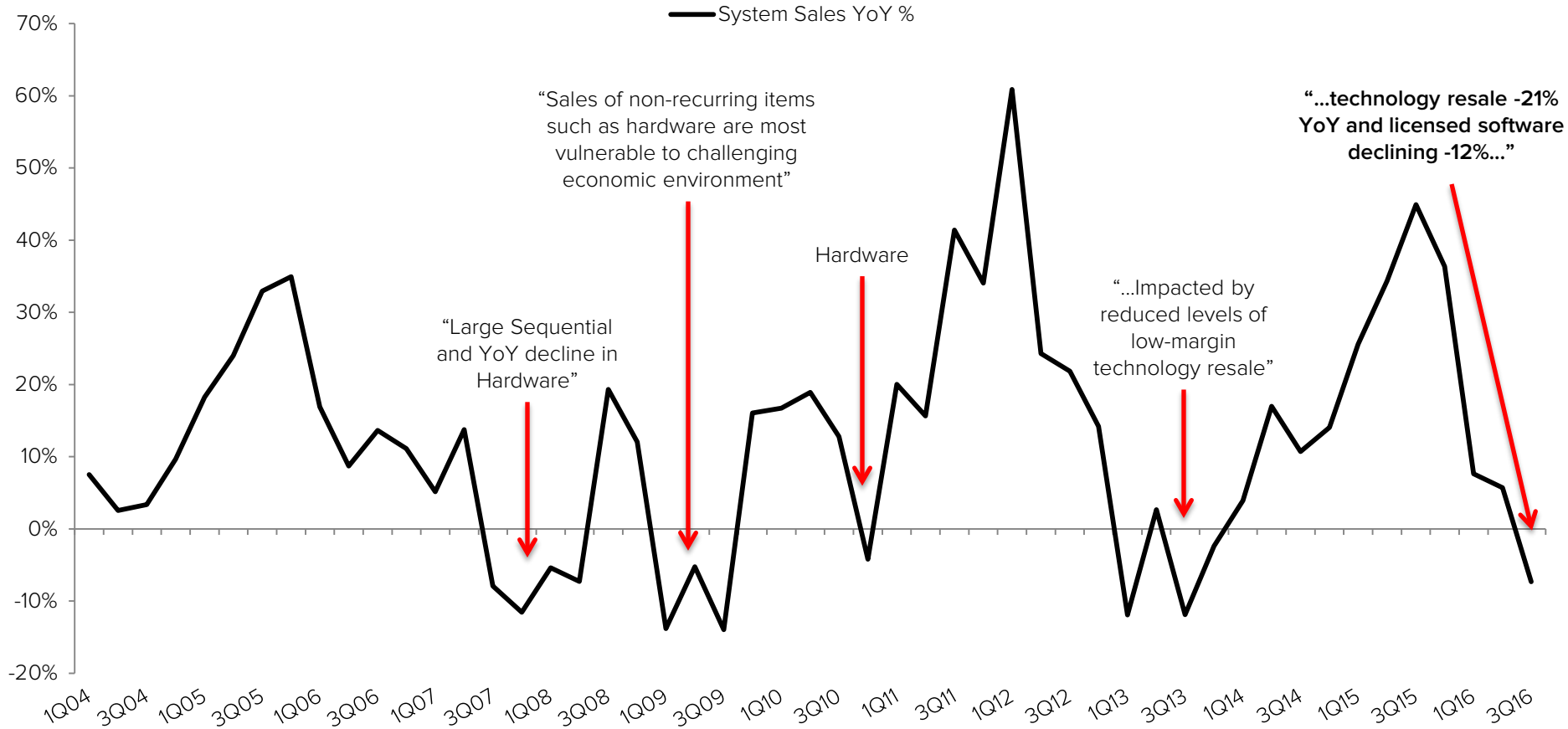


EHR REPLACEMENT MARKET SLOWS



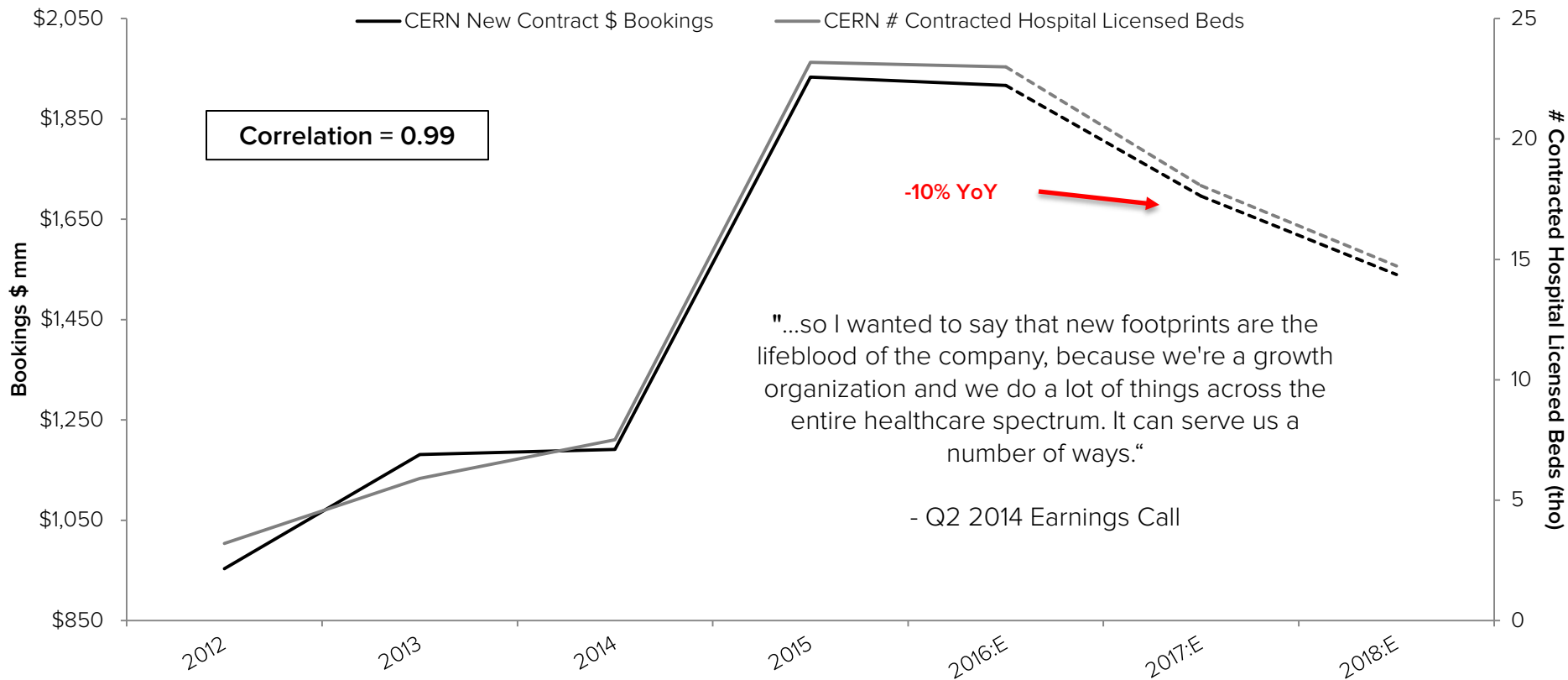
- **McKesson** drove +30% of all replacement activity in the market and that opportunity is gone
- Siemens will continue to boost bookings but will have less of an impact on growth as the Medseries/Invision opportunity is depleted
- Remaining opportunity at the low end of the market... price sensitive and increased competition with athenahealth entrance

