

The background is a light blue, semi-transparent collage of medical and healthcare-related elements. It includes a stethoscope on the right side, a hand in a white glove pointing towards the center, and several circular icons: a globe, a person with a cross, a pill, and a medical cross. A world map with location pins is visible in the lower-left corner. The text 'Q&A' is prominently displayed in the center, flanked by two horizontal black lines.

Q&A

HEALTHCARE

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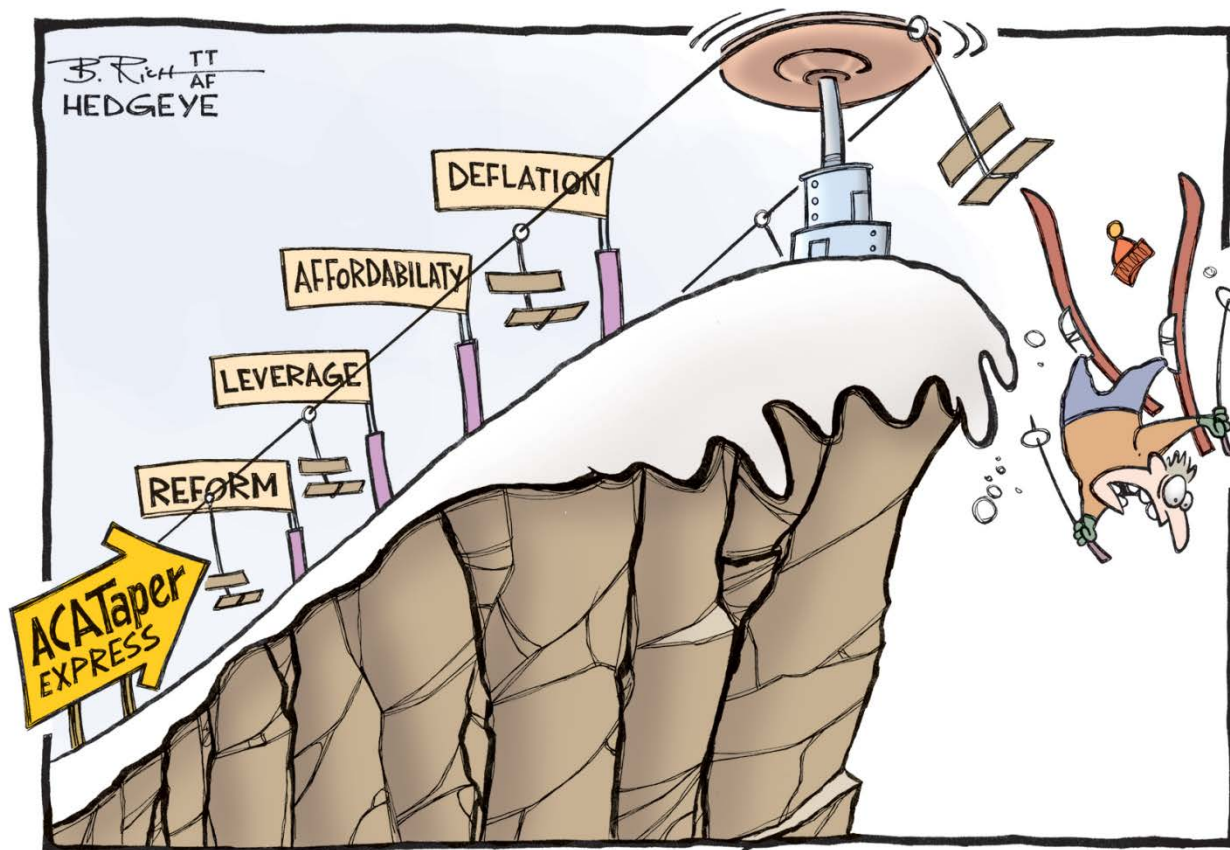
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HEALTHCARE POSITION MONITOR

Sentiment	Investment Ideas - Longs			Trade	Trend	Tail	Sentiment	Investment Ideas - Shorts			Trade	Trend	Tail
Score ¹	LONG						Score ¹	SHORT					
6	ATHN	athenahealth, Inc.		---	✓	✓	81	HOLX	Hologic, Inc.		x	x	x
41	ILMN	Illumina, Inc.		---	✓	✓	59	AHS	AMN Healthcare Services, Inc.		---	x	x
							53	ZBH	Zimmer Biomet Holdings, Inc.		---	x	x
							33	MD	MEDNAX, Inc.		x	x	x
							17	MDRX	Allscripts Healthcare Solutions, Inc.		x	x	x
Sentiment	Long Bench						Sentiment	Short Bench					
Score ¹	LONG						Score ¹	SHORT					
6	EXAS	Exact Sciences Corporation		---	---	---	97	WOOF	VCA Inc.		---	---	---
56	EVH	Evolent Health Inc Class A		---	---	---	79	LH	Laboratory Corporation of America Holdings		---	---	---
72	CSLT	Castlight Health, Inc. Class B		---	---	---	71	ICLR	ICON Plc		---	---	---
89	CERN	Cerner Corporation		---	---	---	62	DVA	DaVita HealthCare Partners Inc.		---	---	---
							53	CRL	Charles River Laboratories International, Inc.		---	---	---
							44	MDSO	Medidata Solutions, Inc.		---	---	---
							41	HCA	HCA Holdings, Inc.		---	---	---
							36	LPNT	LifePoint Health, Inc.		---	---	---
							24	PRXL	PAREXEL International Corporation		---	---	---
							22	QSII	Quality Systems, Inc.		---	---	---
							18	Q	Quintiles Transnational Holdings, Inc.		---	---	---
							5	DGX	Quest Diagnostics Incorporated		---	---	---
							1	CYH	Community Health Systems, Inc.		---	---	---
							1	CPSI	Computer Programs and Systems, Inc.		---	---	---

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 THEMES

1

#LATECYCLE

- The ACA likely steepened what is typically a late cycle recovery in medical consumption. Medical consumption trends are slow to develop and can often be confused as defensive. Its different this time...a steeper drop.

2

DEMOGRAPHIC DEFLATION

- Commercially insured working population continues to slow. The Commercially Insured US Medical Consumer has the highest revenue and margins.
- Medicare beneficiaries are growing but CMS policy will need to reduce real per beneficiary spending.

3

REGULATION / #ACATAPER

- New enrollees from exchanges and Medicaid expansion was a one-time stimulus to the medical economy.
- ACA reforms will continue to put pressure on healthcare inflation.

LATE CYCLE

Healthcare is late to slow, and late to reaccelerate.

DEMOGRAPHICS

Aging Population,
Medicare Mix Shift,
More w/Less,
Incidence

HEALTHCARE DEFLATION

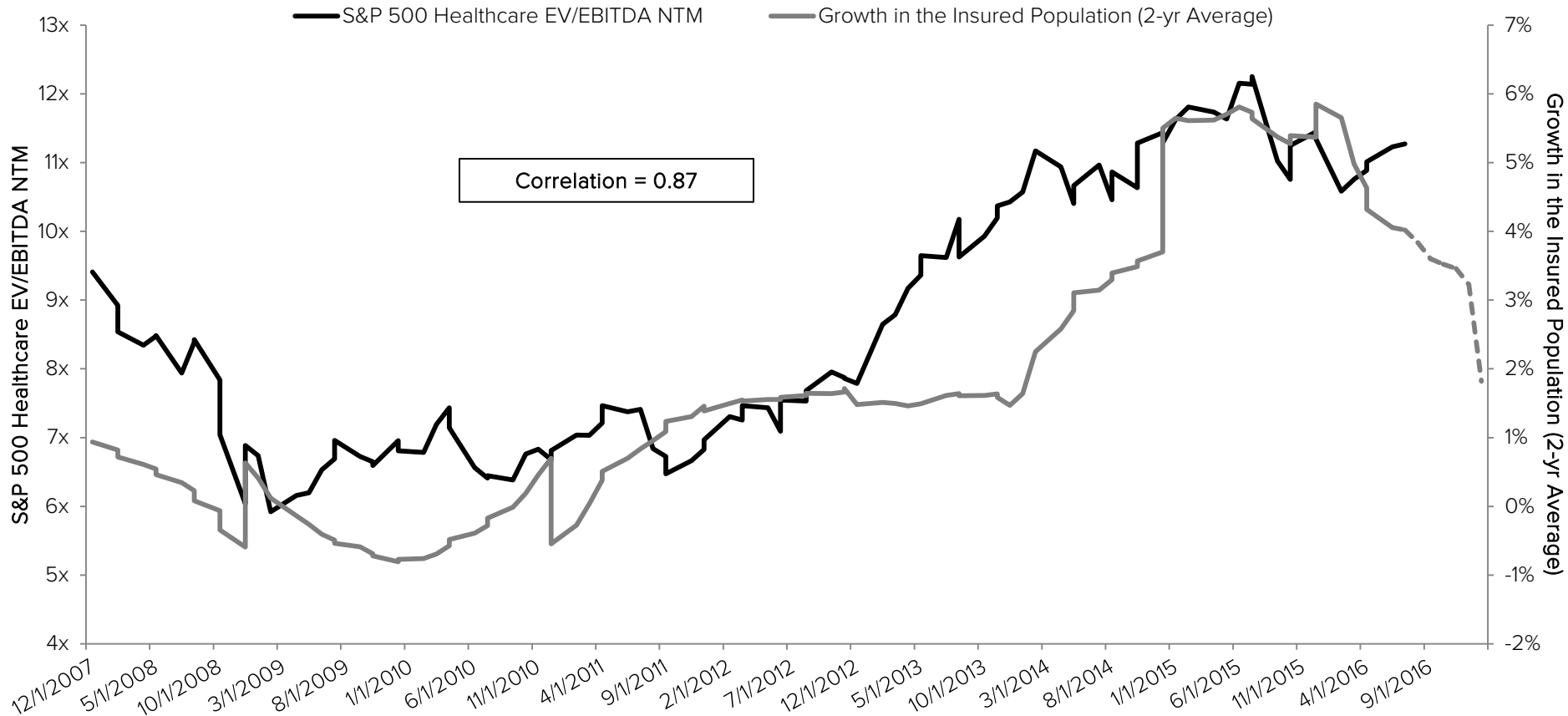
#ACATaper

Pent-Up Demand
High Acuity
Normalization

REGULATORY

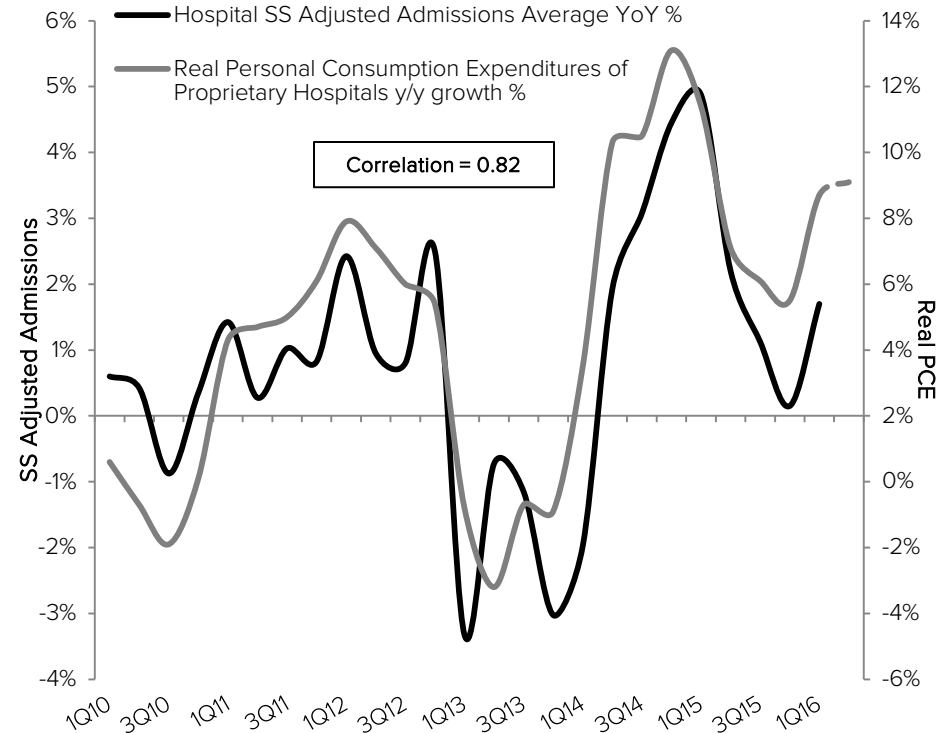
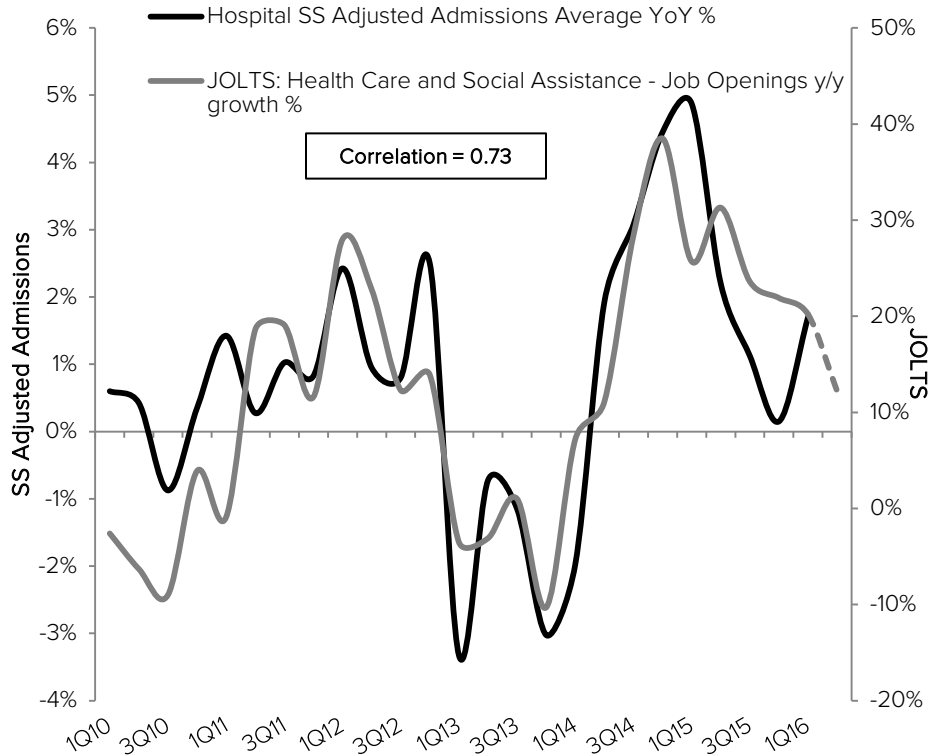
ACA / HDHP / CCJR
Technology
Transparency

INSURED POPULATION GROWTH



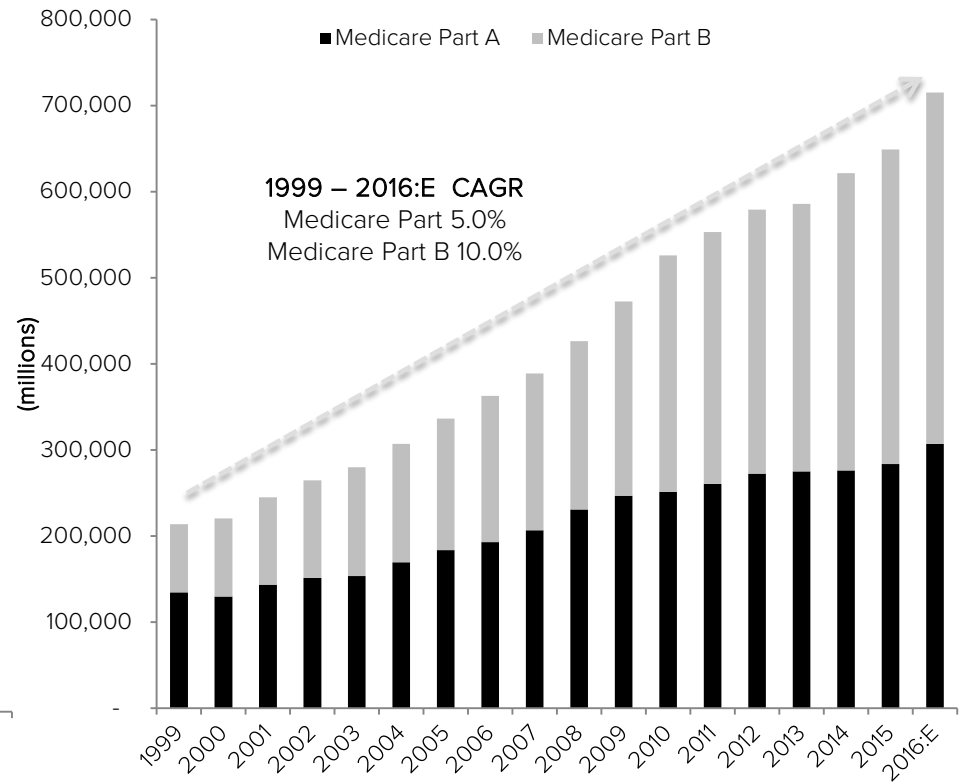
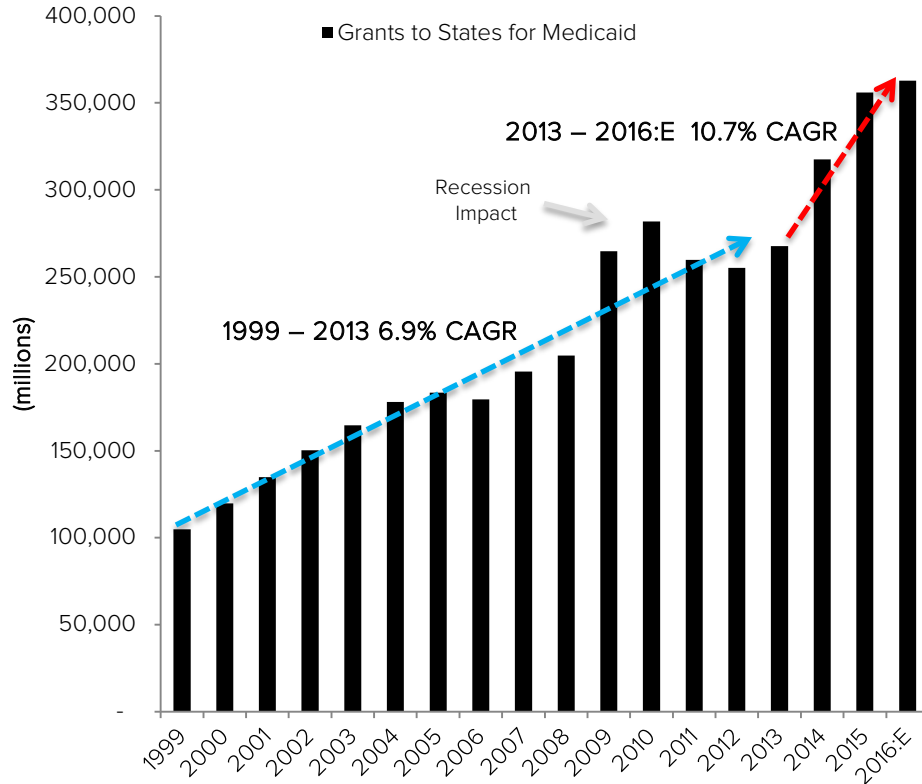
UTILIZATION AND EMPLOYMENT