CERN | SYSTEM SALES DECLINE



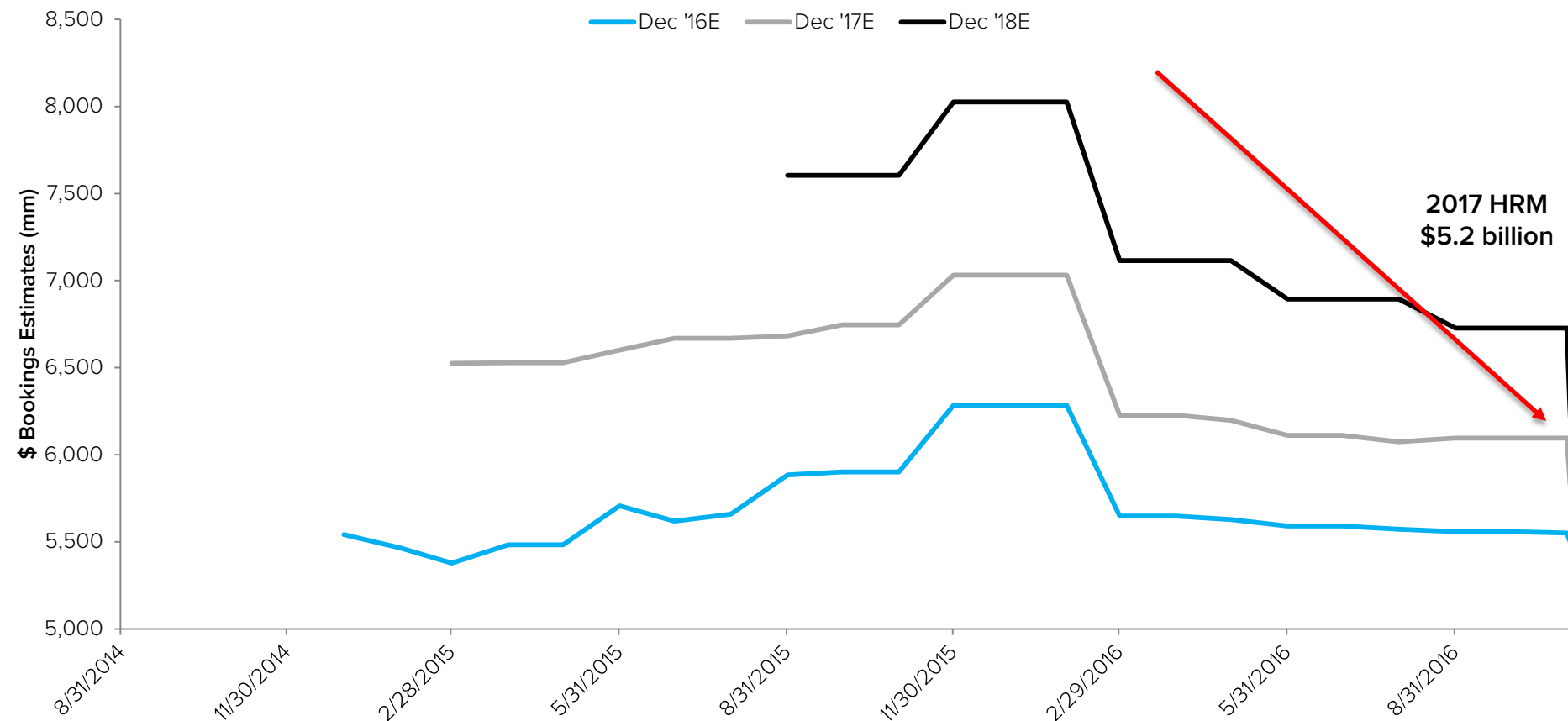
NEW CONTRACT BOOKINGS DECLINE

INDUSTRY WIDE GROWTH PROBLEM



BOOKINGS ESTIMATE REVISIONS

2017 ESTIMATES ARE STILL TOO HIGH



CERN | FINANCIAL AND VALUATION SUMMARY

Cerner Corporation

\$ 52.00

Financial and Valuation Summary

FY16 ends Dec '16	1Q16:A	2Q16:A	3Q16:A	4Q16:E	1Q17:E	2Q17:E	3Q17:E	4Q17:E	2015:A	2016:E	2017:E	2018:E
Hedgeye EPS (\$)	0.53	0.58	0.59	0.61	0.60	0.61	0.65	0.66	2.11	2.30	2.51	2.57
Consensus (\$)	0.53	0.58	0.59	0.62	0.60	0.65	0.66	0.70	2.11	2.32	2.61	2.94
Variance %	---	---	---	---	---	---	---	---	---	-0.70%	-3.8%	-12.6%
Hedgeye Sales (\$MM)	1,138.1	1,216.0	1,184.6	1,243.4	1,242.3	1,286.5	1,281.1	1,333.5	4,425.3	4,782.0	5,143.3	5,410.0
Consensus (\$MM)	1,138.1	1,216.0	1,184.6	1,271.8	1,256.0	1,322.8	1,326.7	1,400.1	4,425.3	4,829.2	5,300.4	5,763.6
Bookings												
New Client	421	478	487	490	386	440	436	425	1,934	1,877	1,687	1,548
Existing Client	749	927	946	952	784	894	926	945	3,493	3,574	3,550	3,820
Total	1,170	1,405	1,434	1,442	1,170	1,335	1,362	1,370	5,427	5,451	5,237	5,368
Margins												
Gross Margin	84.6%	83.1%	84.6%	83.9%	85.2%	83.9%	85.2%	84.7%	83.0%	84.0%	84.7%	85.0%
EBIT Margin	23.0%	23.8%	24.4%	25.7%	25.1%	24.6%	26.4%	25.7%	24.3%	24.2%	25.4%	24.8%
EBITDA (\$MM)	362.3	393.3	395.3	423.5	417.2	427.8	449.7	456.9	1,448.7	1,574.5	1,751.7	1,802.7
Consensus	362.3	393.3	401.9	428.4	422.1	452.3	464.7	495.2	1,458.3	1,591.7	1,819.9	2,005.8
Multiples												
P/E	---	---	---	---	---	---	---	---	24.6	22.6	20.7	20.2
EV/EBITDA	---	---	---	---	---	---	---	---	13.6	12.5	11.2	10.9
EV/Sales	---	---	---	---	---	---	---	---	4.4	4.1	3.8	3.6



NOT A DISASTER... BUT CLOSE

EARNINGS SCORECARD

1

EARNINGS BEAT ✓

2

DOC ADD BEAT ✓

3

SCORECARD ✗

4

MANAGEMENT COMMENTARY ✗

ATHN | EARNINGS TAKEAWAYS

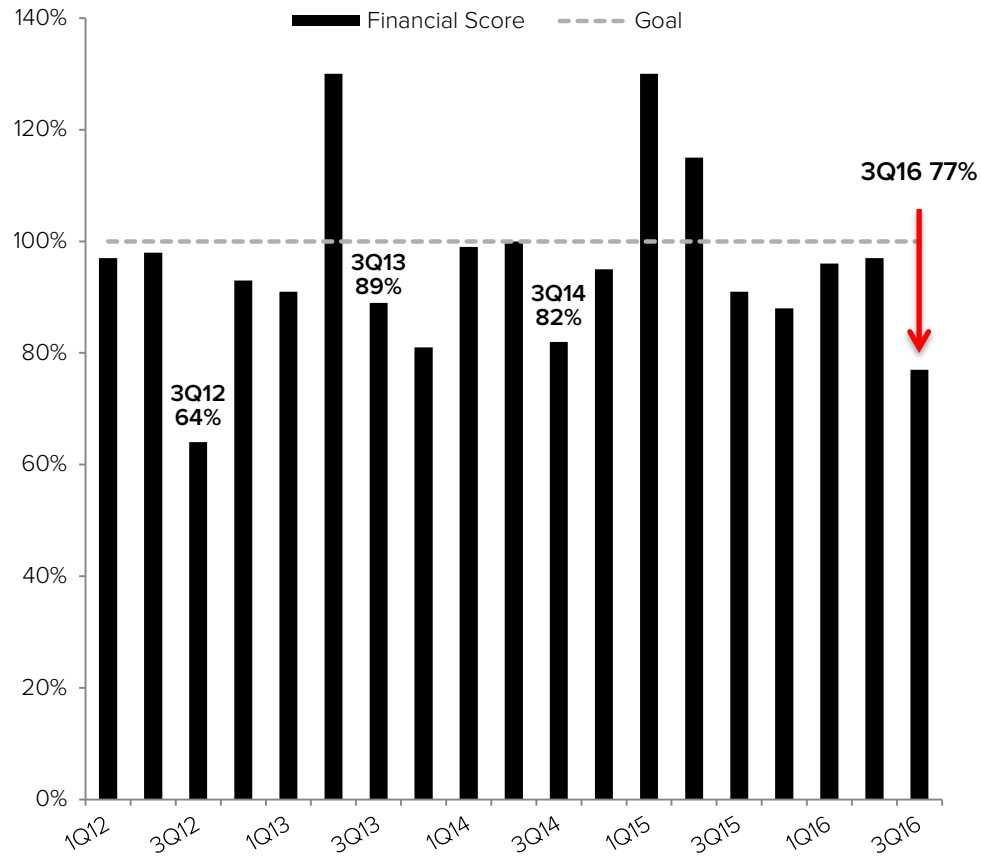
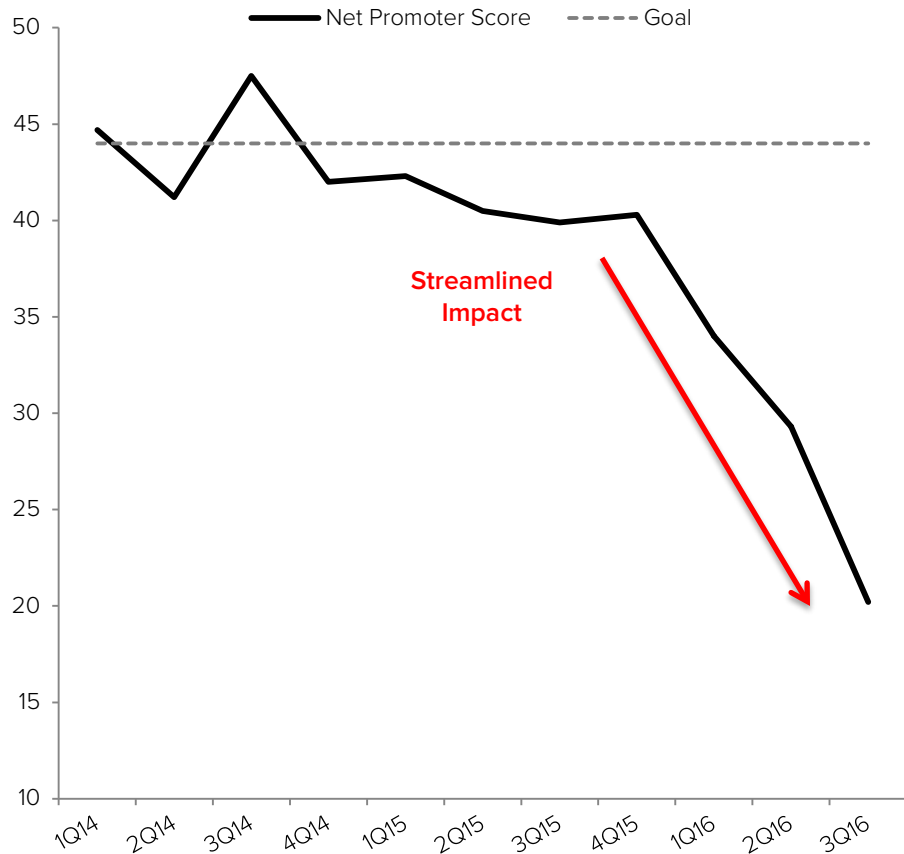
Positive