INCREASE IN HIRING TO MEET NEW DEMAND

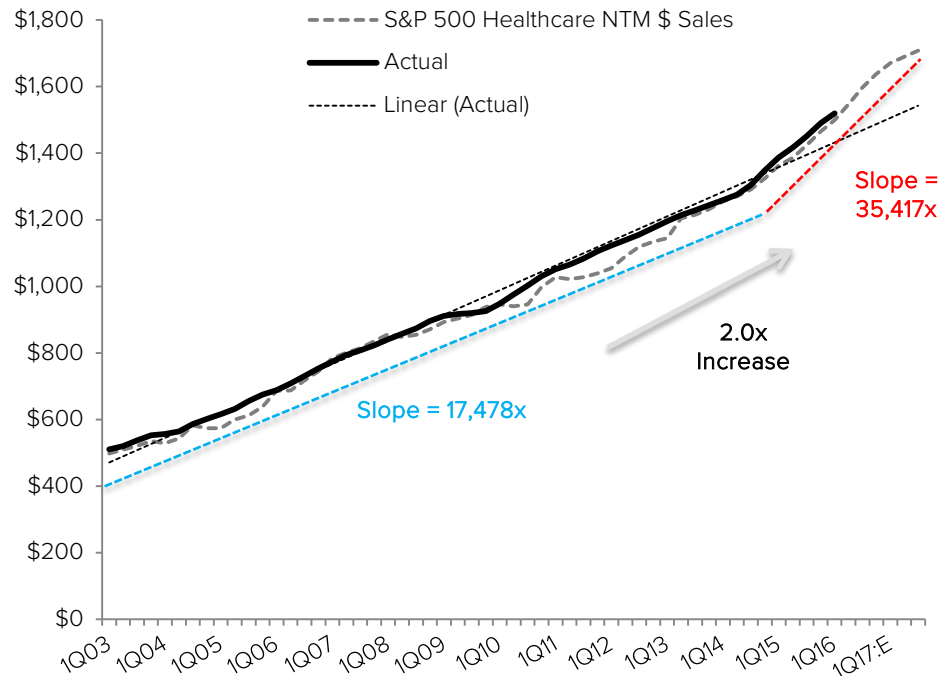
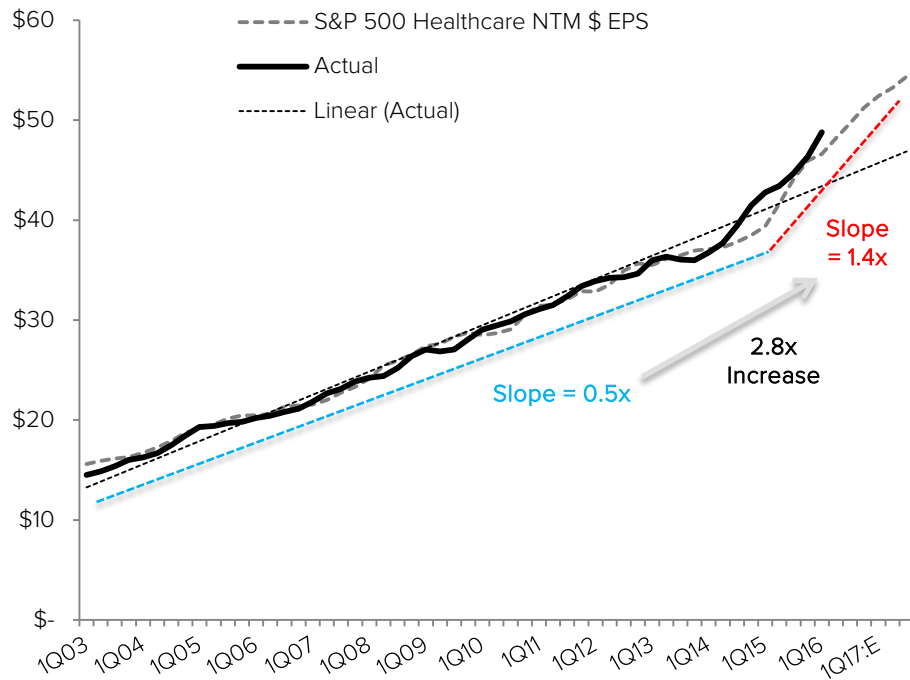


FEDERAL GOVERNMENT OUTLAYS

2013-2015 FASTEST GROWTH IN MEDICAID EX-RECESSION



ABSOLUTE SALES AND EPS ESTIMATES

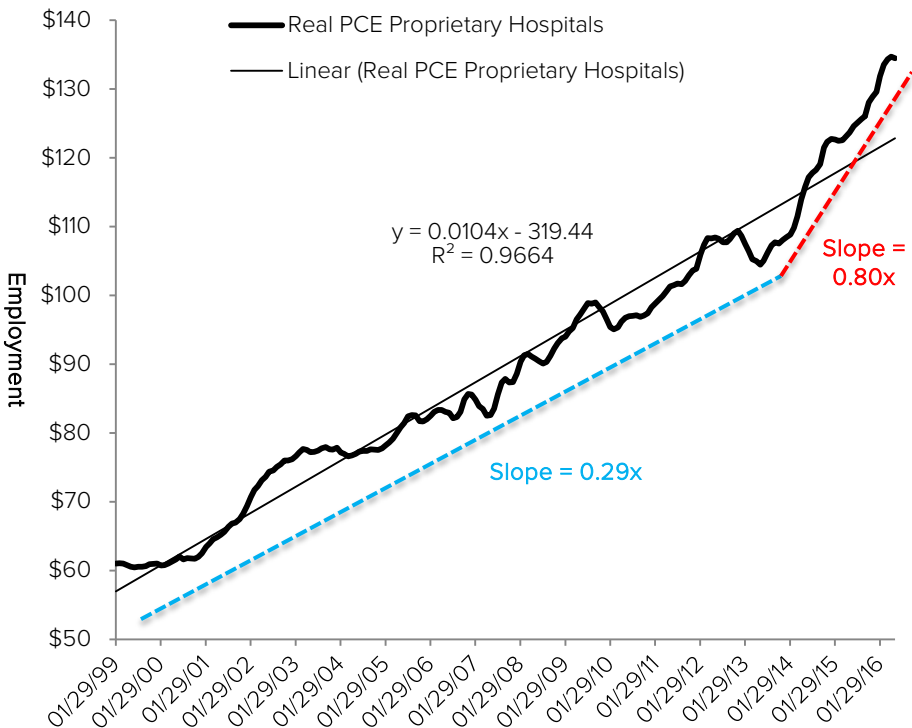
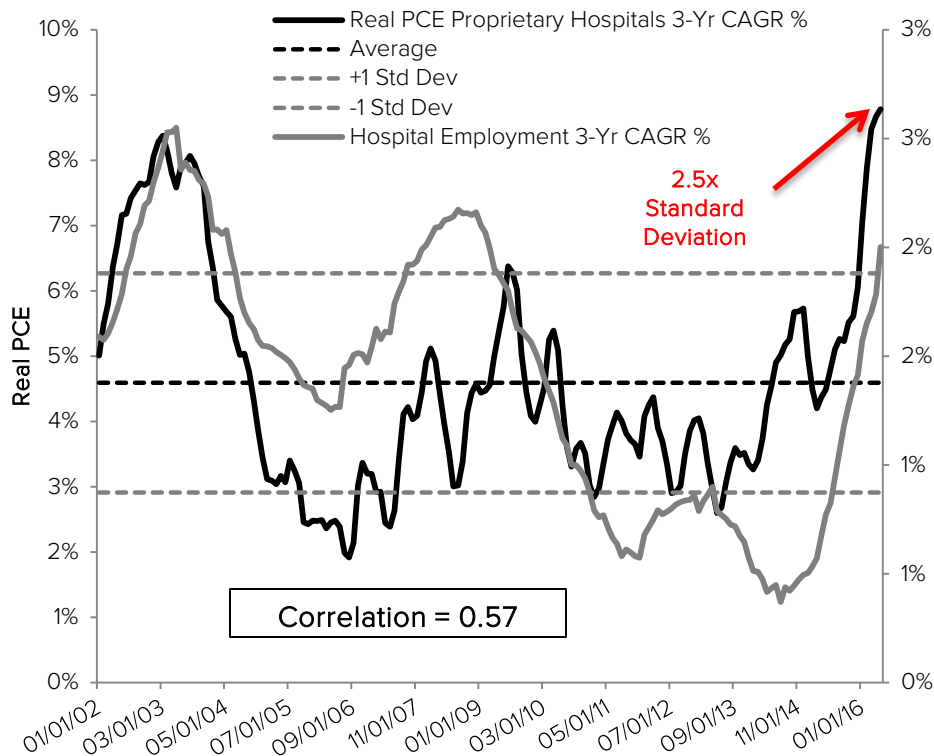


CONSENSUS DEVIATING FROM LONG-TERM TREND

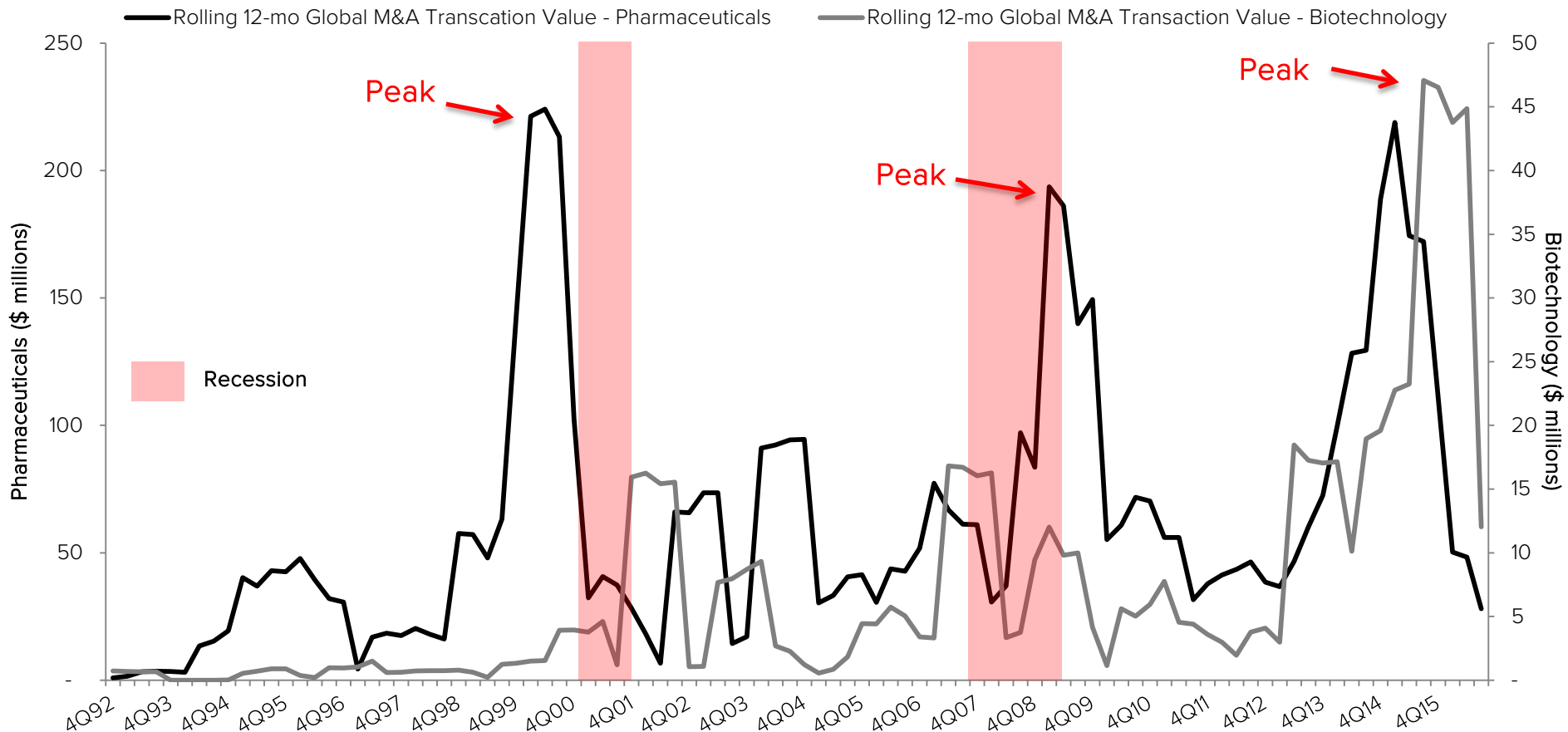
Reasonable given level of M&A and Stimulus.... but likely to mean revert amid slowing growth. Rate of change significant with slope increase 2.0x for Sales and 2.8x for EPS (> Sales due to operating leverage).

REAL PCE PROPRIETARY HOSPITALS

REAL PCE GROWTH ACCELERATED WITH NEWLY INSURED



M&A IS LATE CYCLE



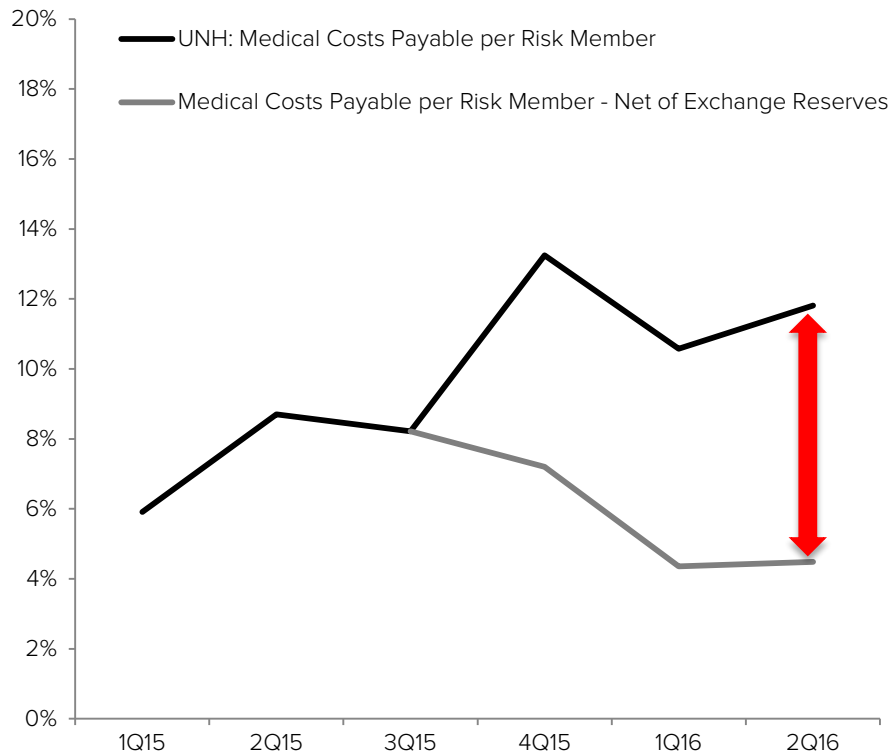
Johnson & Johnson



CONFIRMING THE TREND?

#ACATAPER IN EARNINGS REPORTS

UNH 2Q16 Earnings Results



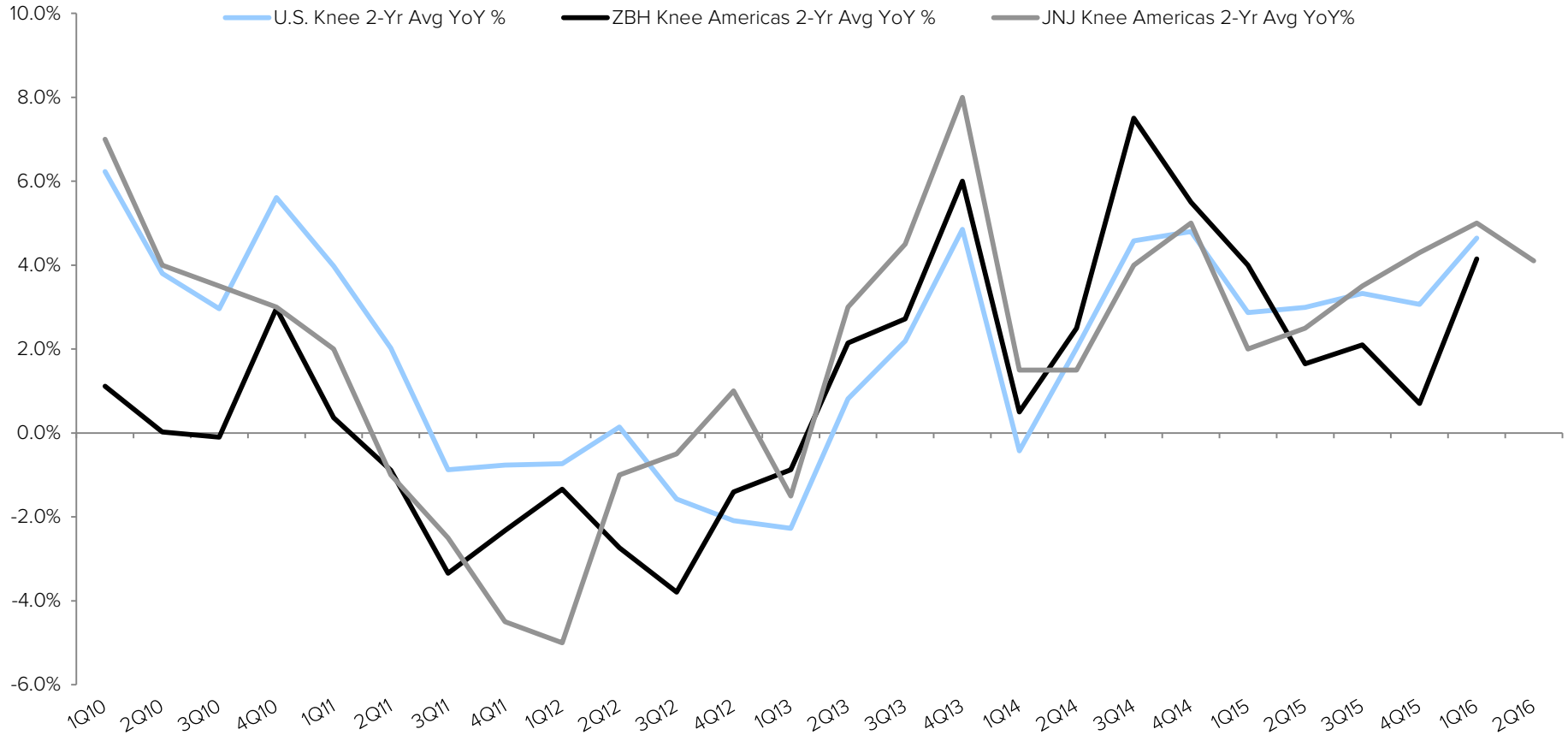
JNJ 2Q16 Earnings Call

Q: “Could comment a little bit or Dominic on what you're seeing, you know, procedure, volume in the US, in Ortho and Medtech, that would be great. Thank you.

A: “We are seeing a pickup in terms of hospital admissions and surgical procedures. I think hospital admissions are up around 3%. We think the procedures are up around 3 1/2%.

We continue to see some decrease overall in office physician visits, down a couple percent. We think that's just due to, you know, a more moderated utilization at the front end due to increased copays and a number of other dynamics. But overall, if we look at the core growth rate in the medical, hospital, device area, you know, we're encouraged by some of the recent trends that we're seeing.”

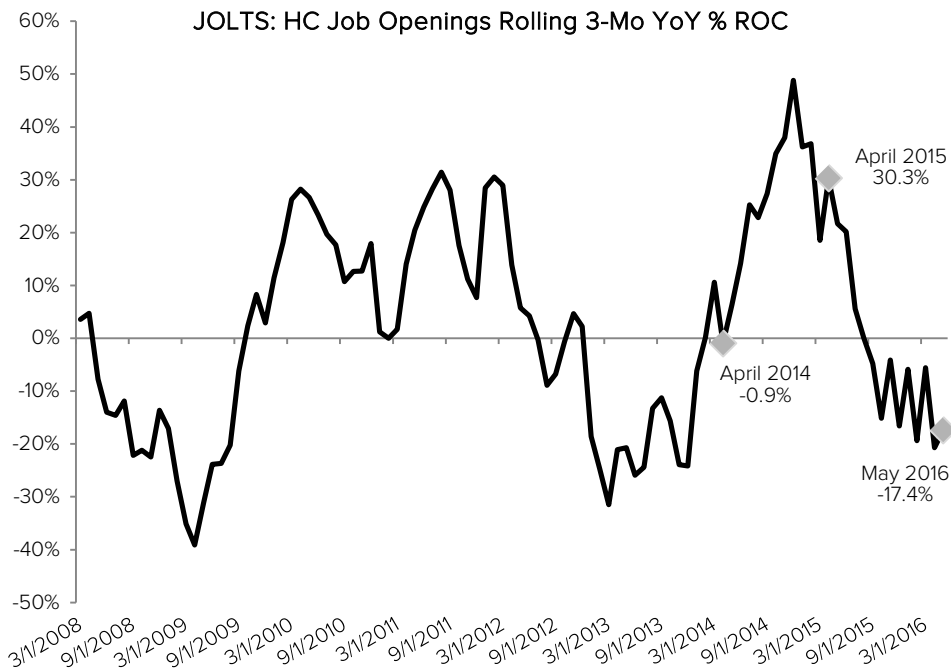
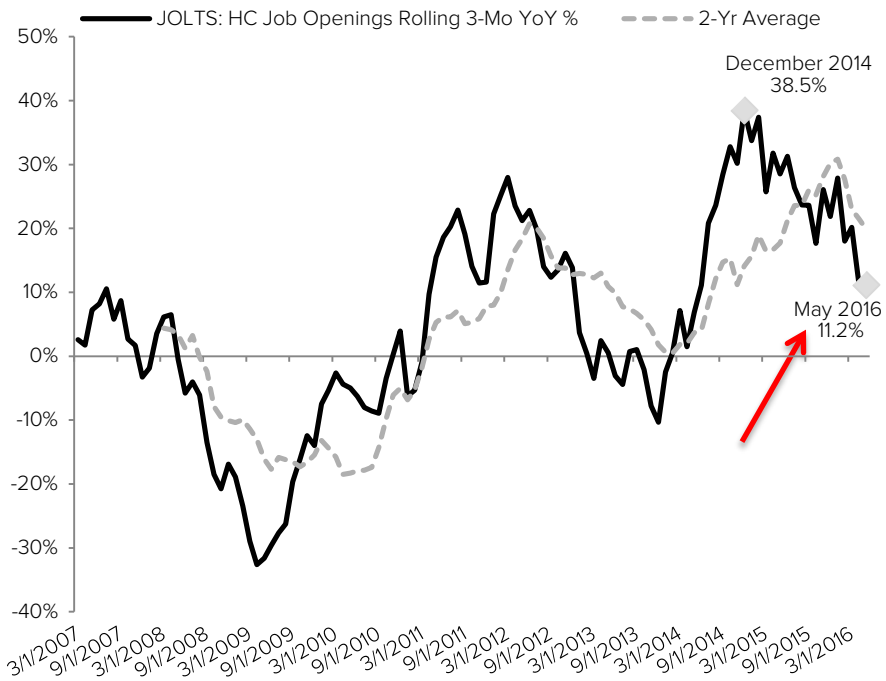
U.S. KNEE MARKET GROWTH





IT'S ALL ABOUT THE Q3 GUIDE...

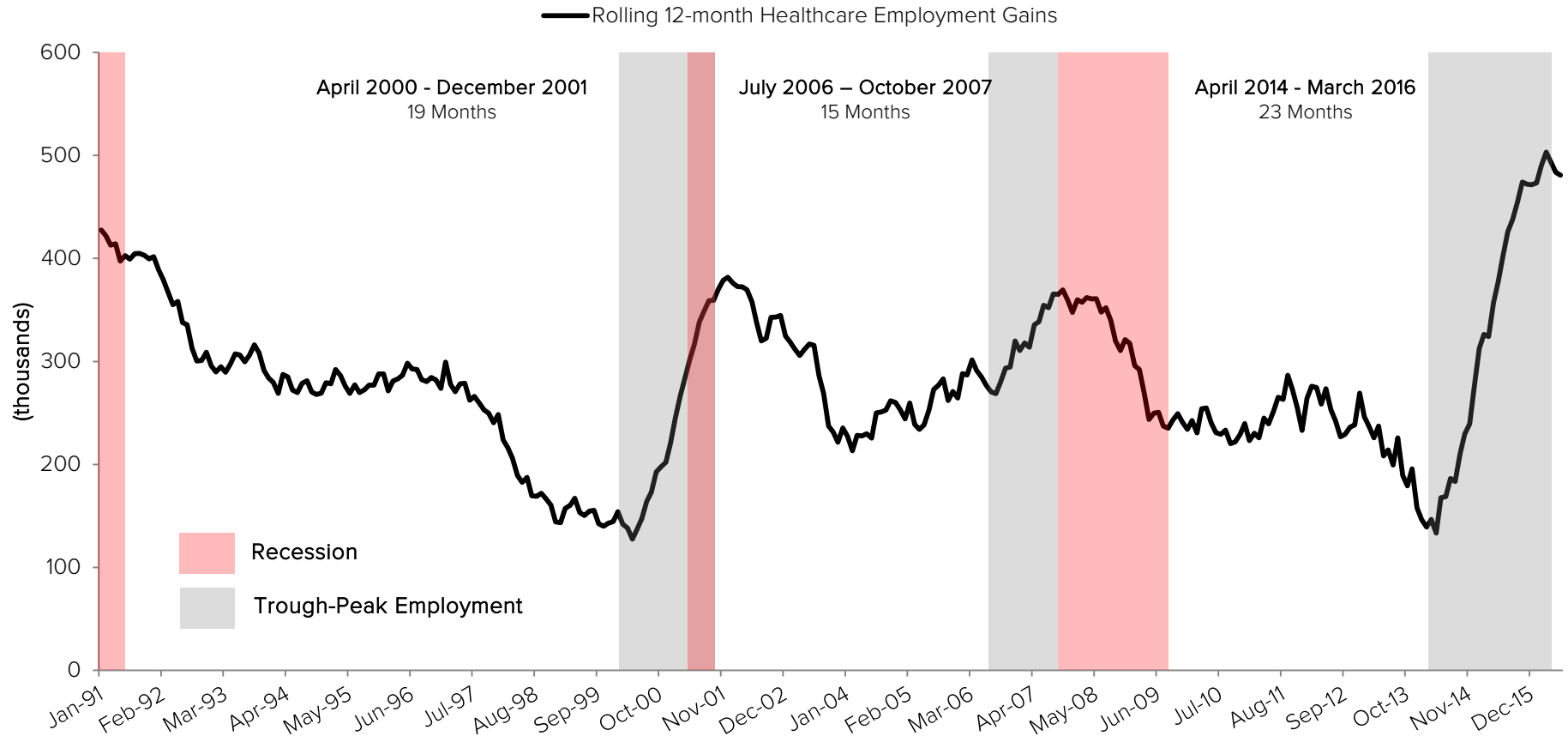
HEALTHCARE JOB OPENINGS (JOLTS)



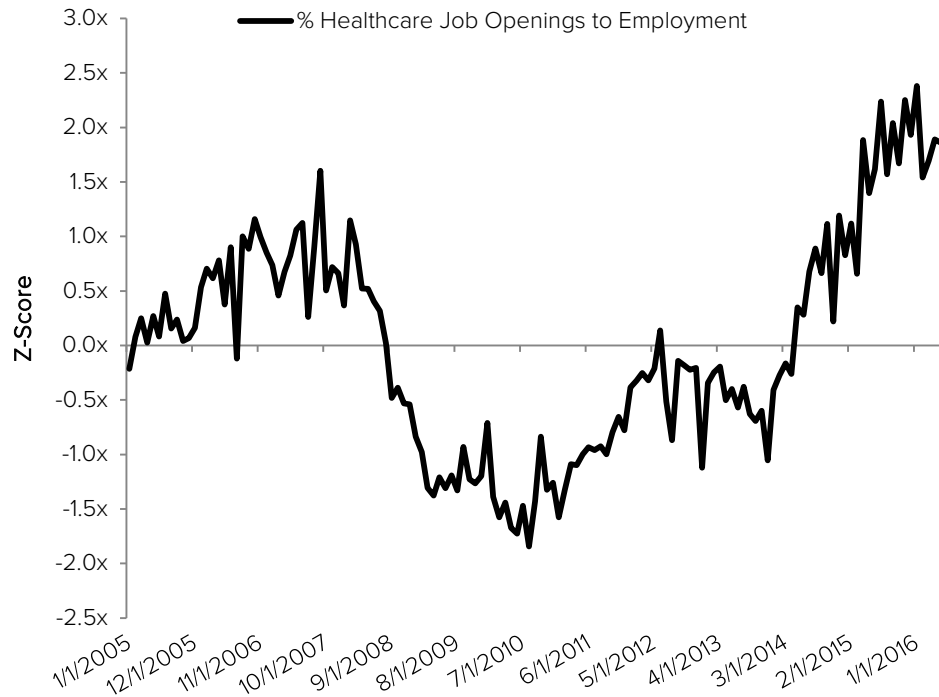
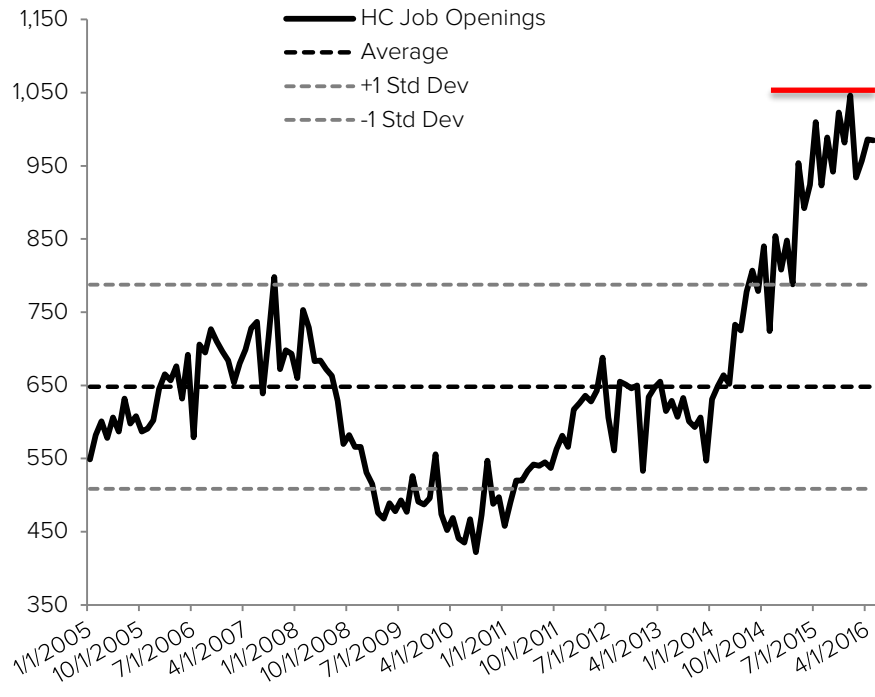
HEALTHCARE JOB OPENINGS SLOWING...

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 EMPLOYMENT GAINS



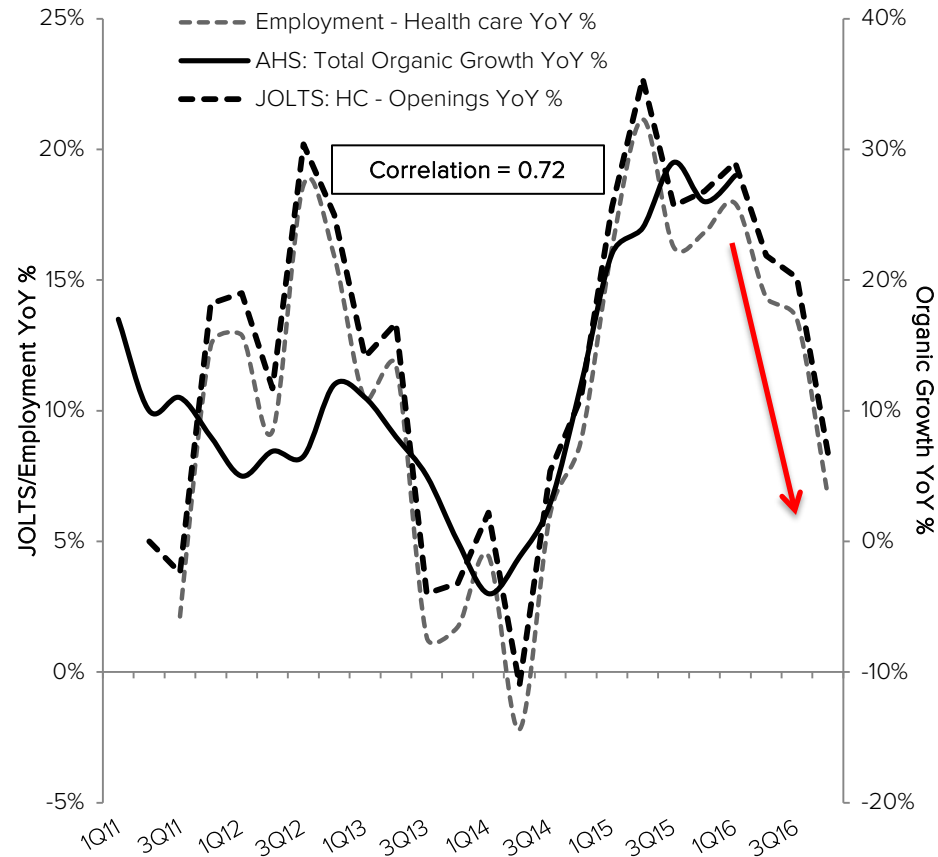
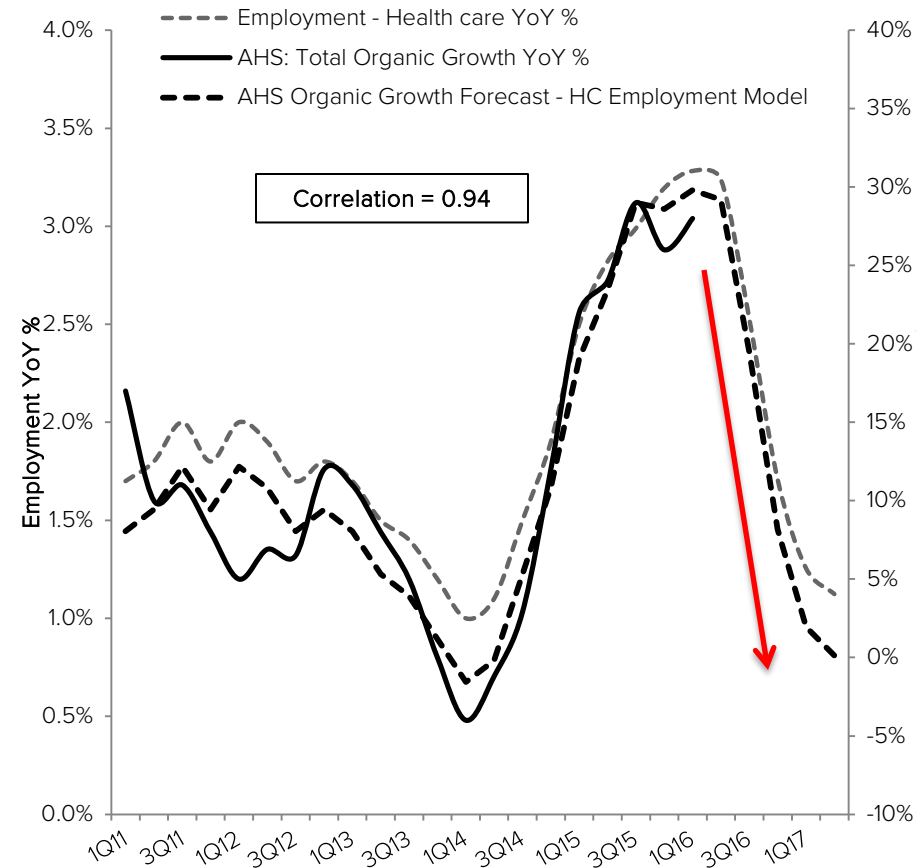
HEALTHCARE JOB OPENINGS (JOLTS)