- Net Collector doc adds beat 3,829 versus the street 3,068 (range 1,688 – 4,230)
- 1,800 providers went live from publically announced deals, not including Trinity Health or MSU; strong growth from existing 800+ providers
- Positive commentary around inpatient demand and population health
- Operating margin +420 bps YoY; 210+ bps gross margin / -210 bps OpEx

Negative

- Bookings missed internal expectations with Financial scorecard of 77% and lowest since 3Q12
- NPS continues to decline on streamlined impact
- Negative market commentary regarding EHR replacement activity and close rates, impacting small-group
- Modest top-line miss, guiding remainder of 2016 to the mid-point of initial guidance range of \$1,085 - \$1,115 sales and \$1.65 - \$1.85 non-gaap EPS
- Only 2,090 clinical doc adds in 3Q16, versus 2,818 in 3Q15

ATHN | BALANCED SCORECARD



ATHN | 2017 SALES ESTIMATE REVISIONS

athenahealth, Inc. (ATHN)

\$103.53

Next Rpt Date: 09 Feb '17

Key Statistics



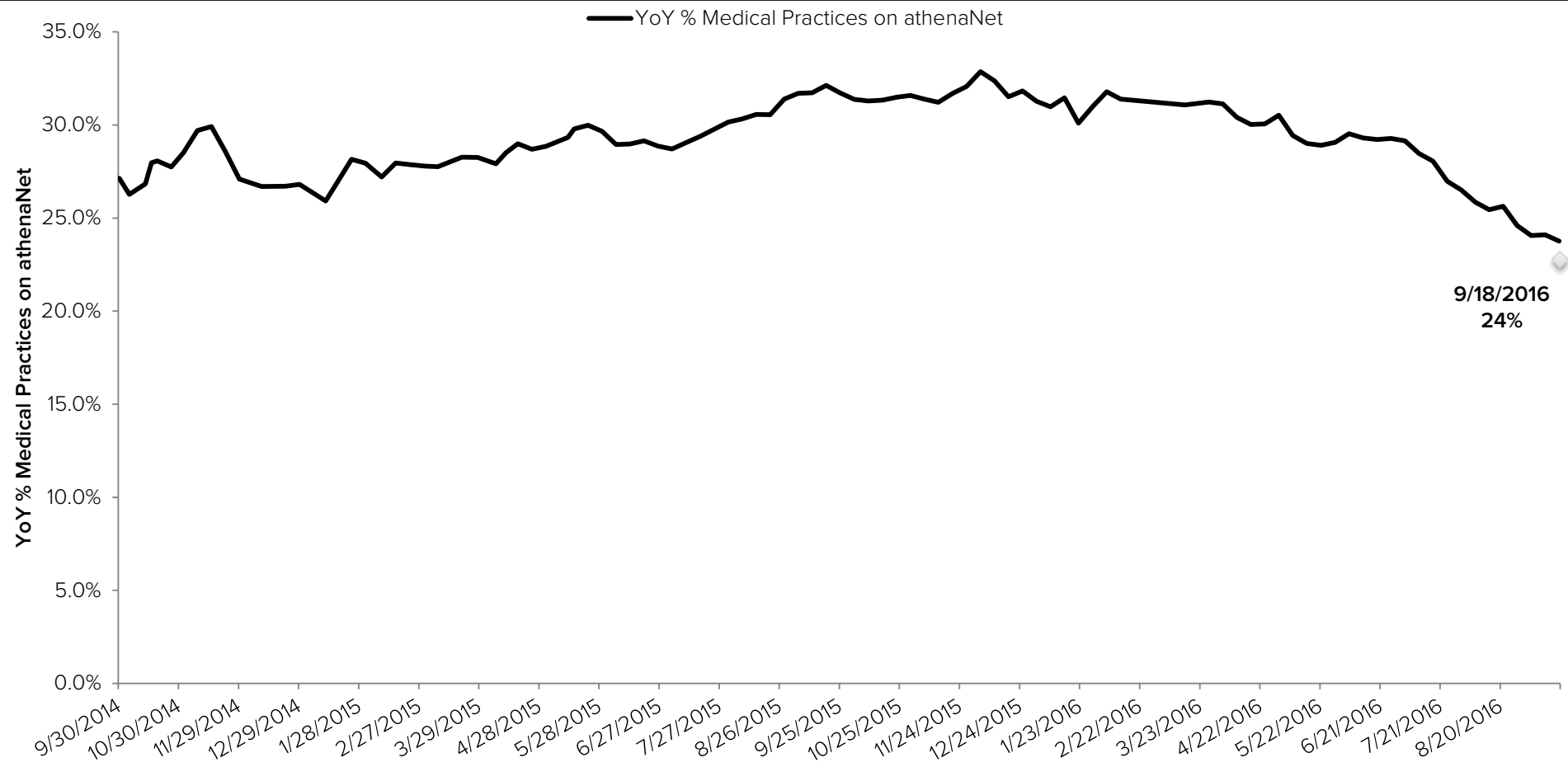
FactSet Estimates



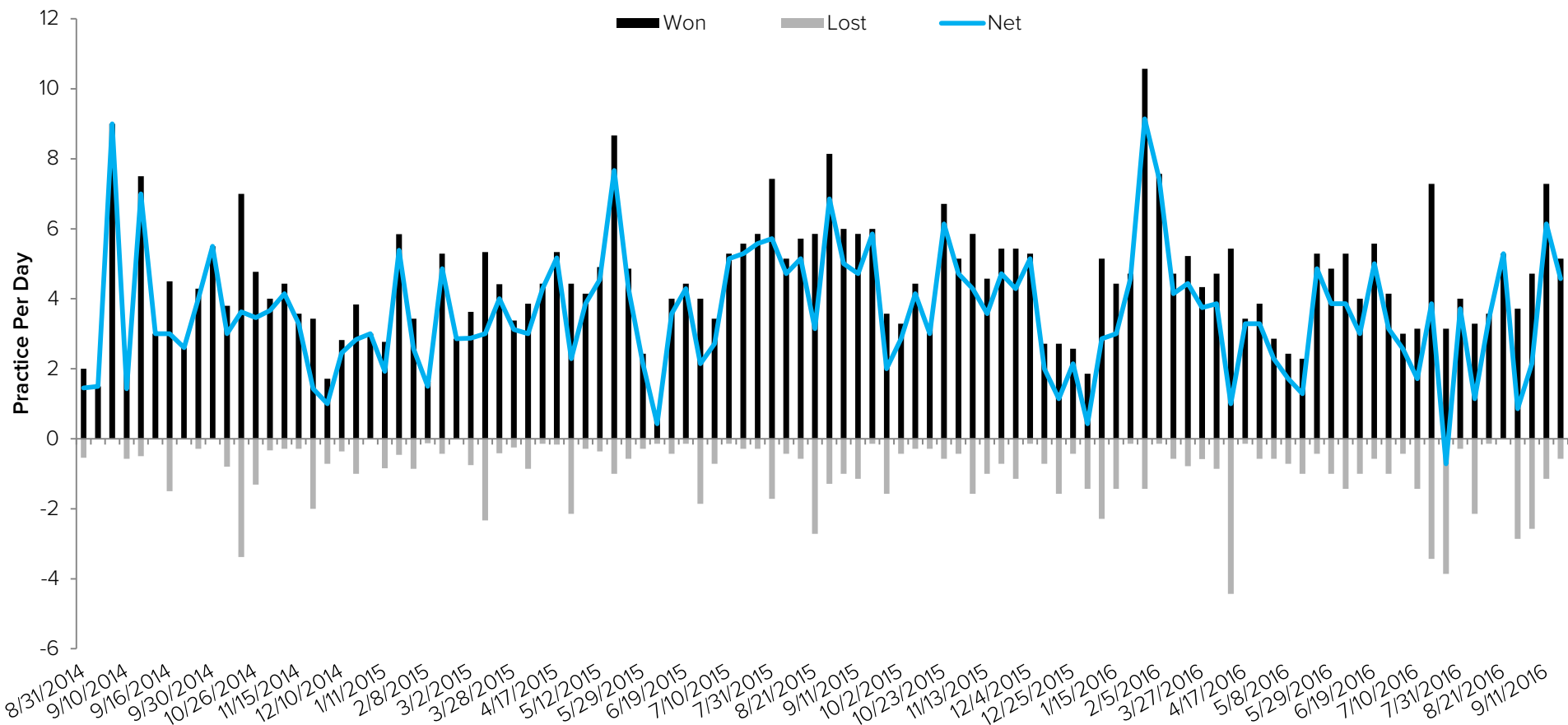
U.S. Dollar

Date	Mean	Low	High	Chg (%)	Chg Amt	EV/Sales (x)	MV/Sales (x)
08 Nov '16	1,298.9	1,264.9	1,367.4	0.0	0.0	3.2	3.1
04 Nov '16	1,298.9	1,264.9	1,367.4	-0.1	-0.9	3.1	3.0
28 Oct '16	1,299.8	1,264.9	1,367.4	-0.4	-5.0	3.2	3.1