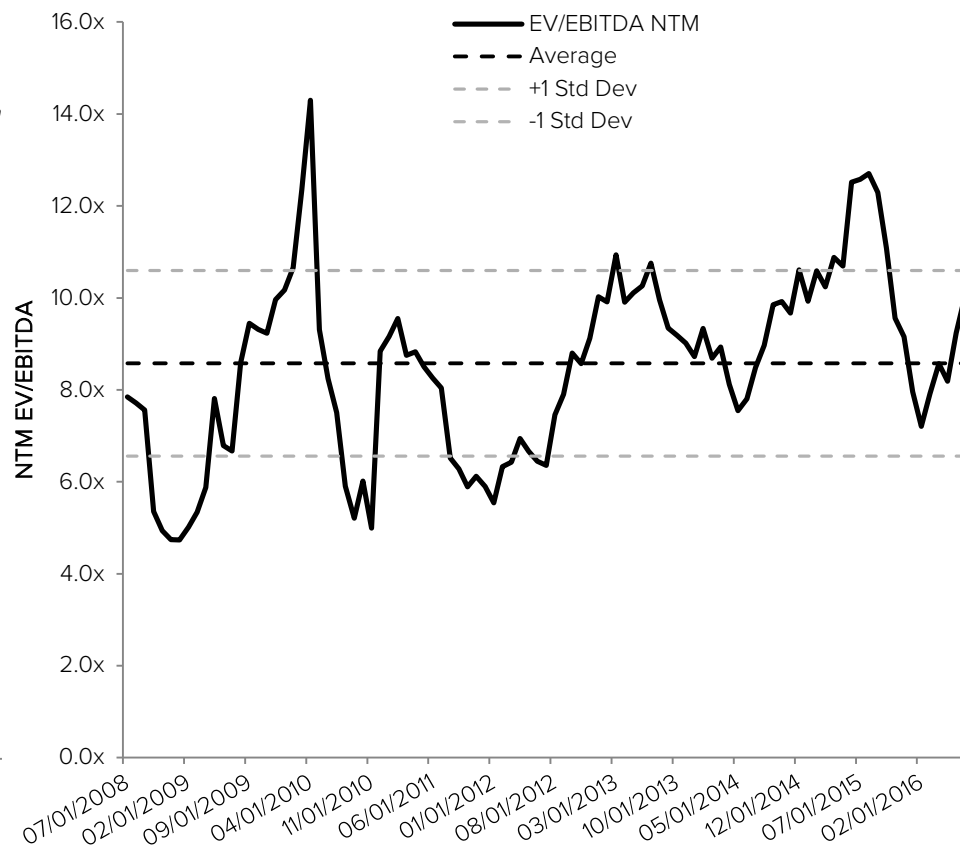
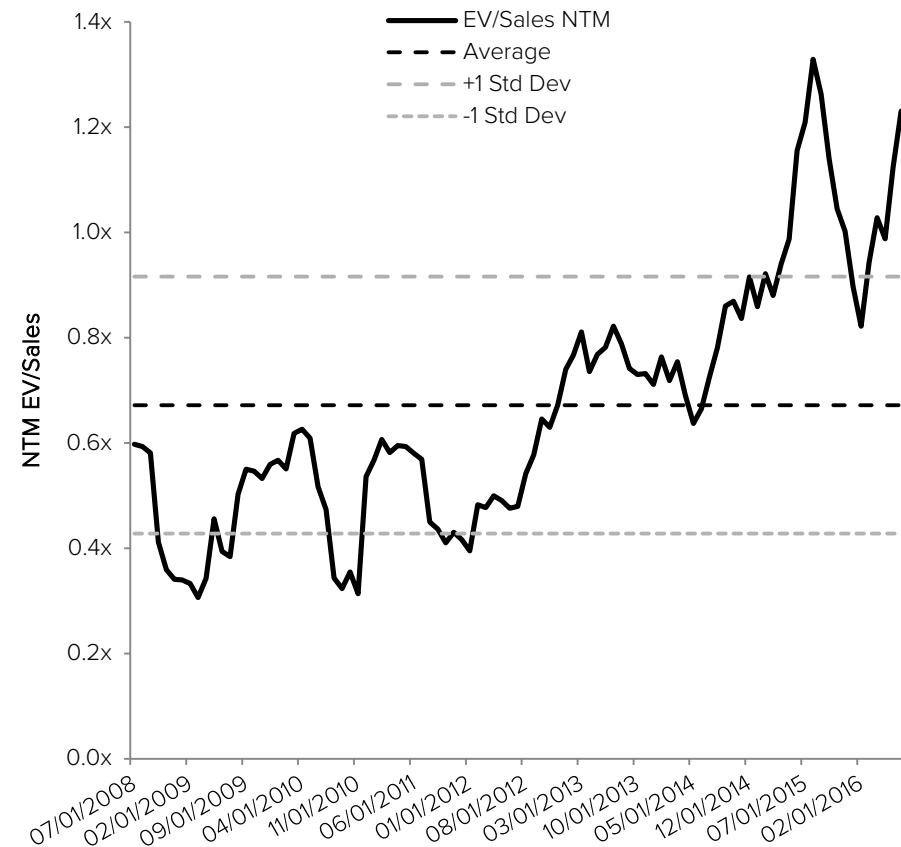
HEALTHCARE JOB OPENINGS EXTENDED...

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

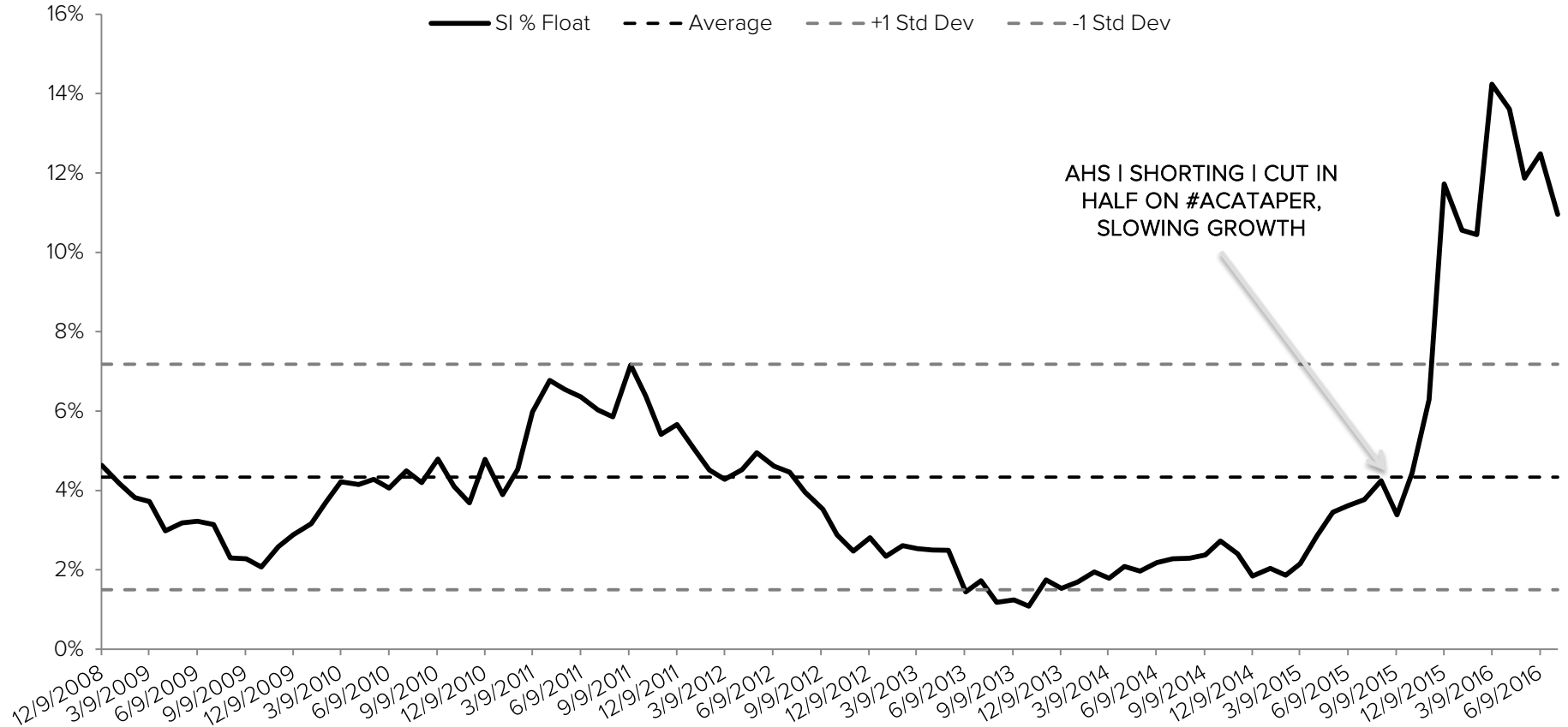
AHS | ORGANIC GROWTH MODEL



AHS | HISTORICAL MULTIPLE



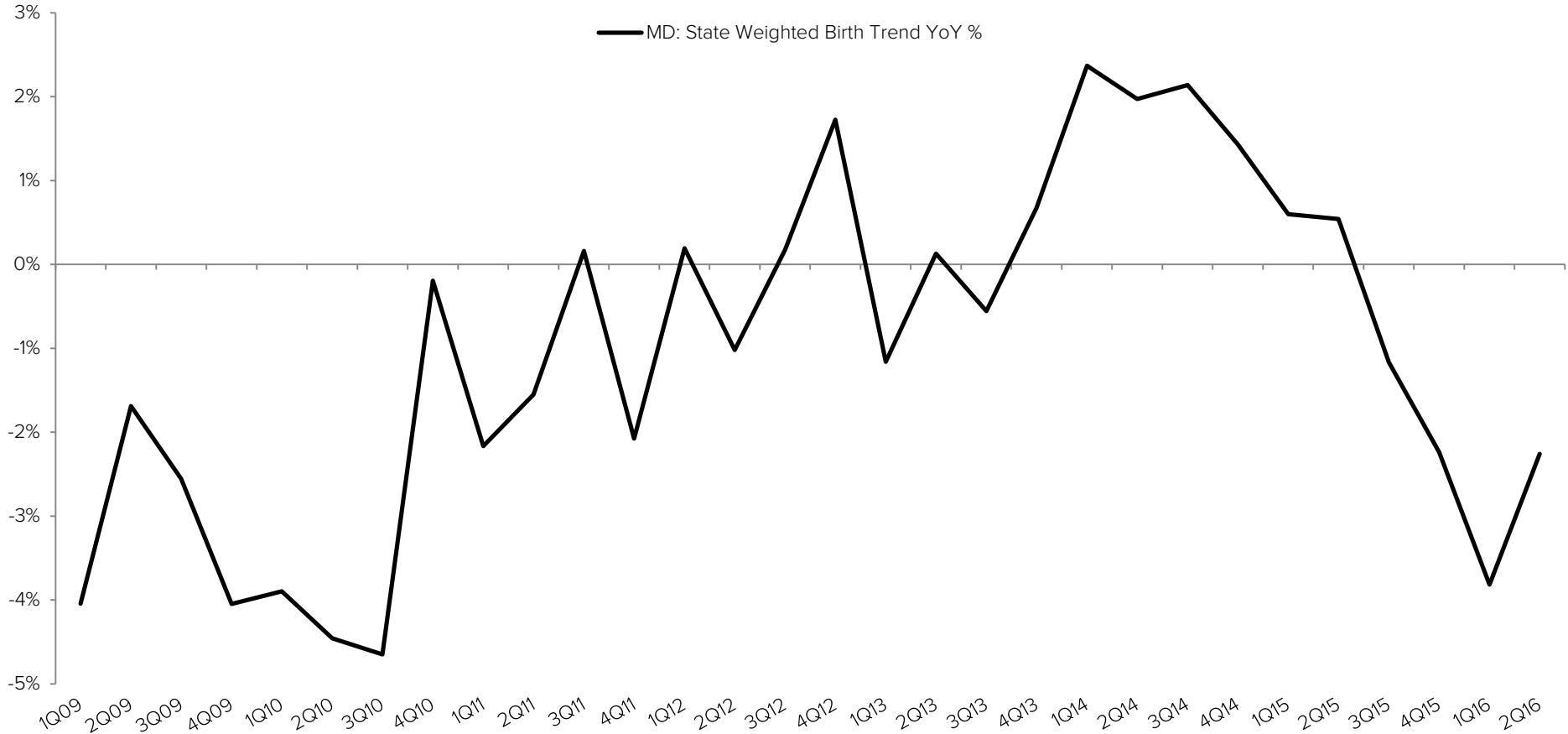
AHS | HISTORICAL SHORT INTEREST



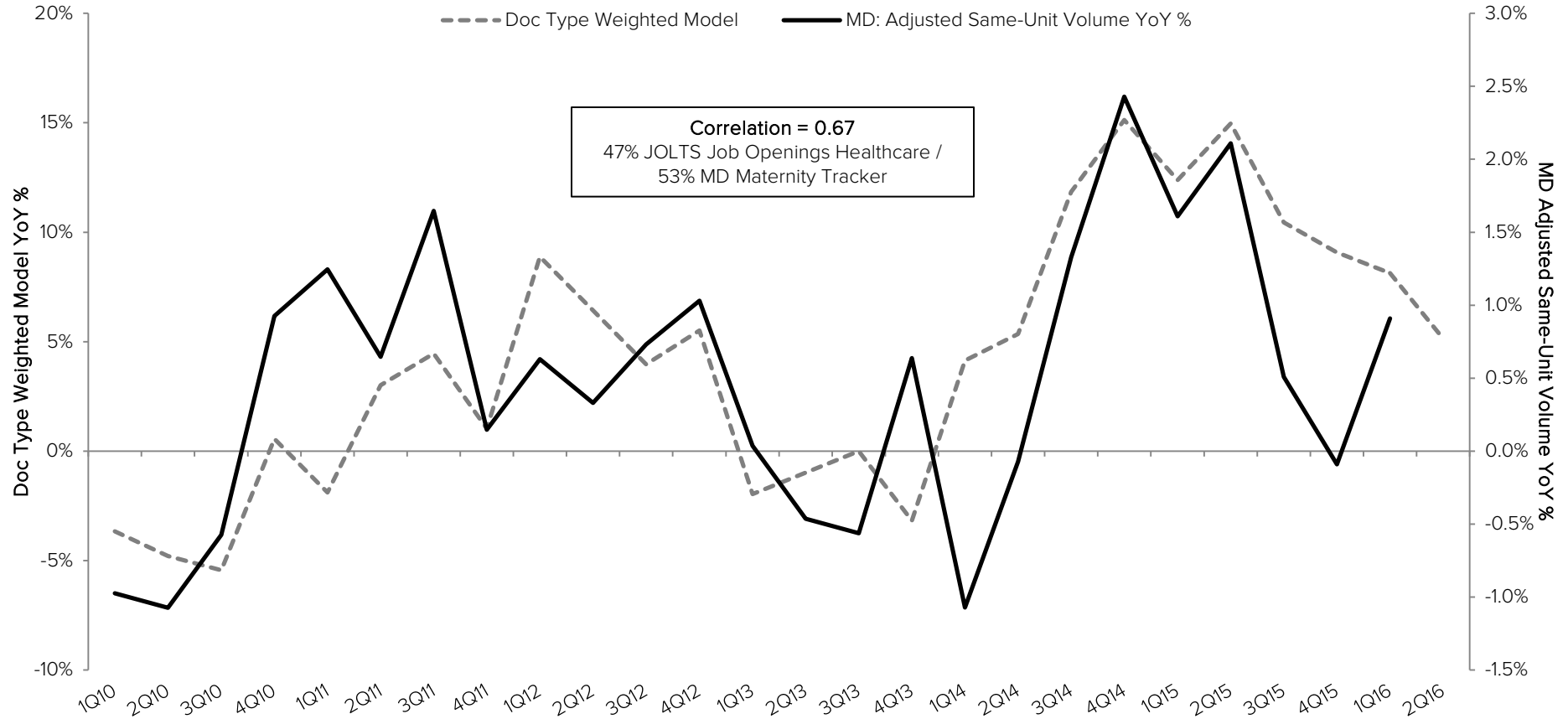


MATERNITY TRACKER

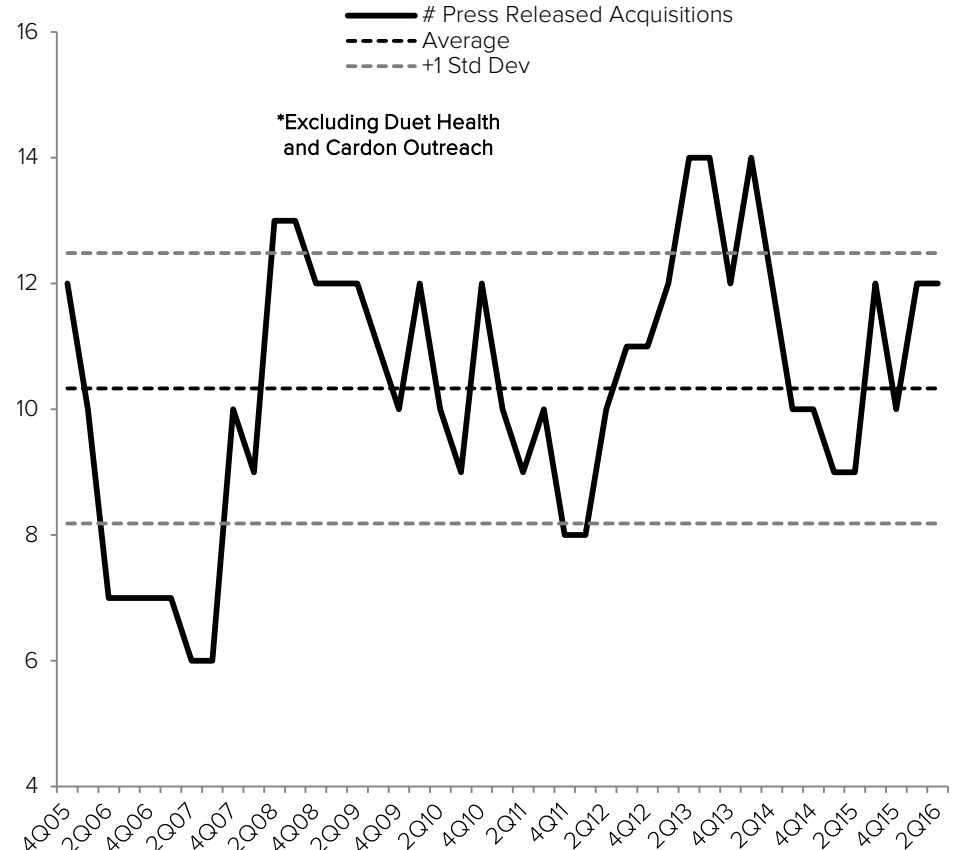
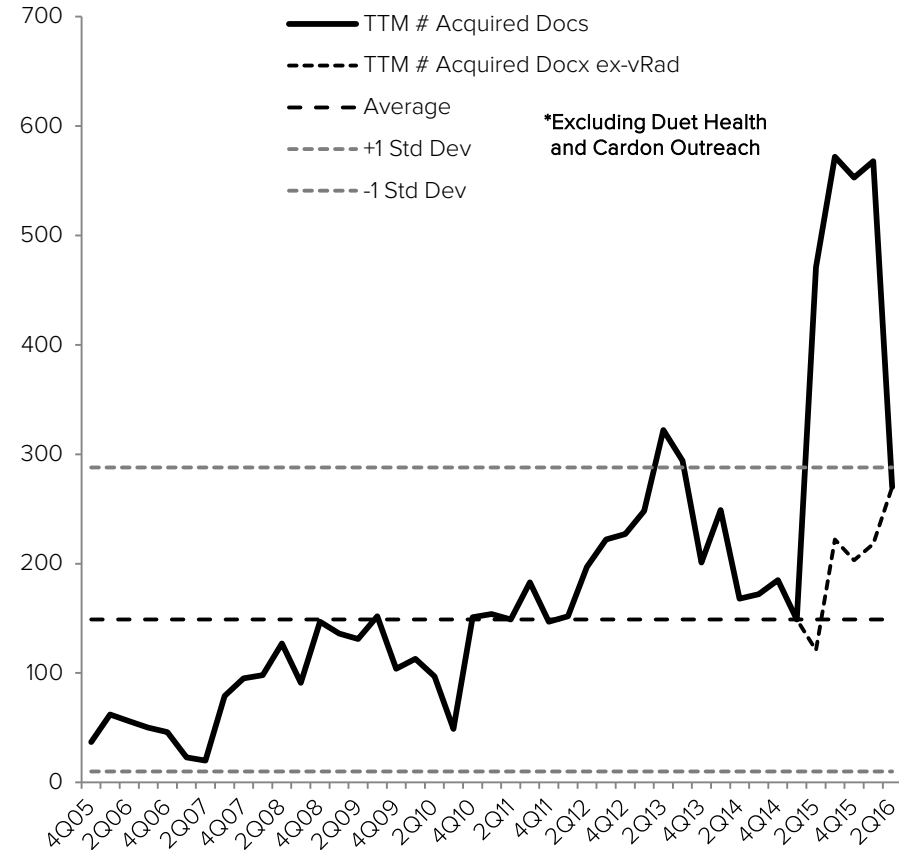
MD | MATERNITY TRACKER