21 Oct '16	1,304.8	1,268.4	1,367.4	-1.0	-12.8	3.5	3.4
14 Oct '16	1,317.6	1,282.6	1,377.5	0.0	0.2	3.7	3.7
07 Oct '16	1,317.4	1,274.5	1,377.5	-0.1	-0.9	3.8	3.8

ATHENA-TRACKER YOY GROWTH



ATHN | MEDICAL PRACTICE ATTRITION



ATHN | ESTIMATE VS ACTUAL

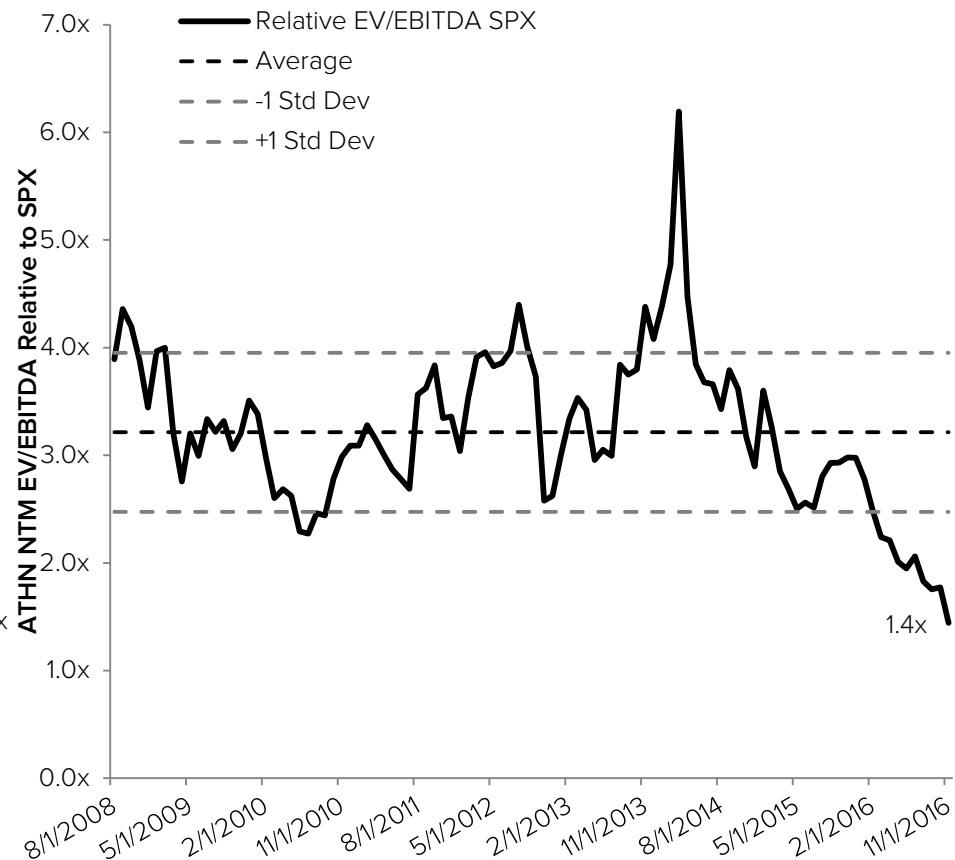
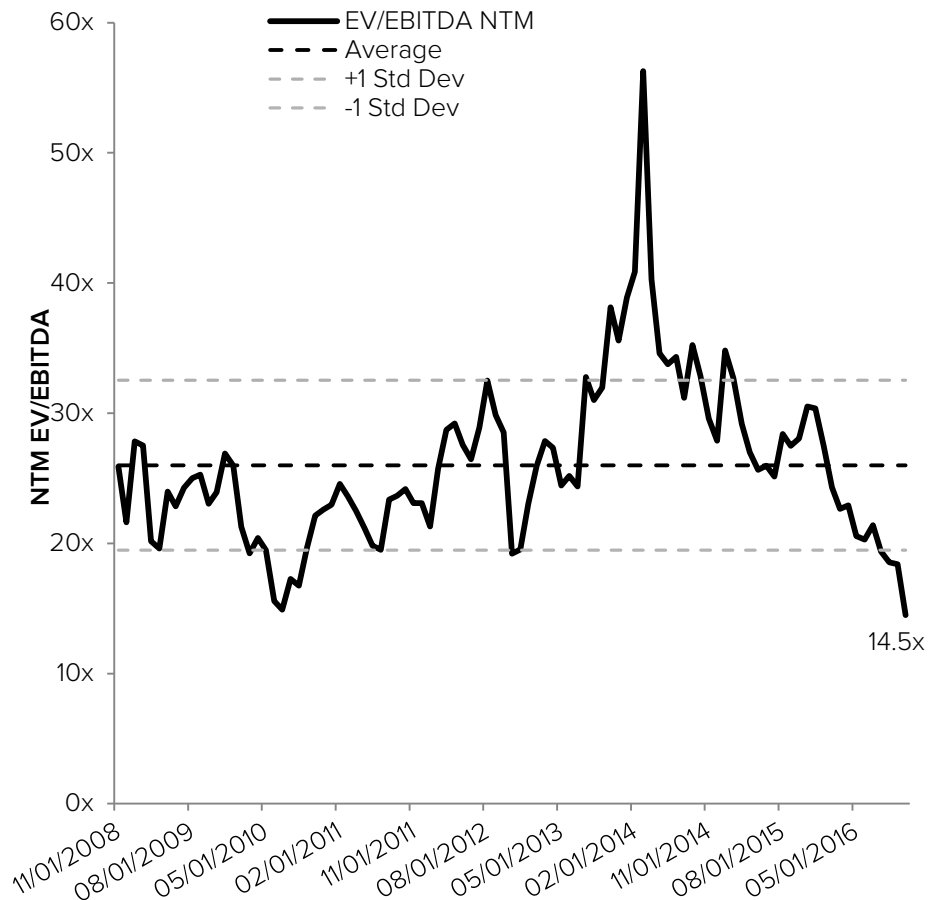
3Q16

Driver	Estimate	Actual*	Difference
Total Client Collections (\$)	\$5,640,889,946	\$5,714,549,558	\$81,556,652
Total Claims Submitted (#)	41,860,146	42,611,244	873,825
Working Days	64	64	
athenaCollector Physicians	61,463	62,450	987
athenaClinical Physicians	30,608	29,439	(1,169)
athenaCommunicator Physicians	46,097	47,183	1,086
Business Services Revenue	\$252,189,988	\$252,733,000	\$ 543,012
Take Rate	4.47%	4.42%	-0.05%
y/y %	19.36%	19.61%	0.26%
Average Collector Rate	3.32%	3.27%	-0.06%
+ Clinicals @ 40% Collector	1.33%	1.31%	-0.02%
+ Communicator @ 25% Collector	0.8%	0.8%	-0.01%
Average athenaOne Take Rate	5.5%	5.4%	-0.09%
Less: 5% Discount	5.2%	5.1%	-0.09%
Service Breakdown			
Physicians Using Collector, Clinicals and Communicator	49.8%	47.1%	-2.7%
Physicians Using Collector and Communicator Only	25.2%	28.4%	3.2%
Physicians Using Collector Only	25.0%	24.4%	-0.6%
\$ Client Collections Per Physician	\$ 91,777.72	\$ 91,377.97	(\$399.8)
# Claims Per Physician	681	682	1.3

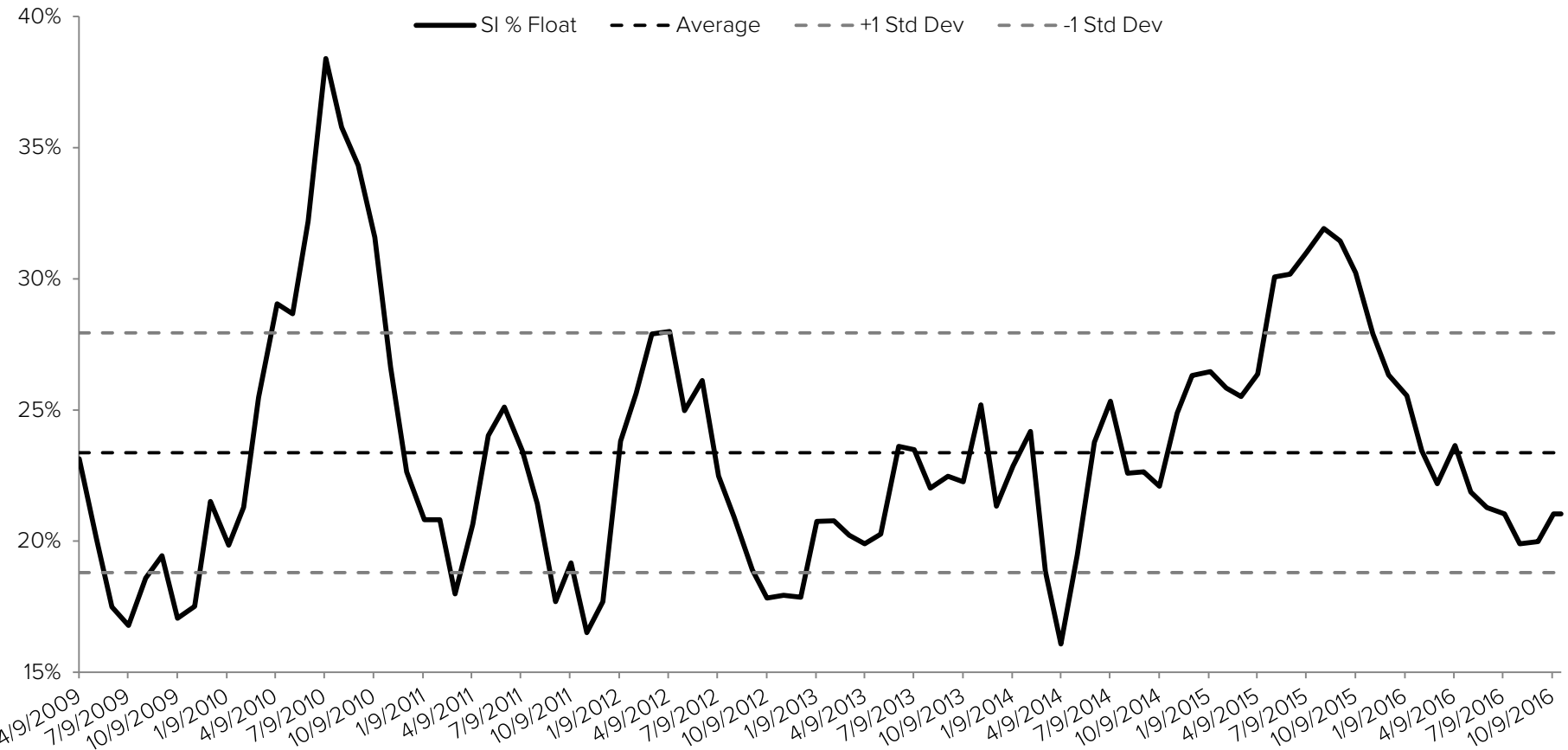
Segment	Estimate	Actual*	Difference
Business services	255,675	252,733	(2,942)
Implementation and other	6,802	6,553	(249)
Organic Revenue	\$ 262,477	\$ 259,286	\$ (3,191)
Plus: Epocrates	14,585	14,385	(200)
Plus: Arsenal	3,500	3,000	(500)
Total Revenue	\$ 280,562	\$ 276,671	\$ (3,891)

*Company stopped disclosing Epocrates and Arsenal revenue contribution in 1Q16. Take Rate, Business Services Revenue and Implementation are derived from the aggregate reported revenue figure and our estimates.

ATHN | NTM EV/EBITDA



ATHN | HISTORICAL SHORT INTEREST



ATHN | FINANCIAL AND VALUATION SUMMARY

athenahealth, Inc.

\$ 103.53

Financial and Valuation Summary											
FY16 ends Dec '16	1Q15:A	2Q15:A	3Q15:A	4Q15:E	1Q16:E	2Q16:A	3Q16:E	4Q16:E	2015:A	2016:E	2017:E
Hedgeye EPS (\$)	0.24	0.32	0.36	0.45	0.34	0.34	0.60	0.62	1.37	1.91	2.32
Consensus (\$)	0.24	0.32	0.36	0.45	0.34	0.34	0.60	0.51	1.37	1.79	2.21
Variance %	---	0.0%	0.0%	0.0%	0.7%	1.3%	0.3%	22.3%	---	6.5%	5.3%
Hedgeye Sales (\$MM)	206.4	224.7	236.1	257.5	256.1	261.9	276.7	304.1	924.7	1,098.9	1,296.2
Consensus (\$MM)	206.4	224.7	236.1	257.5	256.1	261.9	276.7	303.6	924.7	1,098.5	1,298.9
Business Services*	187.0	203.8	211.3	231.7	234.6	242.5	252.7	278.0	833.8	1,007.8	1,240.0
Implementation and other	5.2	5.3	6.5	6.1	5.6	4.9	6.6	6.1	23.1	23.1	24.3
Epocrates	10.8	11.6	13.7	16.2	13.0	11.6	14.4	17.0	52.3	56.0	58.8
Arsenal	3.5	4.0	4.6	3.5	3.0	3.0	3.0	3.0	15.6	12.0	10.0
Net Physician Additions											
athenaCollector	1,639	2,114	3,953	2,148	1,816	1,528	3,829	2,046	9,854	9,219	8,984
athenaClinical	985	1,127	2,818	1,126	1,302	1,180	2,090	1,373	6,056	5,945	6,845
athenaCommunicator	1,415	1,670	3,422	1,965	1,643	1,489	3,416	1,512	8,472	8,060	8,252
Margins											
Gross Margin	62.7%	63.3%	62.9%	64.8%	62.0%	62.7%	65.0%	65.0%	63.5%	63.8%	64.2%
EBIT Margin	7.9%	9.9%	10.8%	12.3%	9.5%	8.9%	15.0%	14.3%	10.3%	12.1%	12.5%
EBITDA (\$MM)	36.6	44.3	50.2	58.0	51.0	51.8	73.9	77.5	189.1	254.3	311.7
Multiples											
P/E	---	---	---	---	---	---	---	---	75.6	54.2	44.6
EV/EBITDA	---	---	---	---	---	---	---	---	22.8	16.9	13.8
EV/Sales	---	---	---	---	---	---	---	---	4.7	3.9	3.3

*Does not include Epocrates



ONLY GETS WORSE FROM HERE...