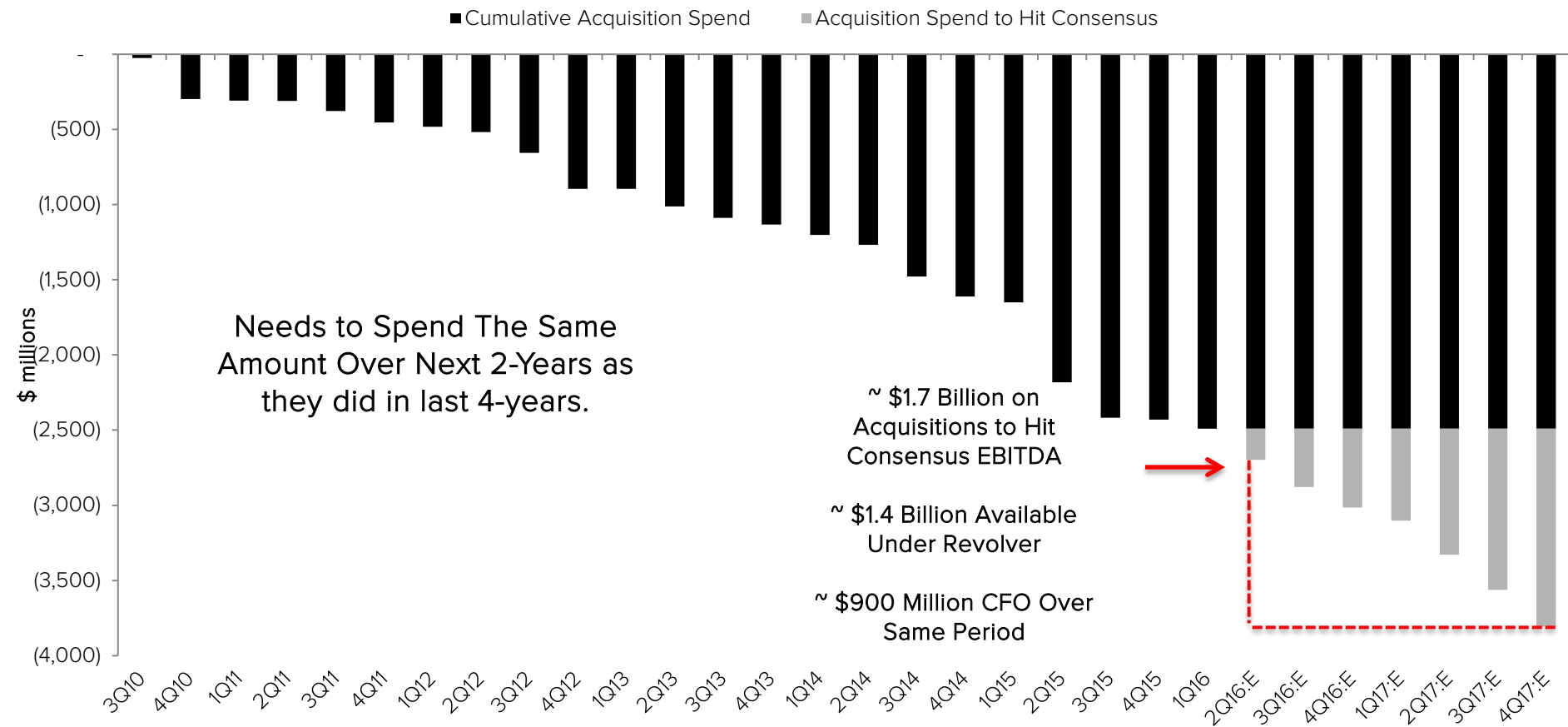
MD | SAME-UNIT VOLUME



MD | ANNOUNCED DEAL ACTIVITY

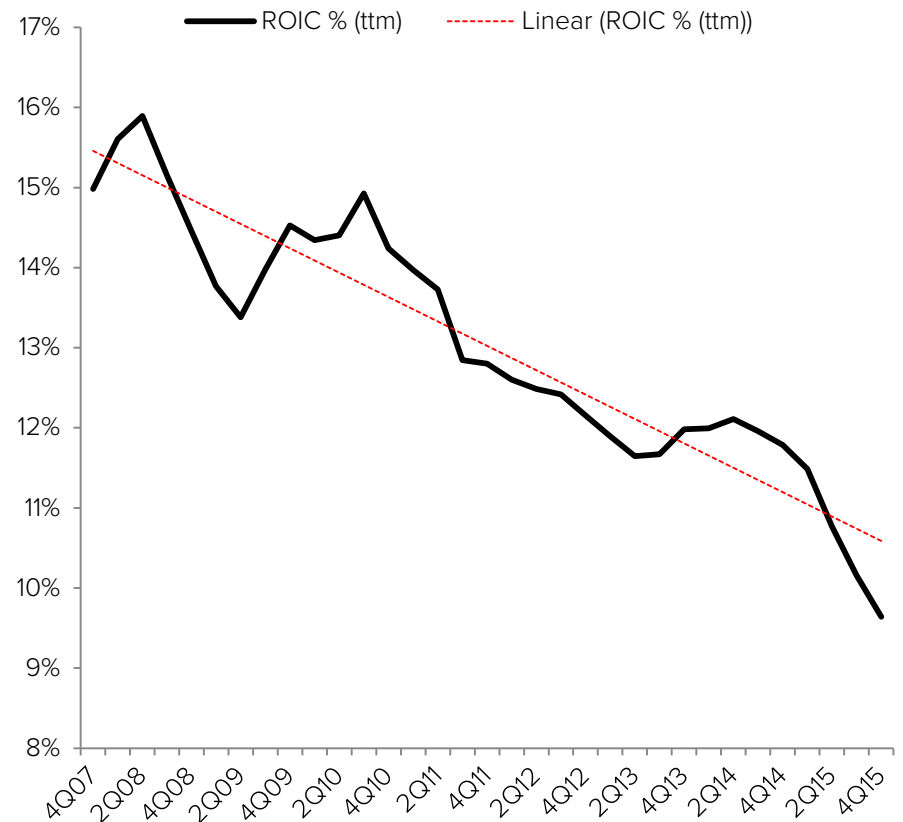
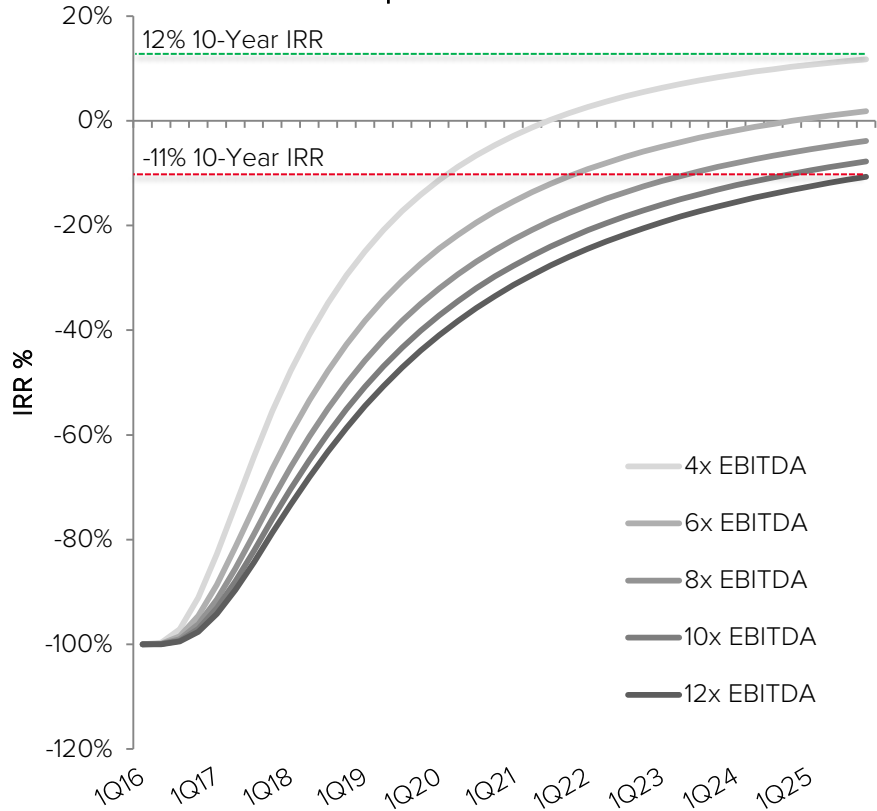


MUST DOUBLE PACE OF ACQUISITIONS

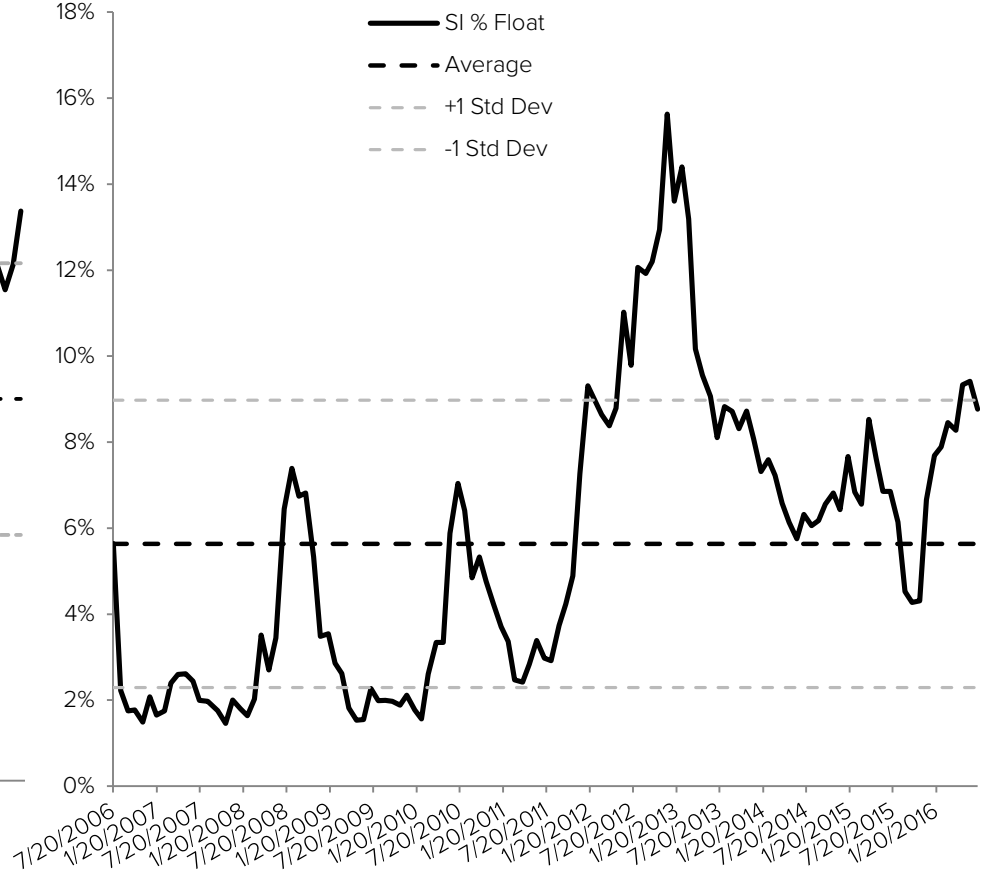
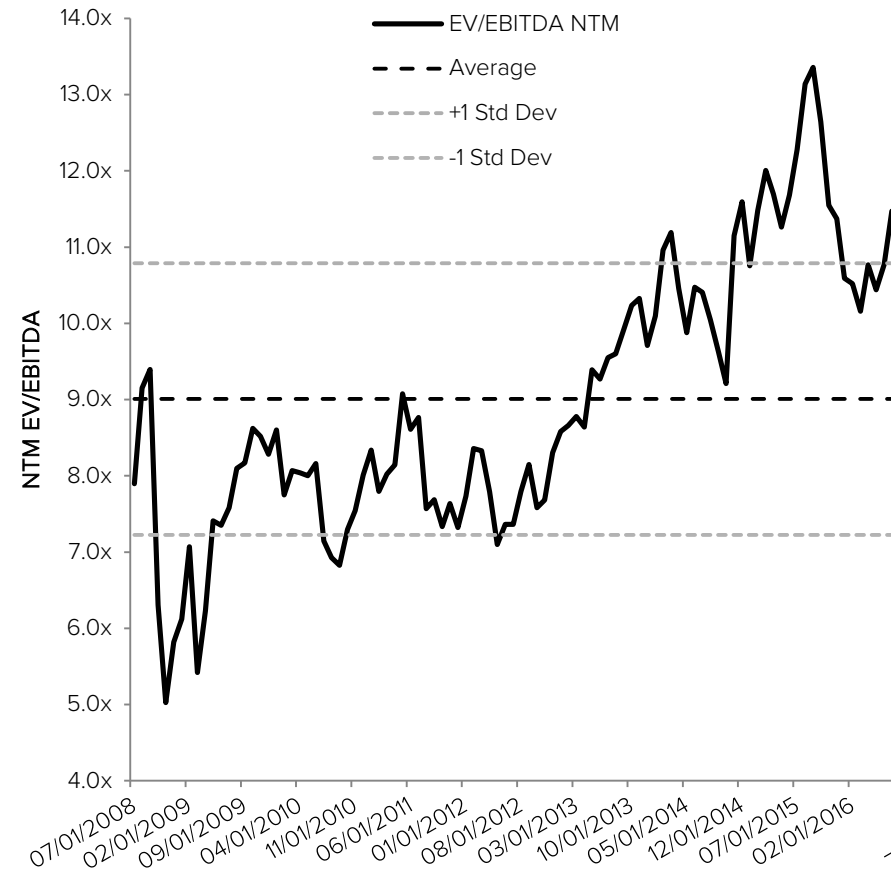