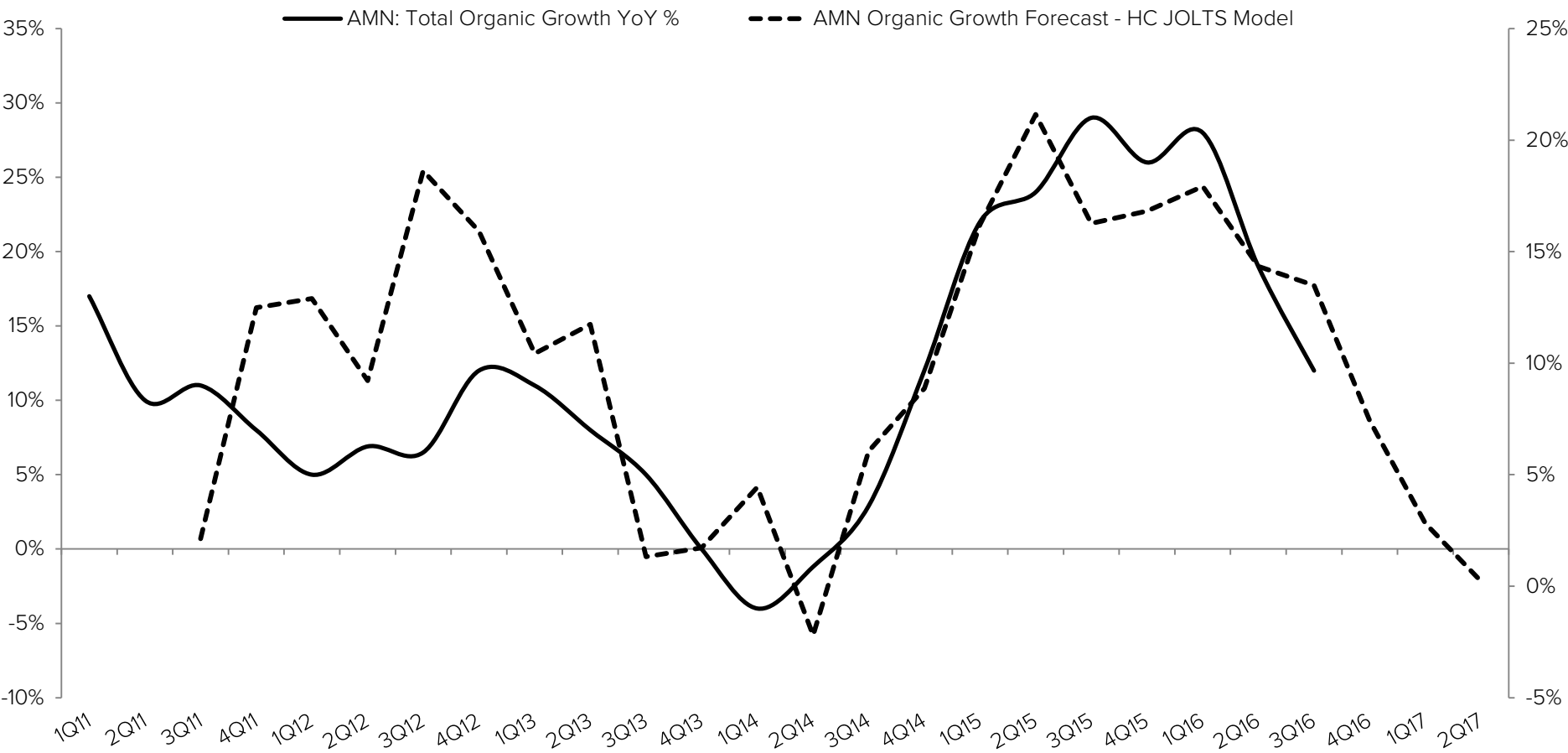
Positive

- Organic growth slowed to 12%, slightly above guidance of 11%
- Labor Disruption revenue at \$2M, despite a massive increase in strike activity in the quarter

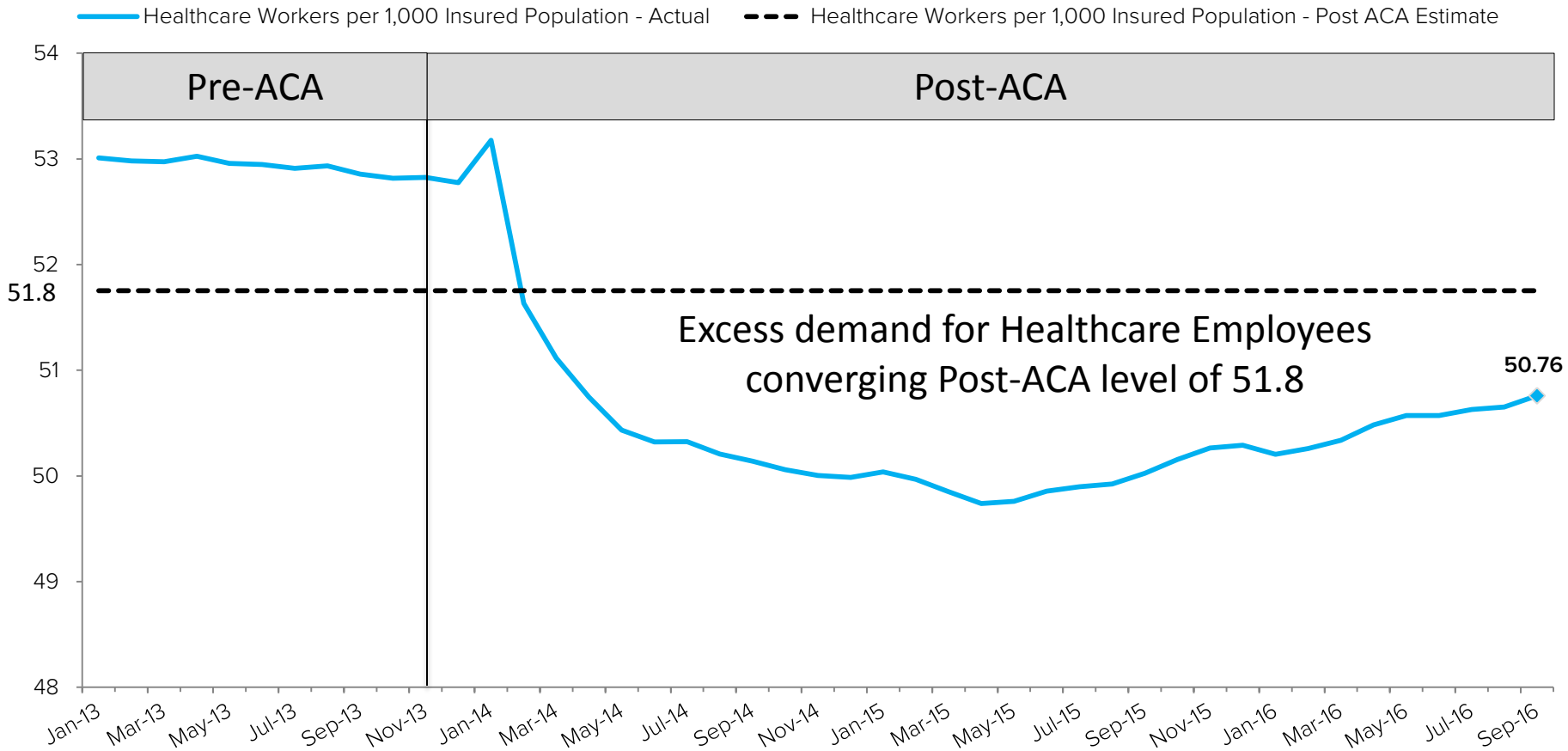
Negative

- Bill rate grew 5%, below guidance of 6%
- Local declined -15%
- Guidance for 4Q16 was in-line with guidance expectations for the first time since 2Q14
- Gross margins in Nurse and Allied declined year over year
- “There were no significant strikes in 3Q16” does not agree with the Alina nurse strike which lasted more than a month

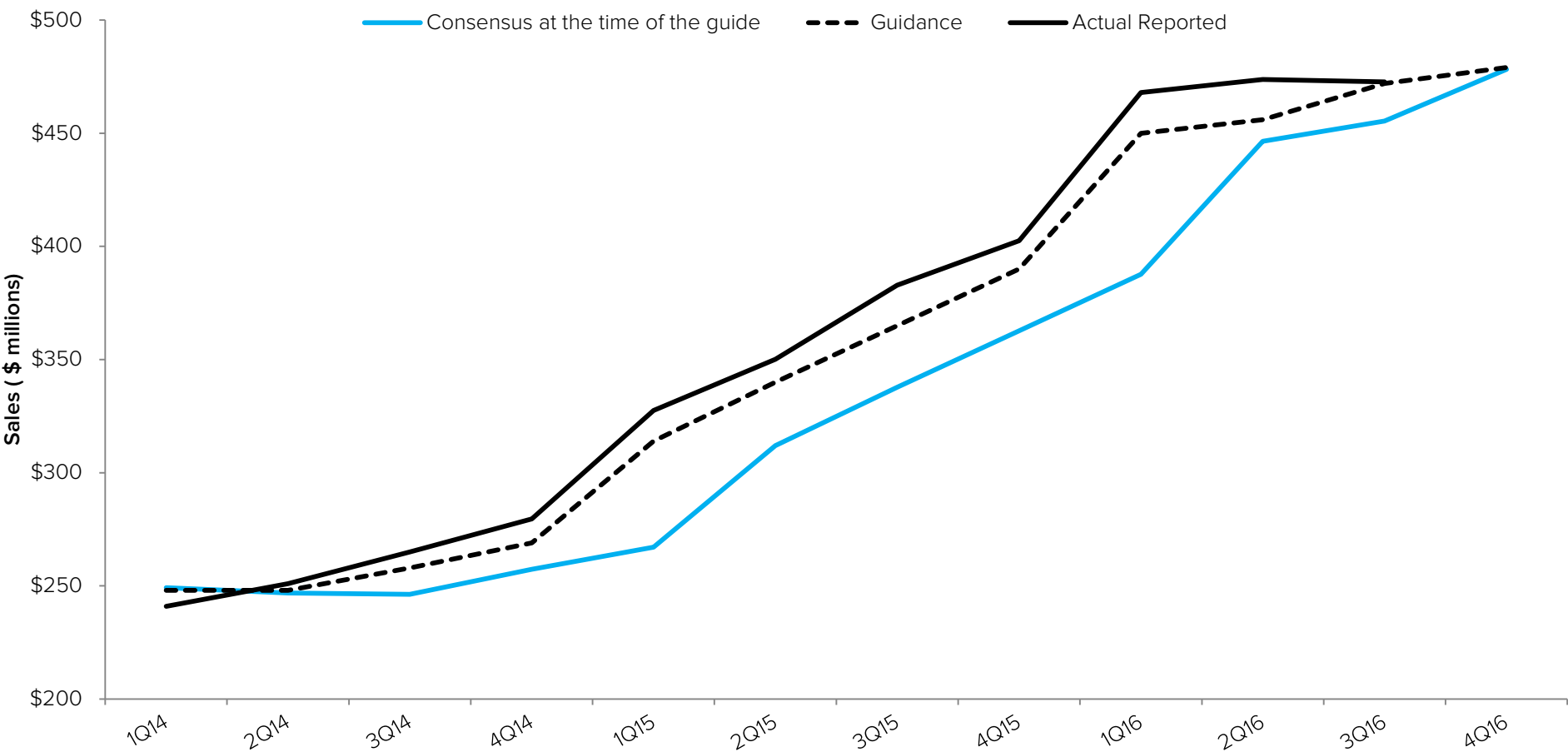
AMN | ORGANIC GROWTH FORECAST



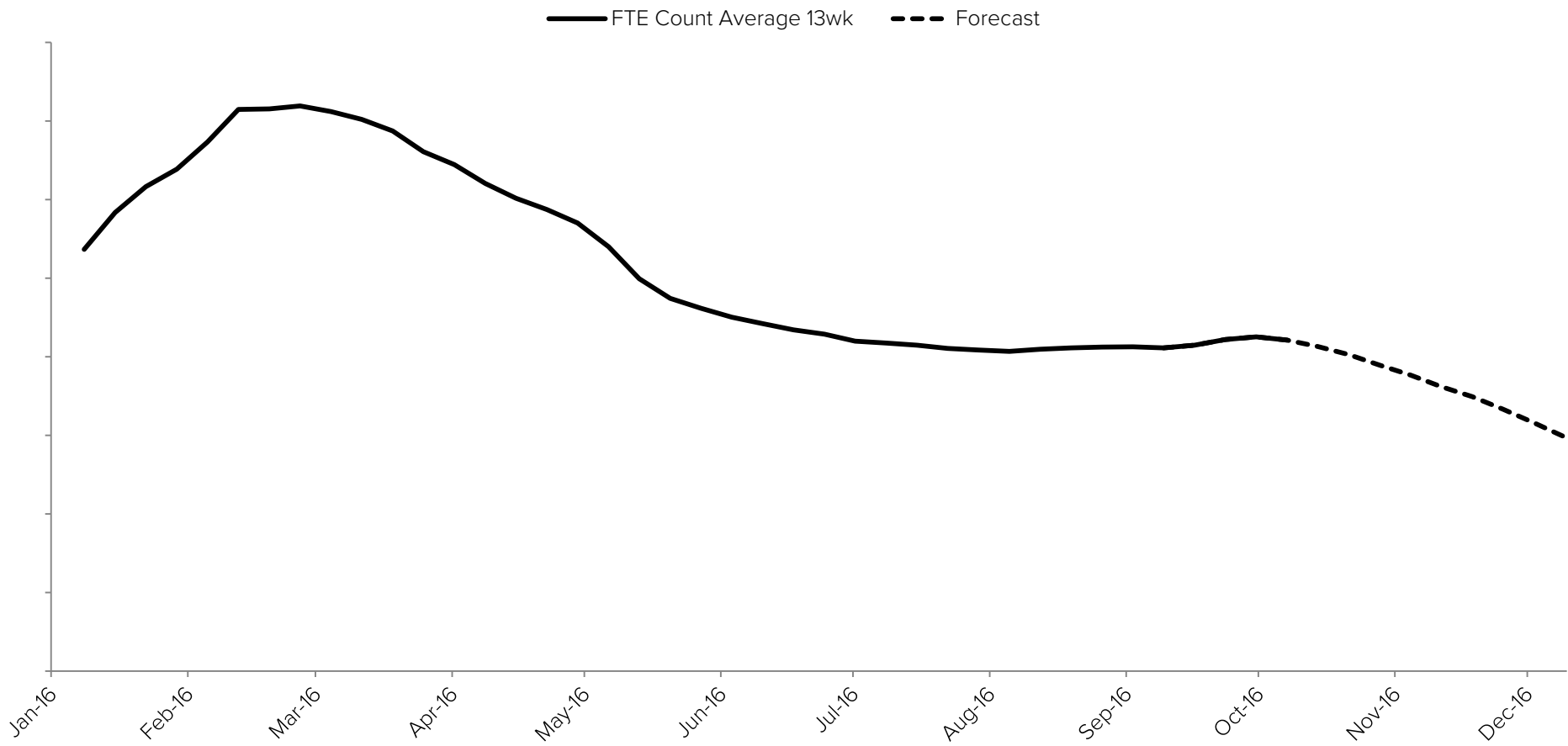
THE “NEW NORMAL” FOR HC LABOR



AMN | CONSENSUS VS GUIDANCE



AMN | NURSE TRACKER





THEY BEAT... SO WHAT'S THE FUSS?

EXAS | EARNINGS TAKEAWAYS

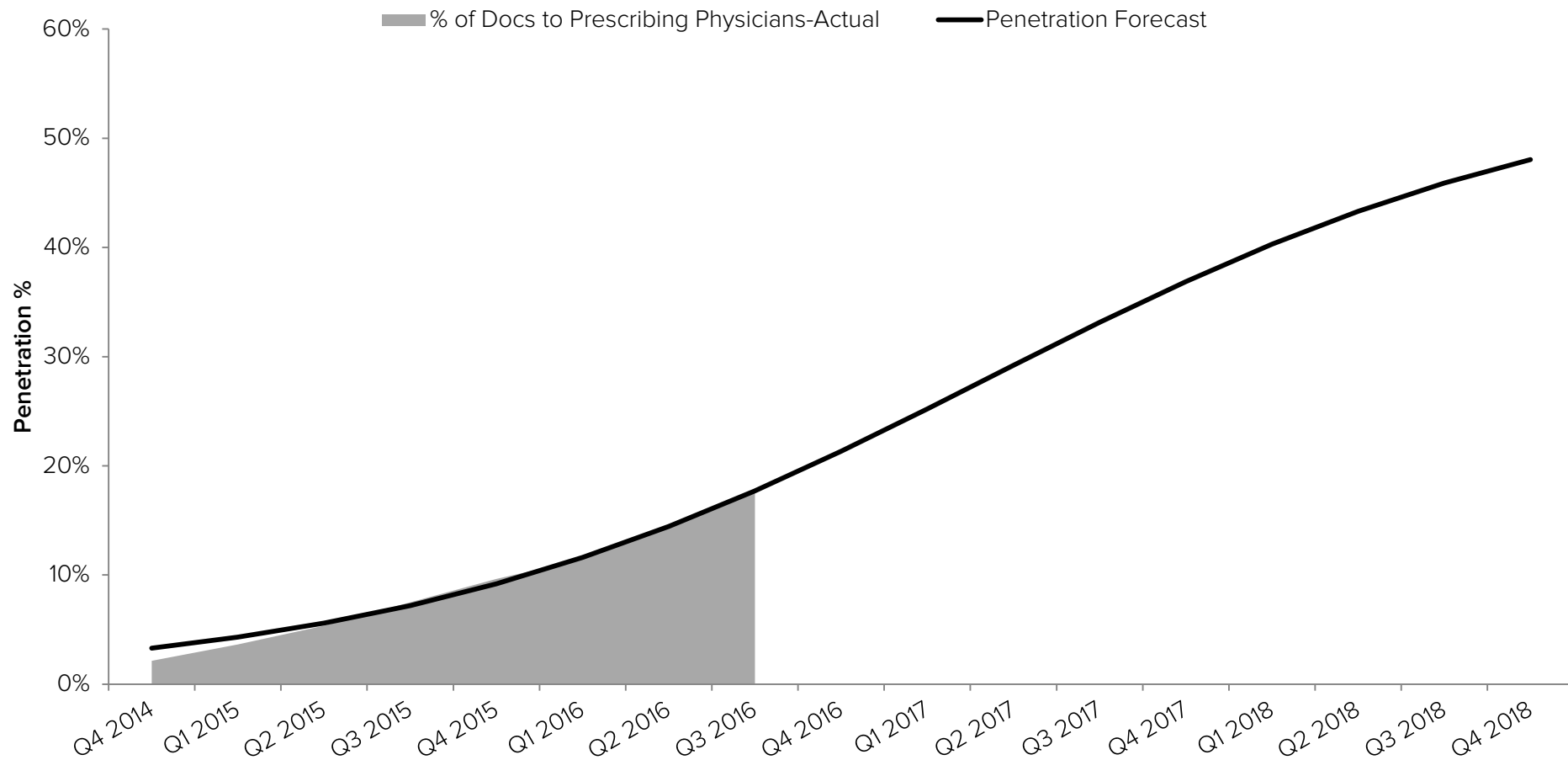
Positive

- Cologuard's ASP increase to \$412 compared to management's guidance of the low \$390s
- Cost per test was \$178, down -21.6% from its peak in 1Q16
- Gross margin improved from to 56.7% from 52.3% in Q216
- Added 9,000 physicians, an 85.2% YoY increase
- 68,000 tests completed, above consensus of 66,000