DEAL MULTIPLE ▲ ROIC ▼

Acquisition J-Curve



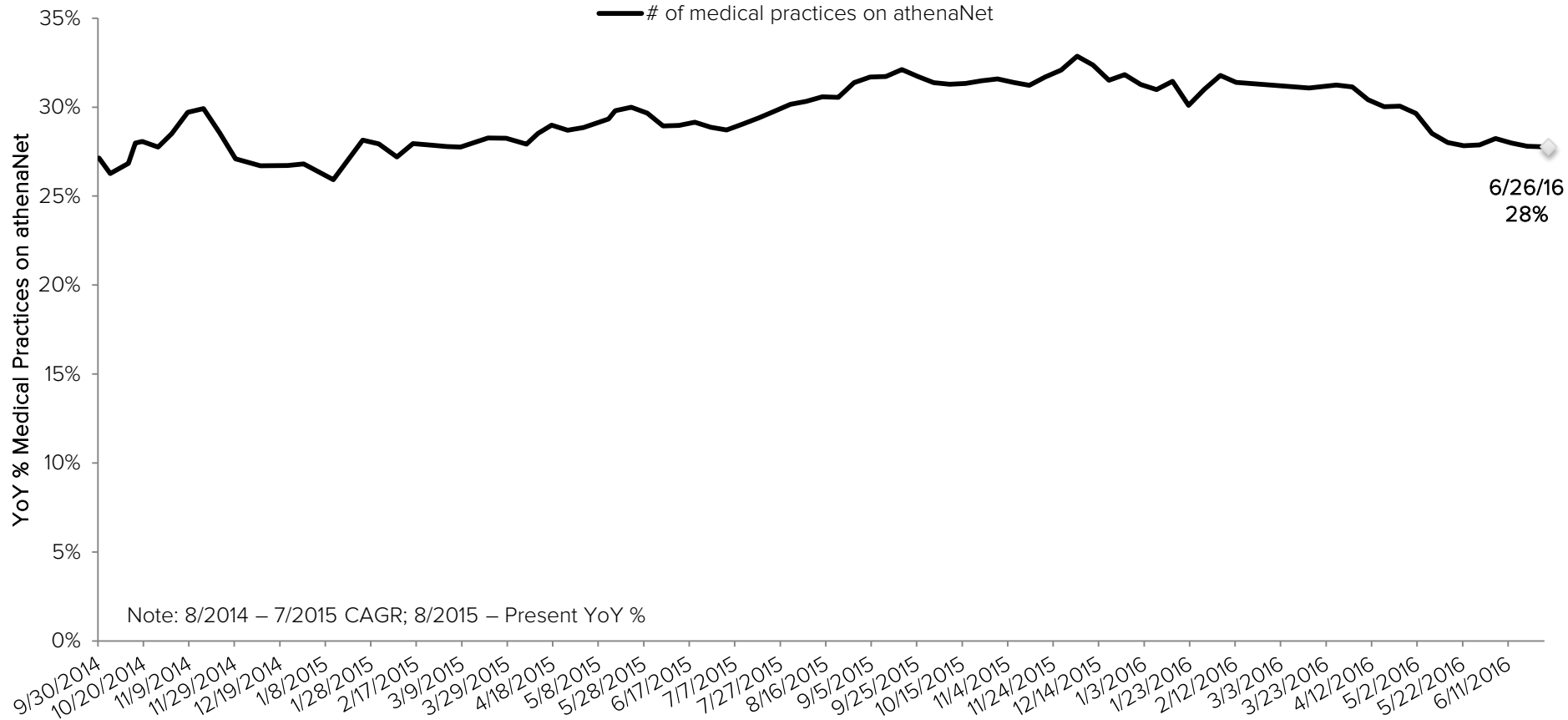
MD | VALUATION AND SHORT INTEREST



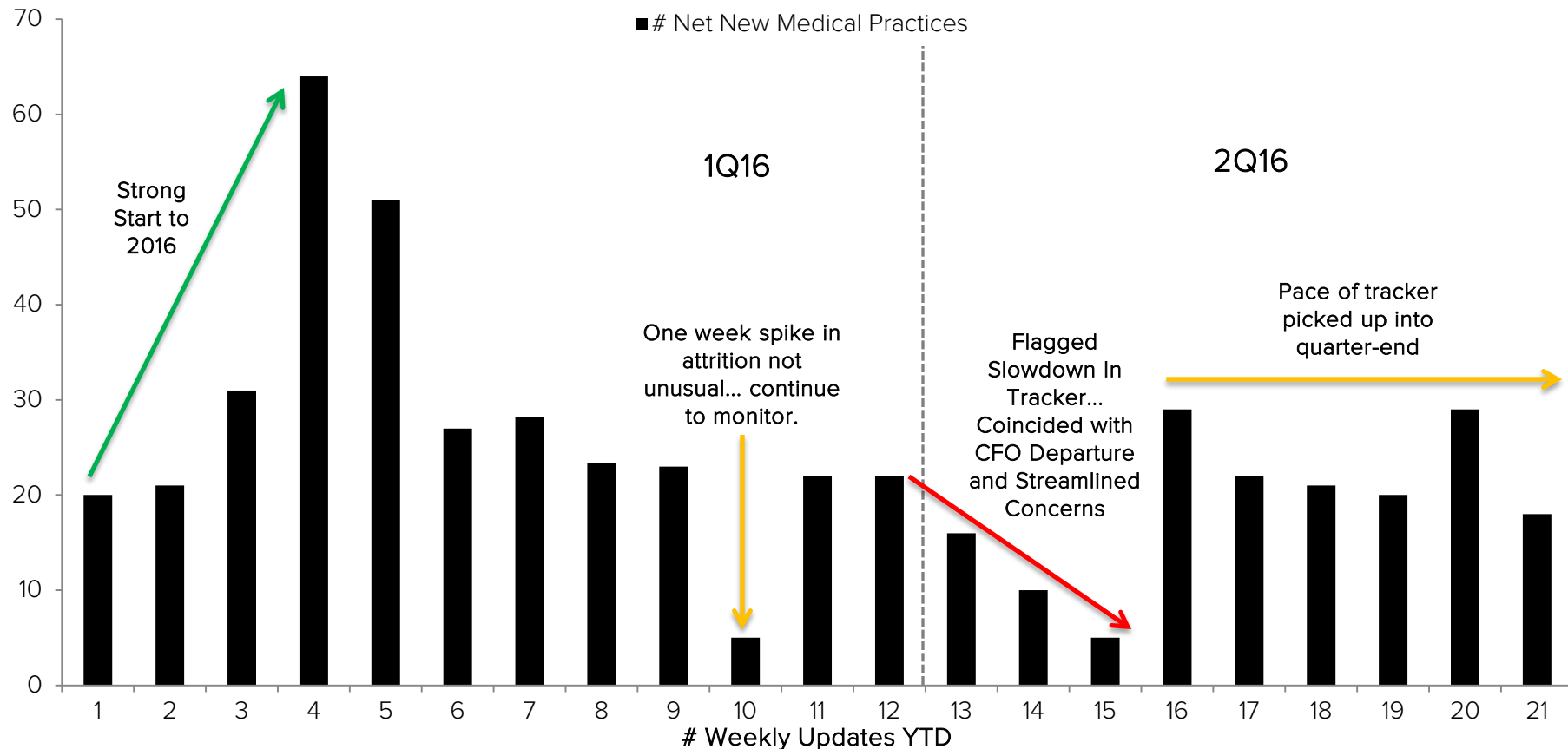


TRACKER UPDATE

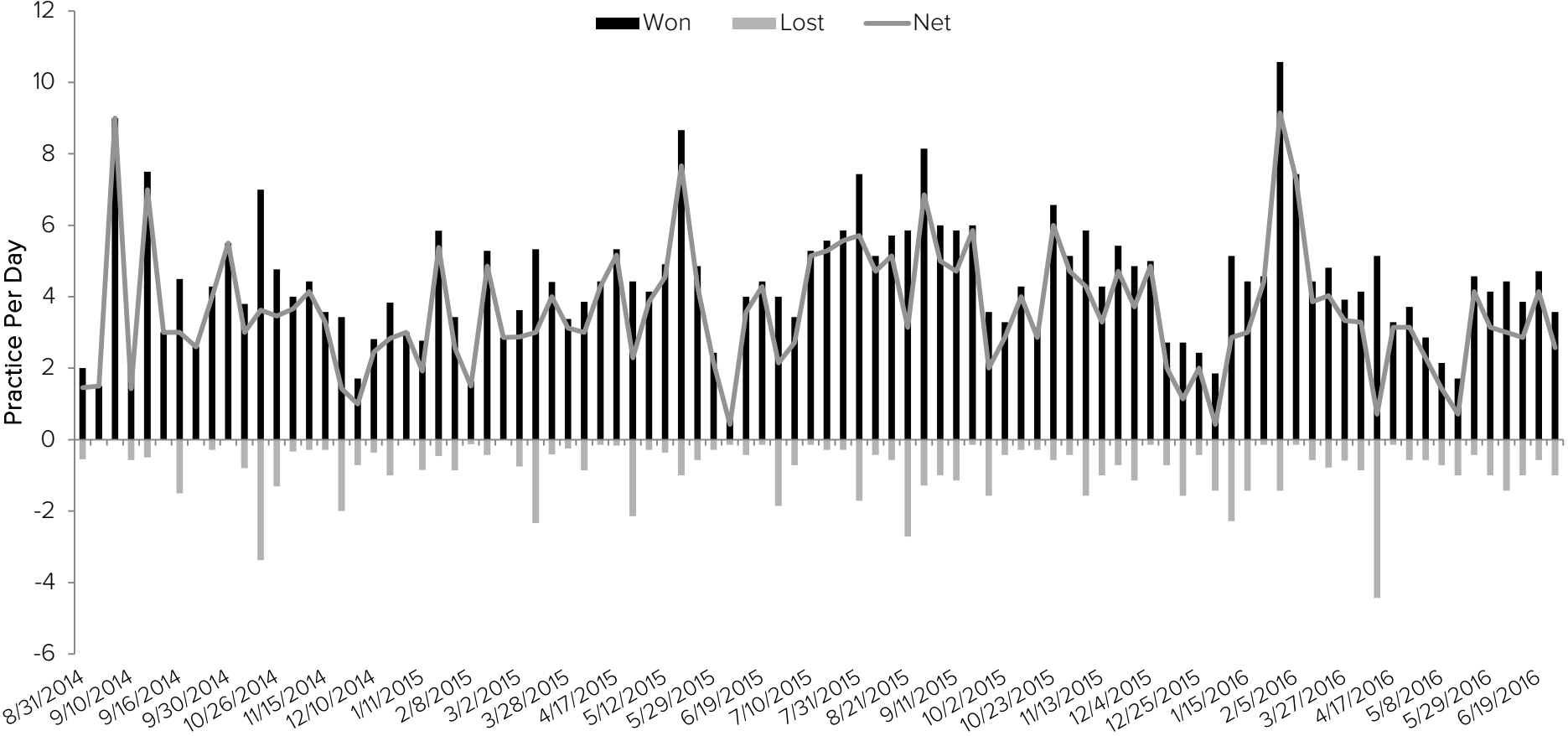
ATHENA-TRACKER YOY GROWTH



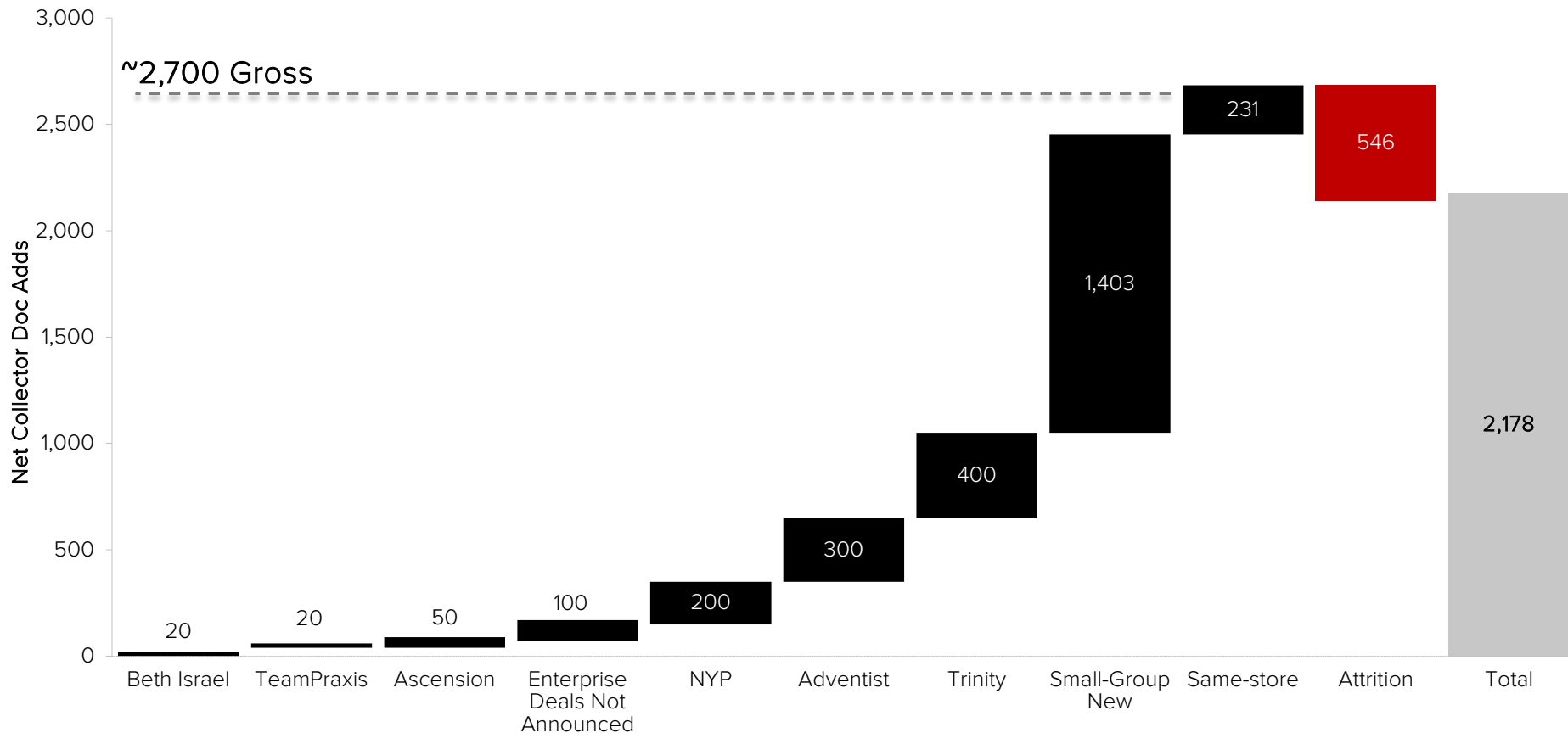
YEAR-TO-DATE TRACKER UPDATES



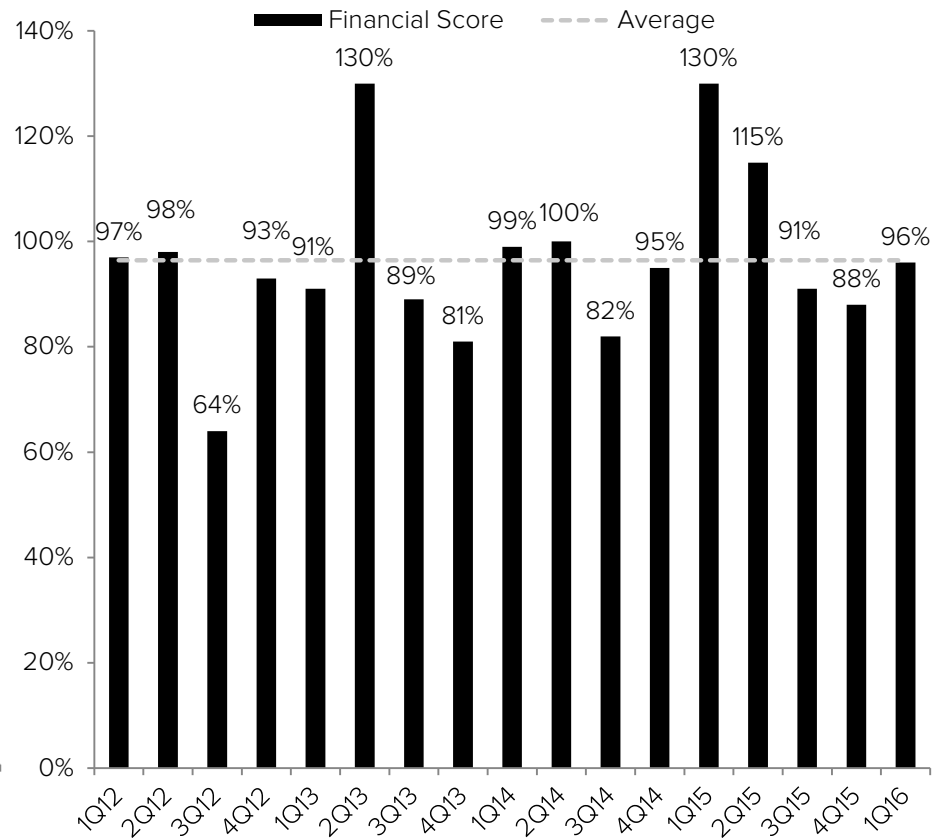
ATHN | MEDICAL PRACTICE ATTRITION



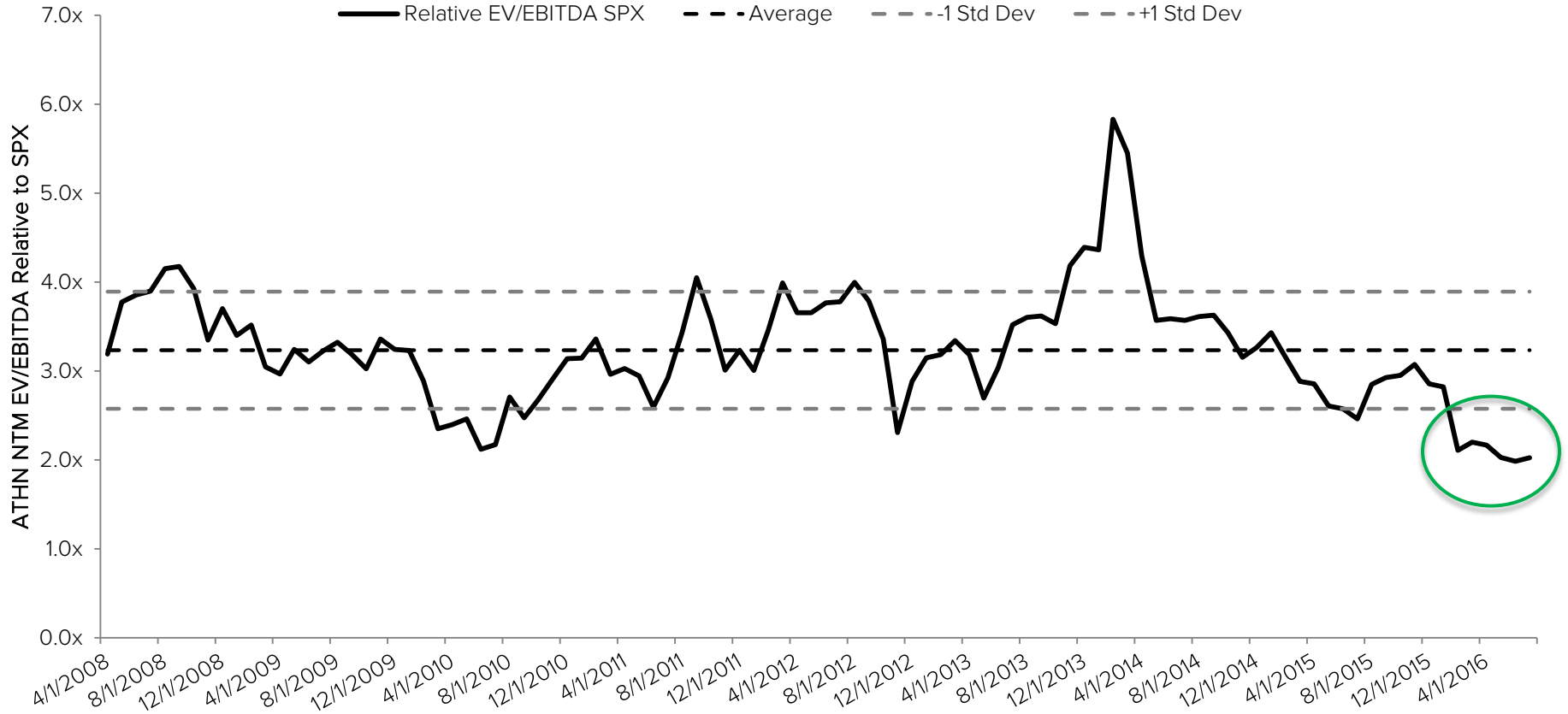
ATHN | 2Q16 DOC ADD COMPOSITION