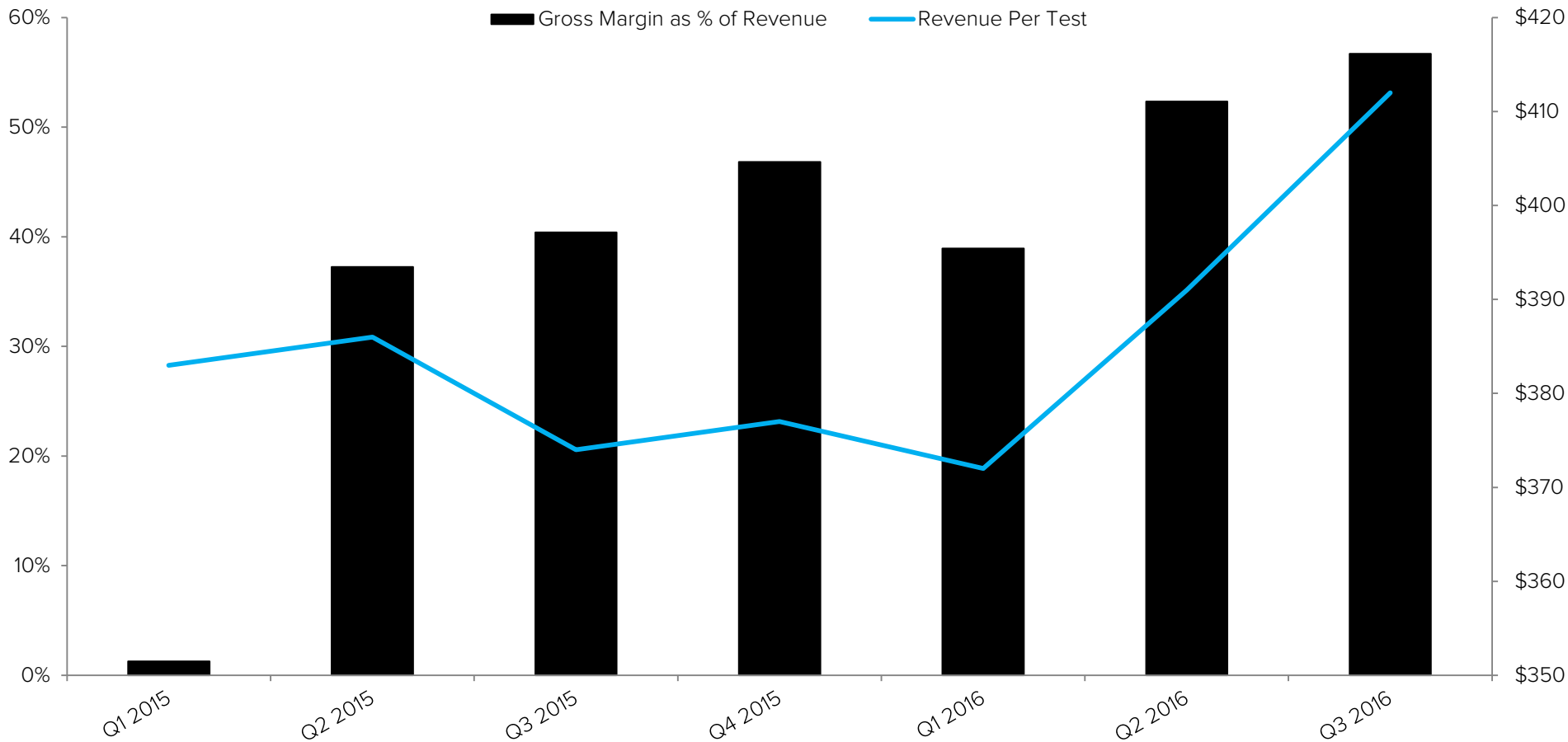
Negative

- Sequentially lower compliance rate of 67%
- Cautious commentary on seasonality in Q416
- Sequentially slowing tests/doc growth
- Narrowed full-year guidance to \$95-100 million from \$93-\$95 million, failing to incorporate the Q316 upside

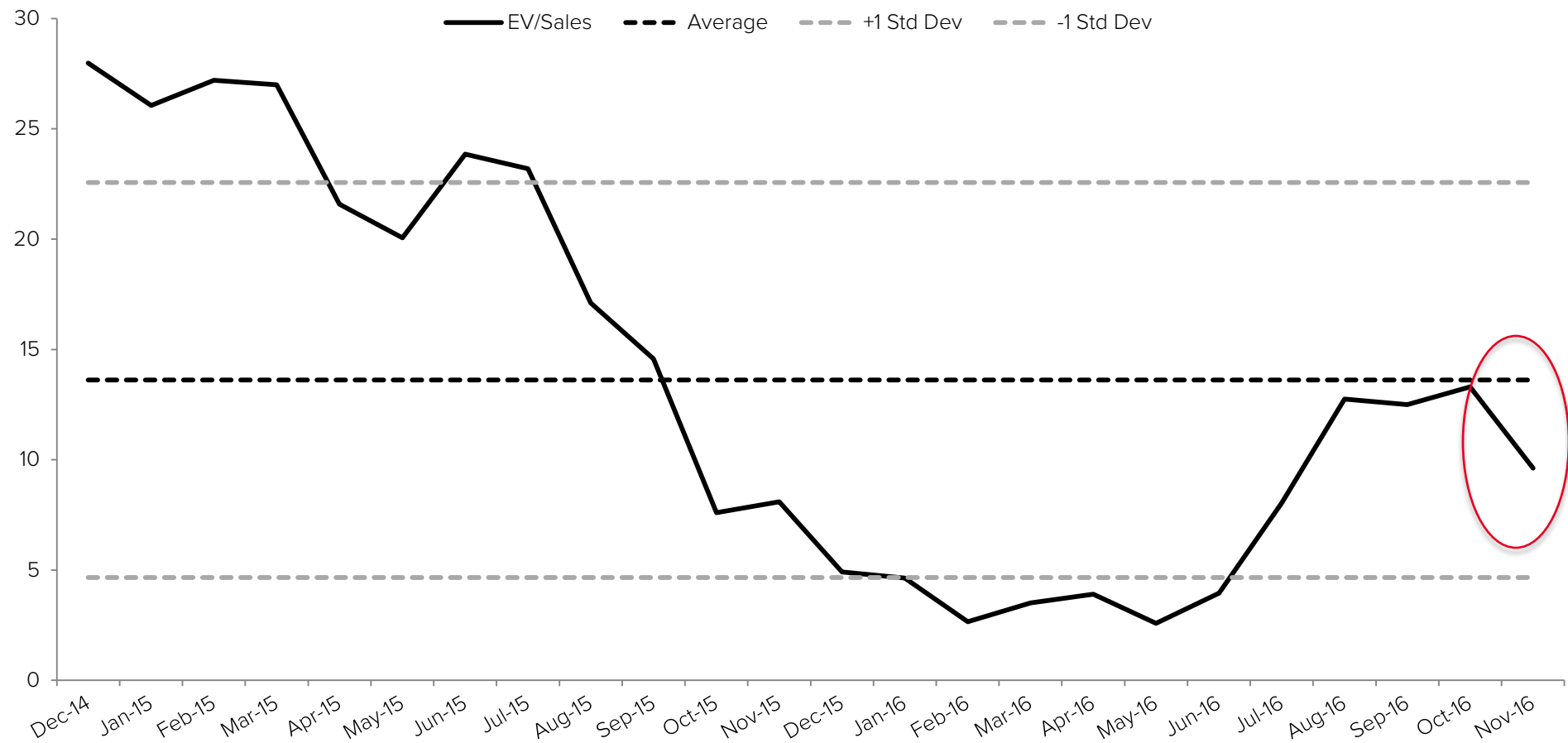
EXAS | COLOGUARD ADOPTION



EXAS | NTM EV/SALES



EXAS | NTM EV/SALES



FOR MORE INFORMATION, CONTACT US AT:

SALES@HEDGEYE.COM
(203) 562-6500