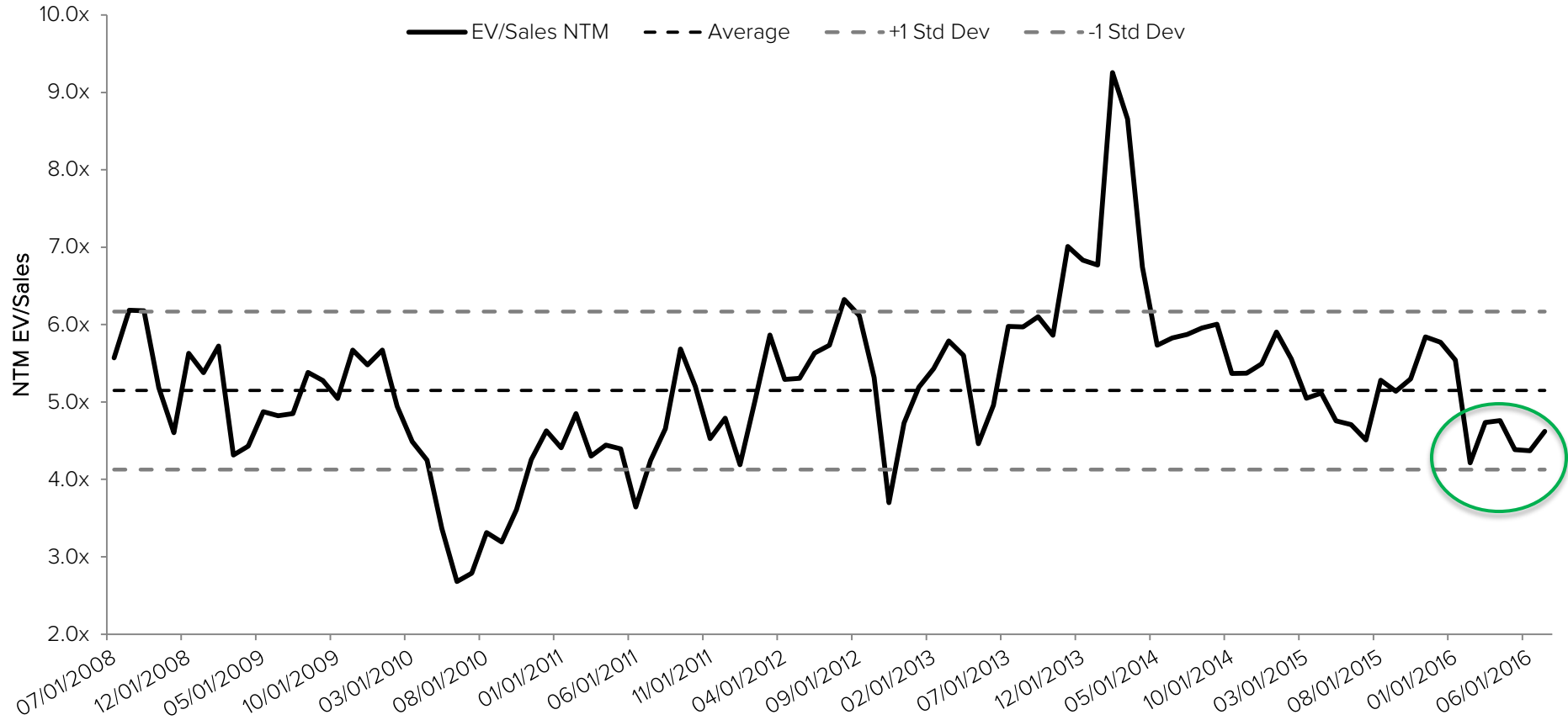
ATHN | BALANCED SCORECARD



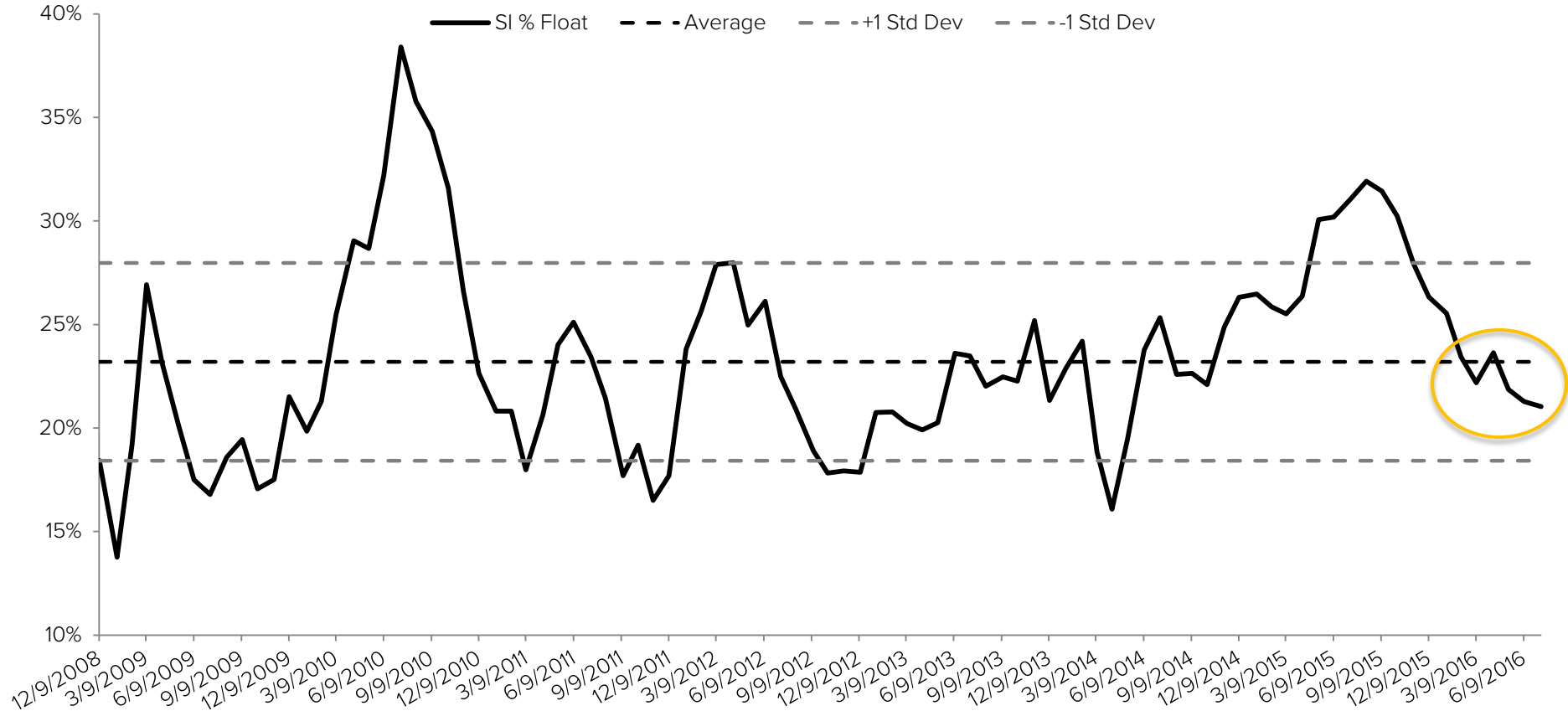
ATHN | RELATIVE NTM EV/EBITDA



ATHN | HISTORICAL NTM EV/SALES



ATHN | SHORT INTEREST

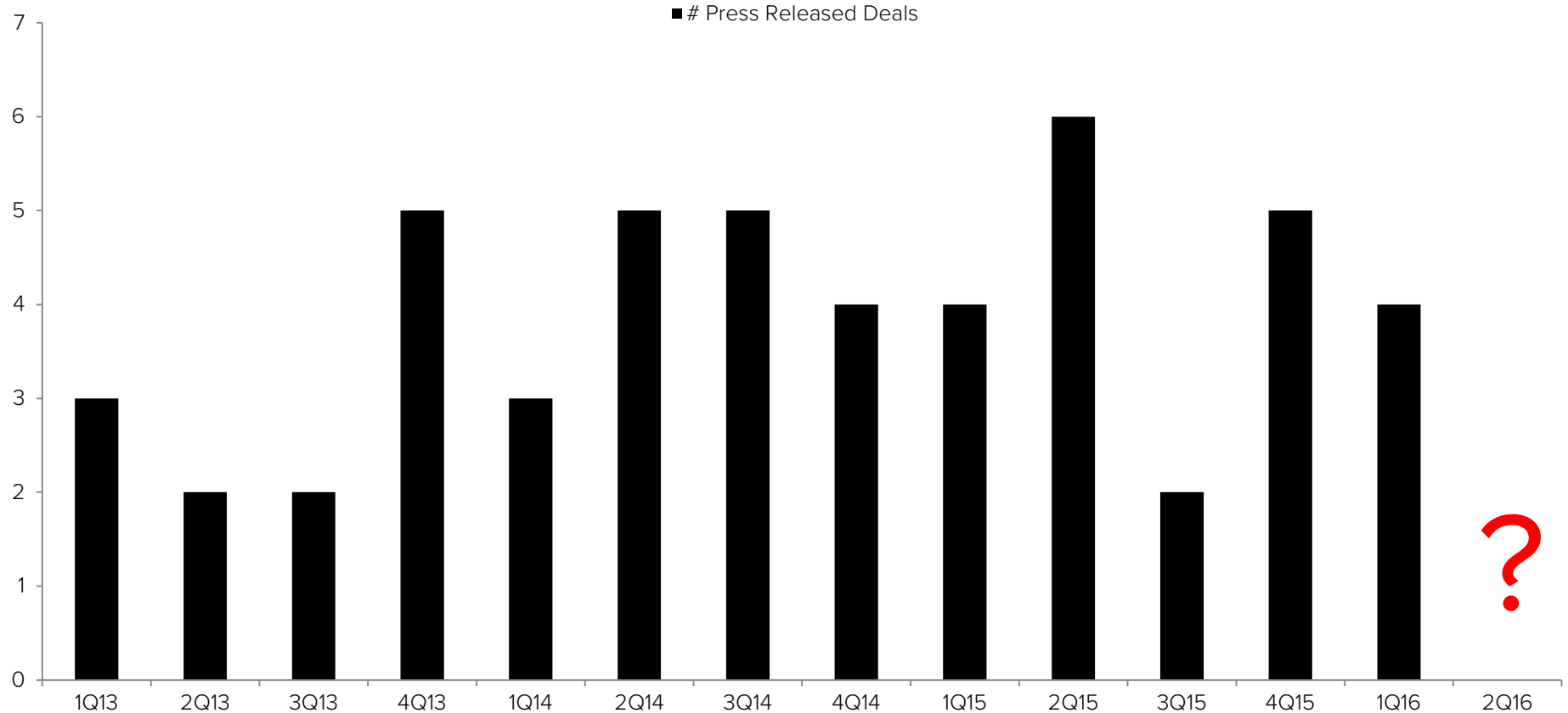




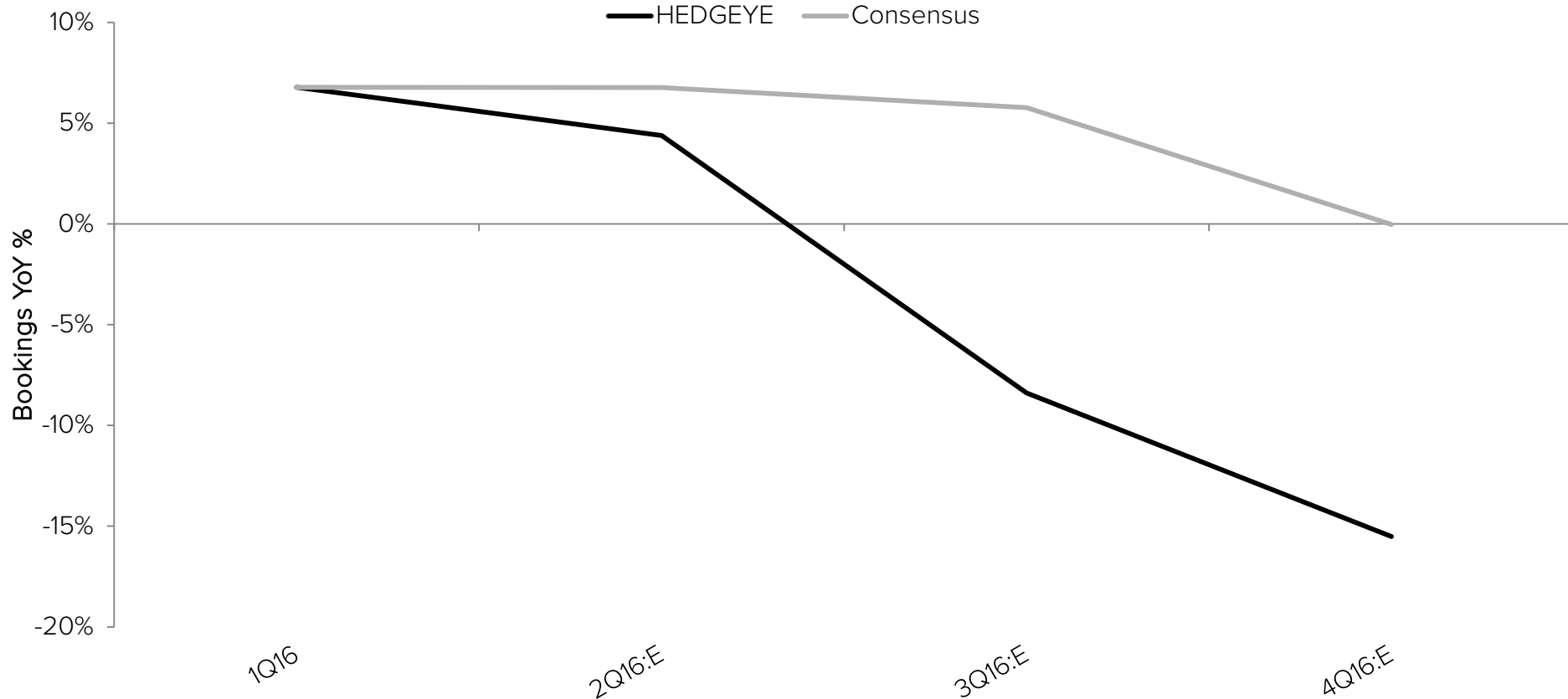
Allscripts™

BOOKINGS, BOOKINGS, BOOKINGS

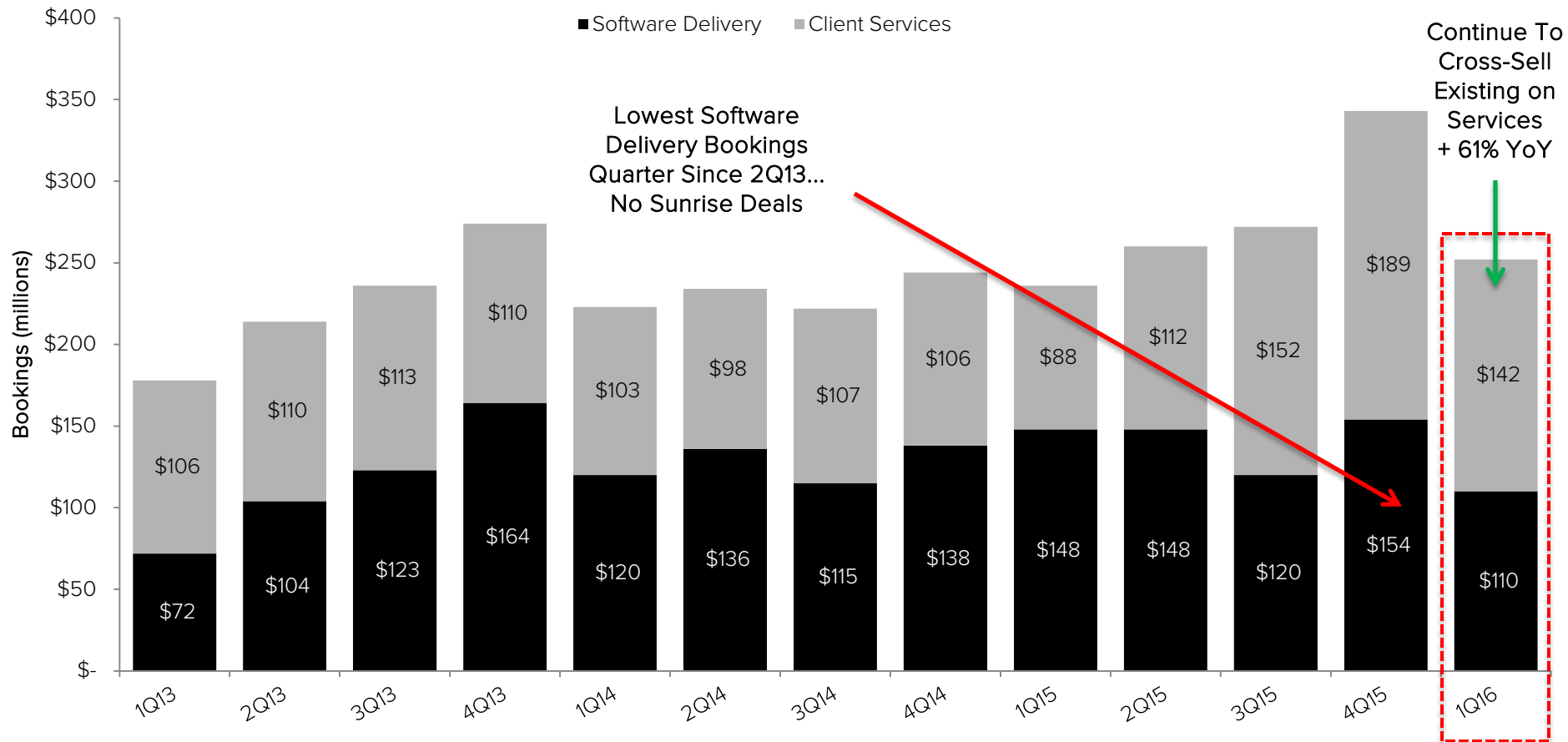
MDRX | # OF ANNOUNCED DEALS



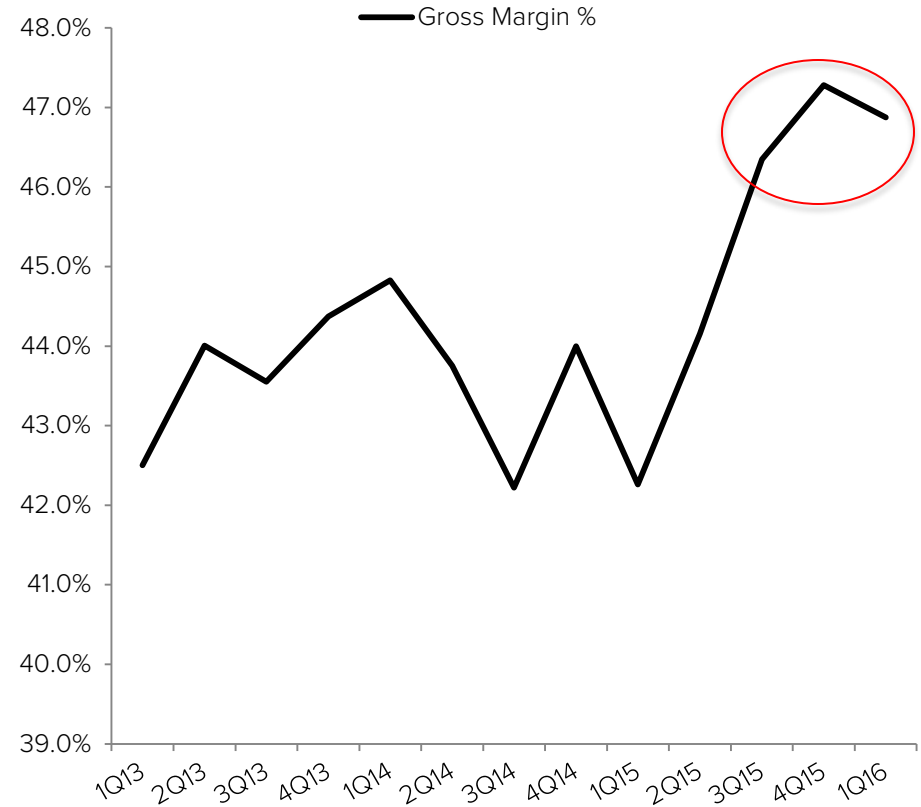
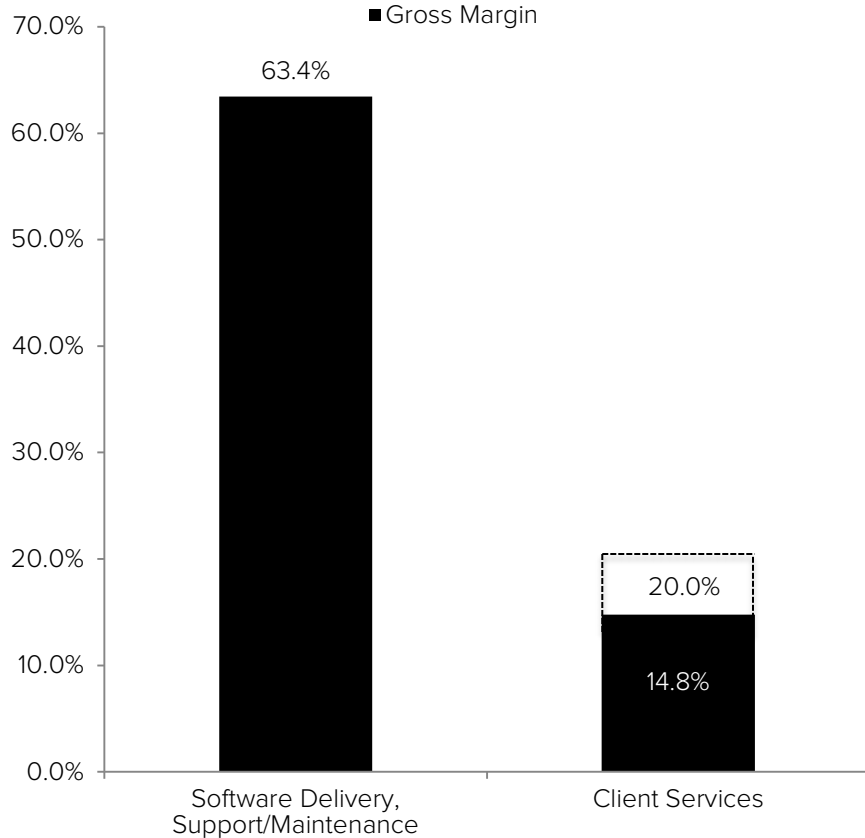
MDRX | BOOKINGS ESTIMATES



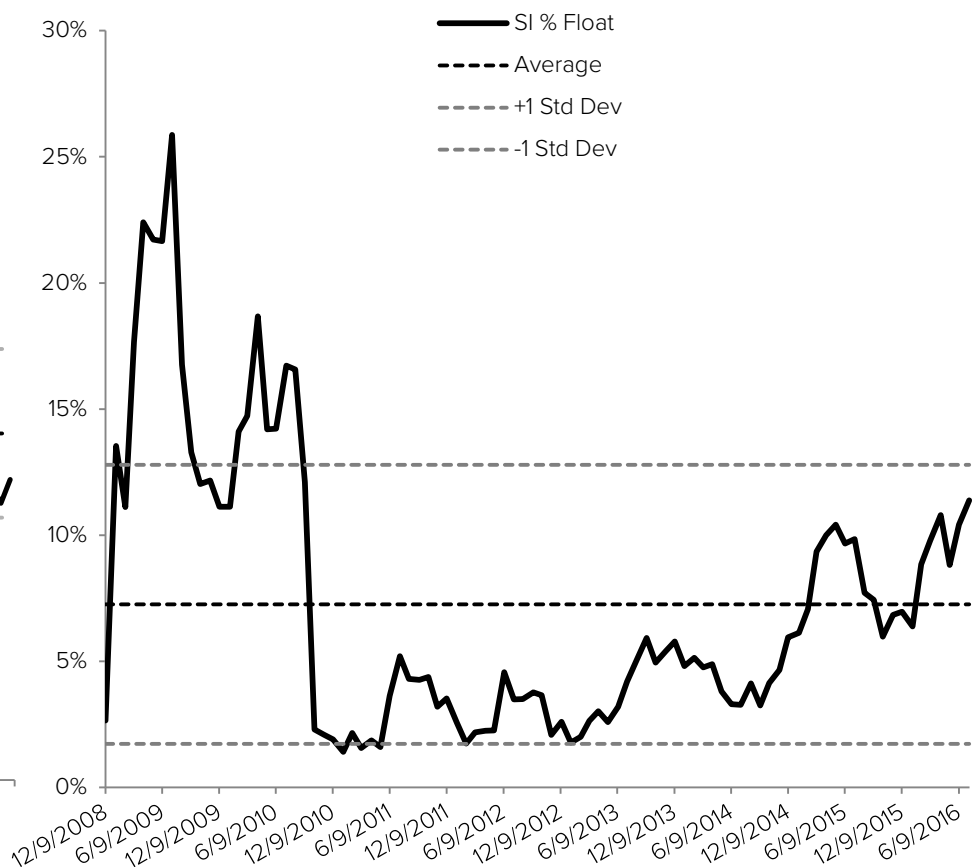
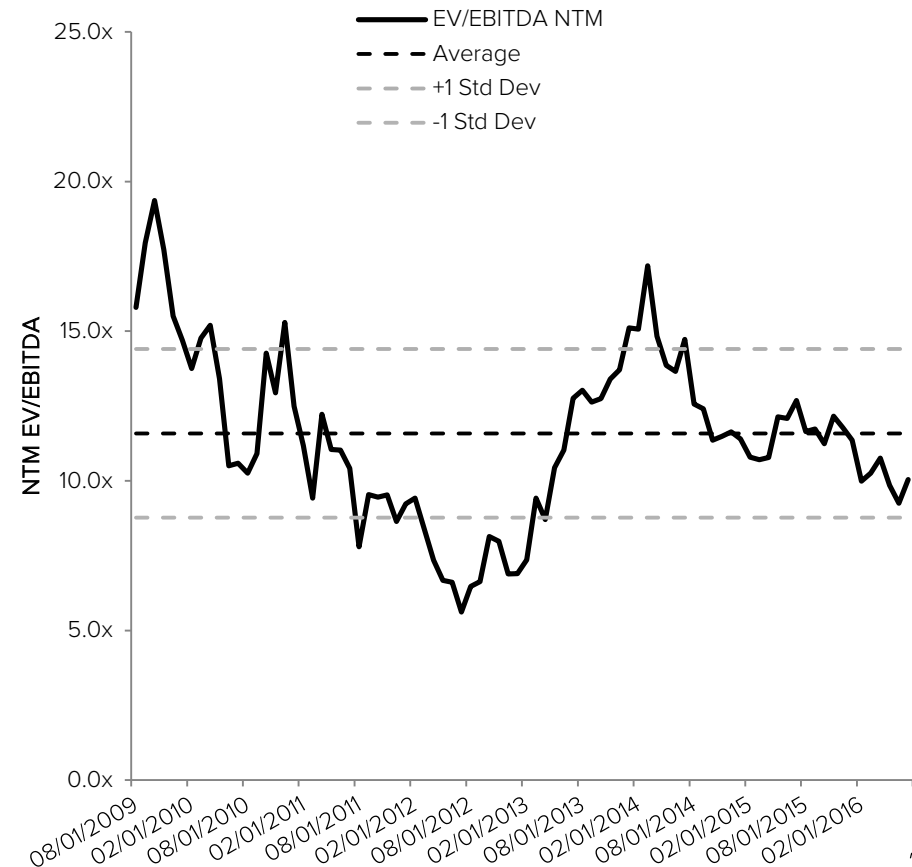
MDRX | BOOKINGS COMPONENTS



MDRX | GROSS MARGIN



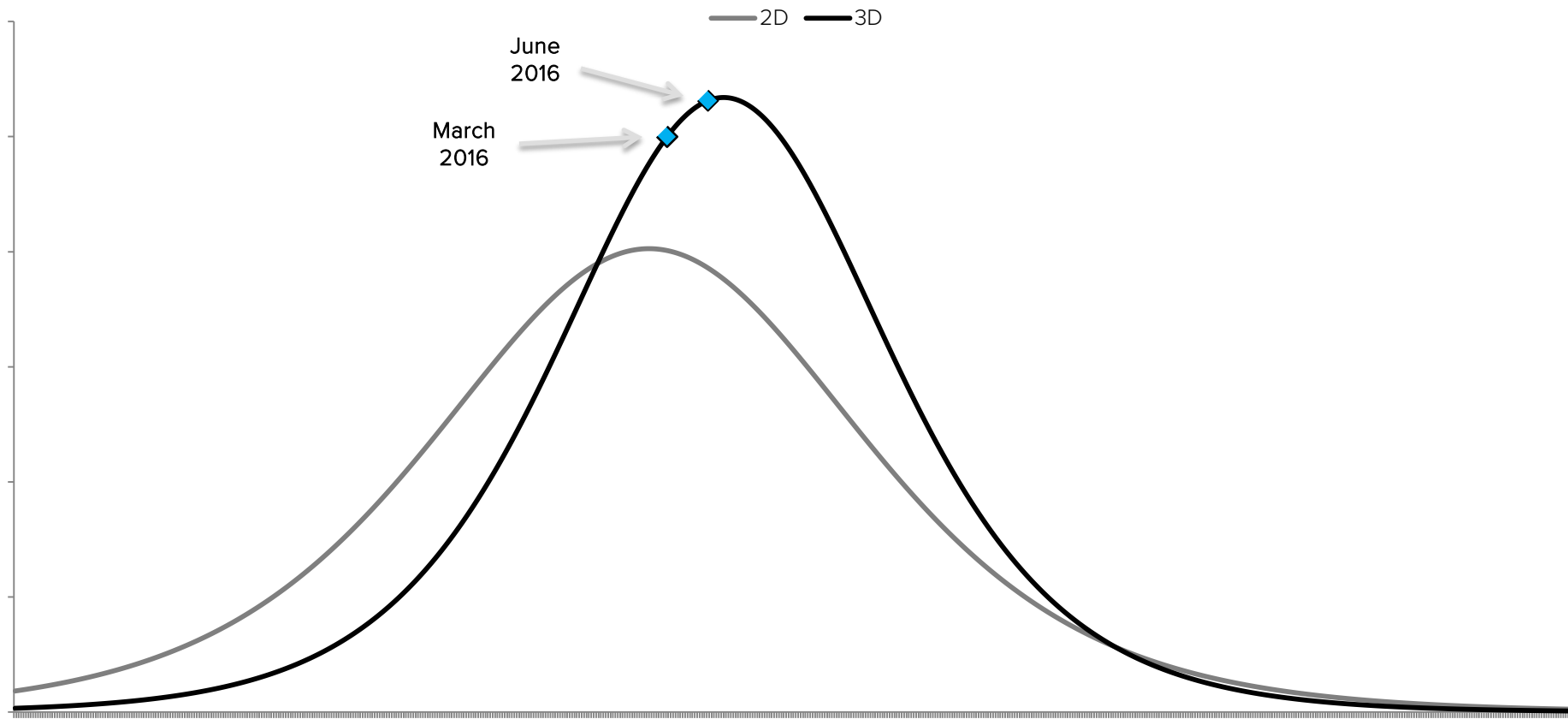
MDRX | MULTIPLE AND SHORT INTEREST



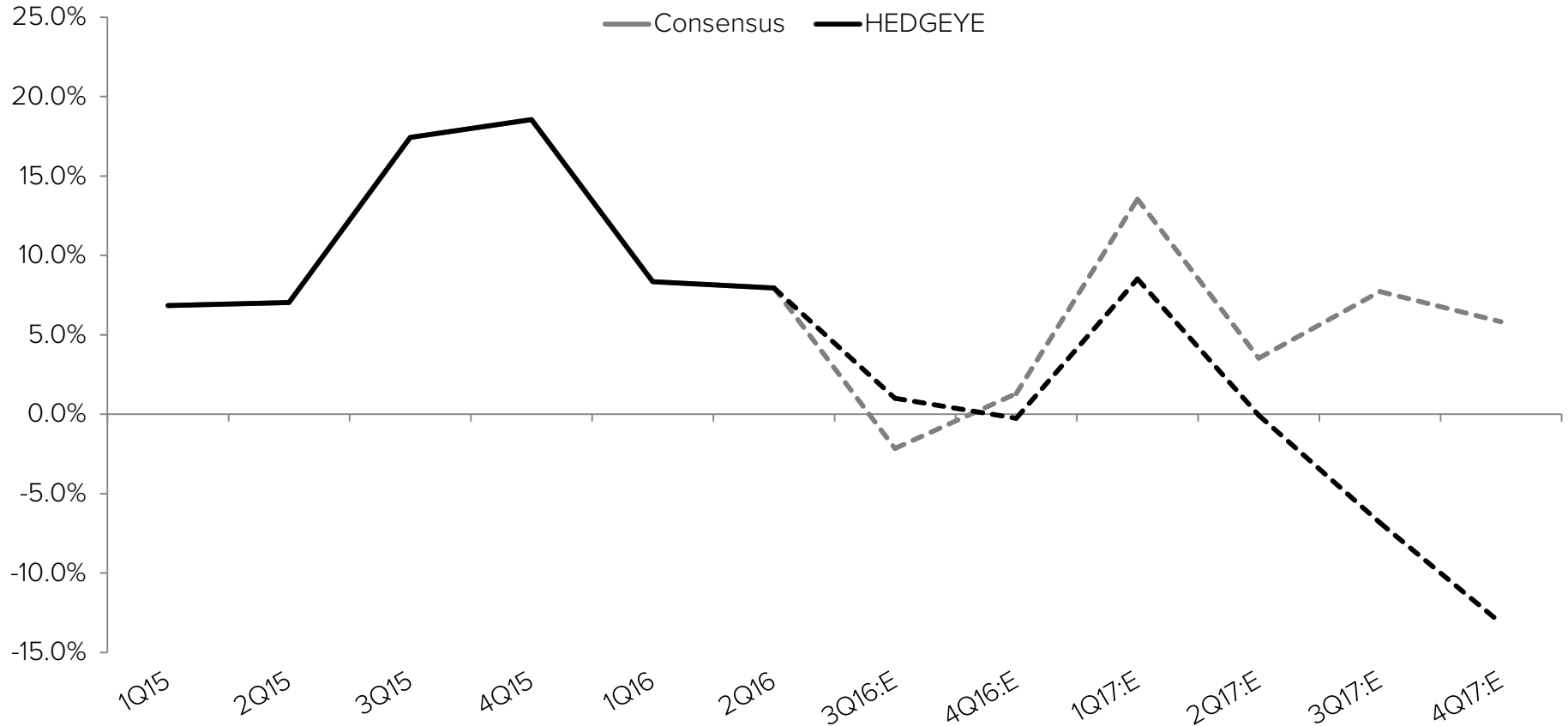
HOLOGICTM

#TOMOCLIFF

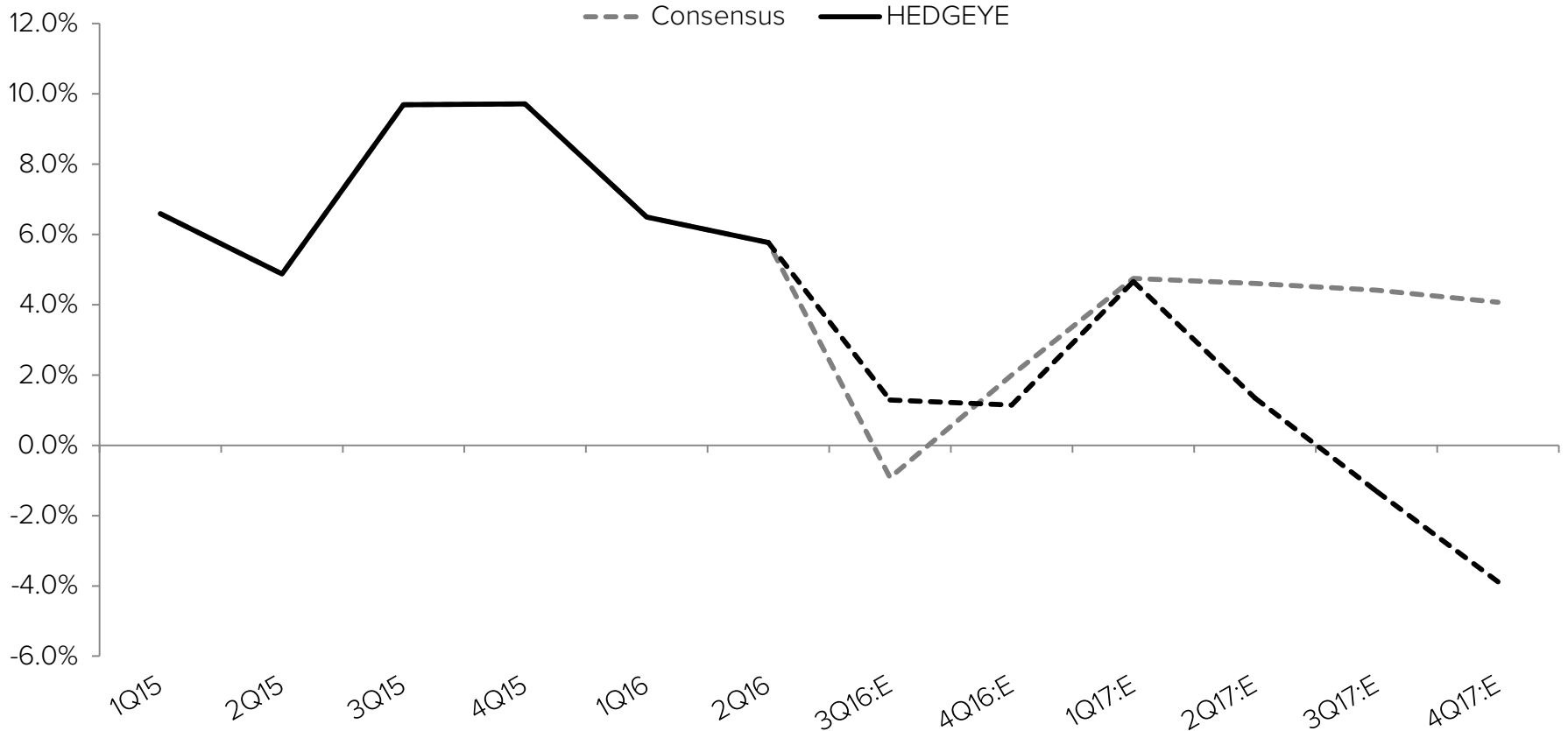
HEADING TOWARD THE #TOMOCLIFF



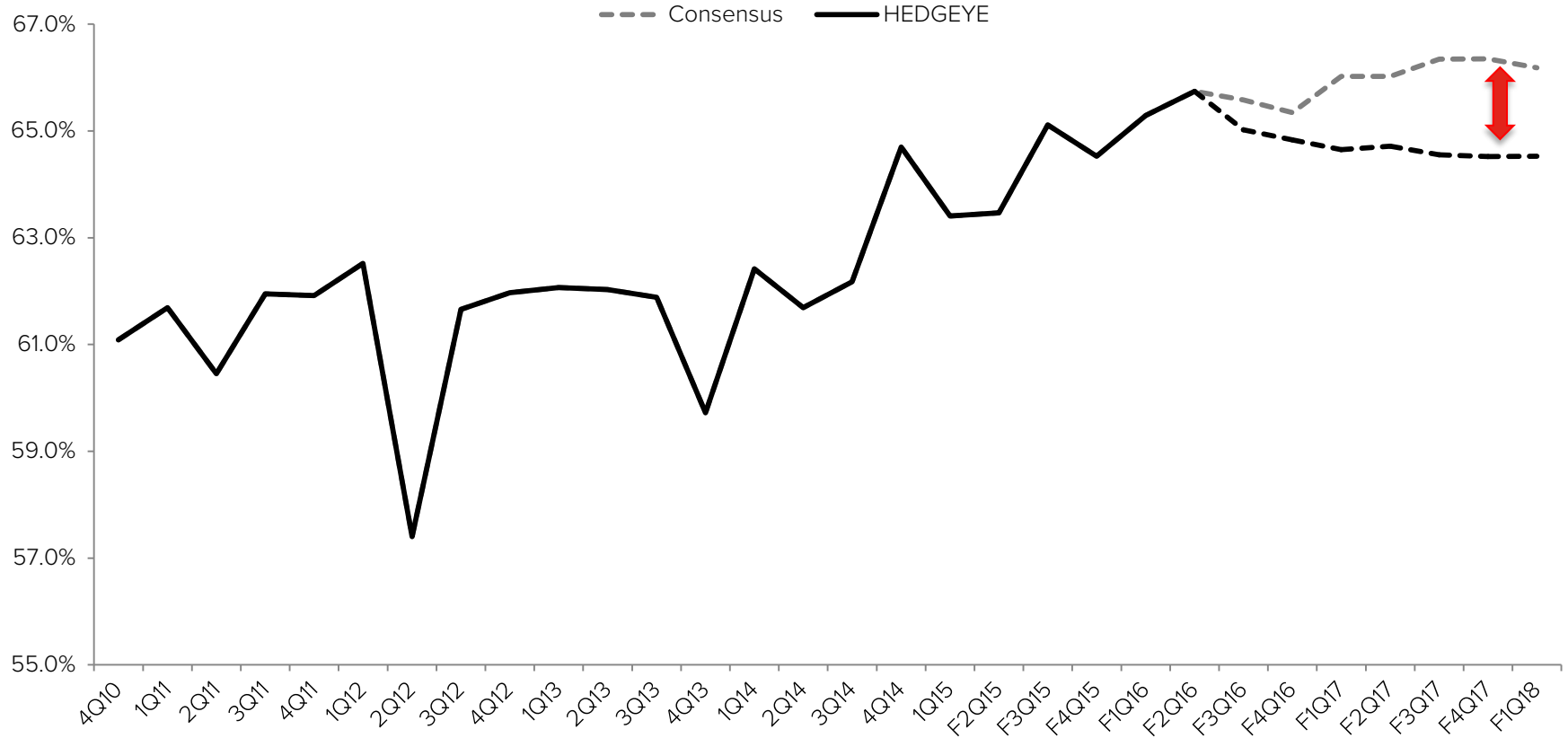
BREAST HEALTH SALES GROWTH



TOTAL SALES GROWTH



GROSS MARGINS MOVE LOWER



HOLX | MULTIPLE AND SHORT INTEREST

