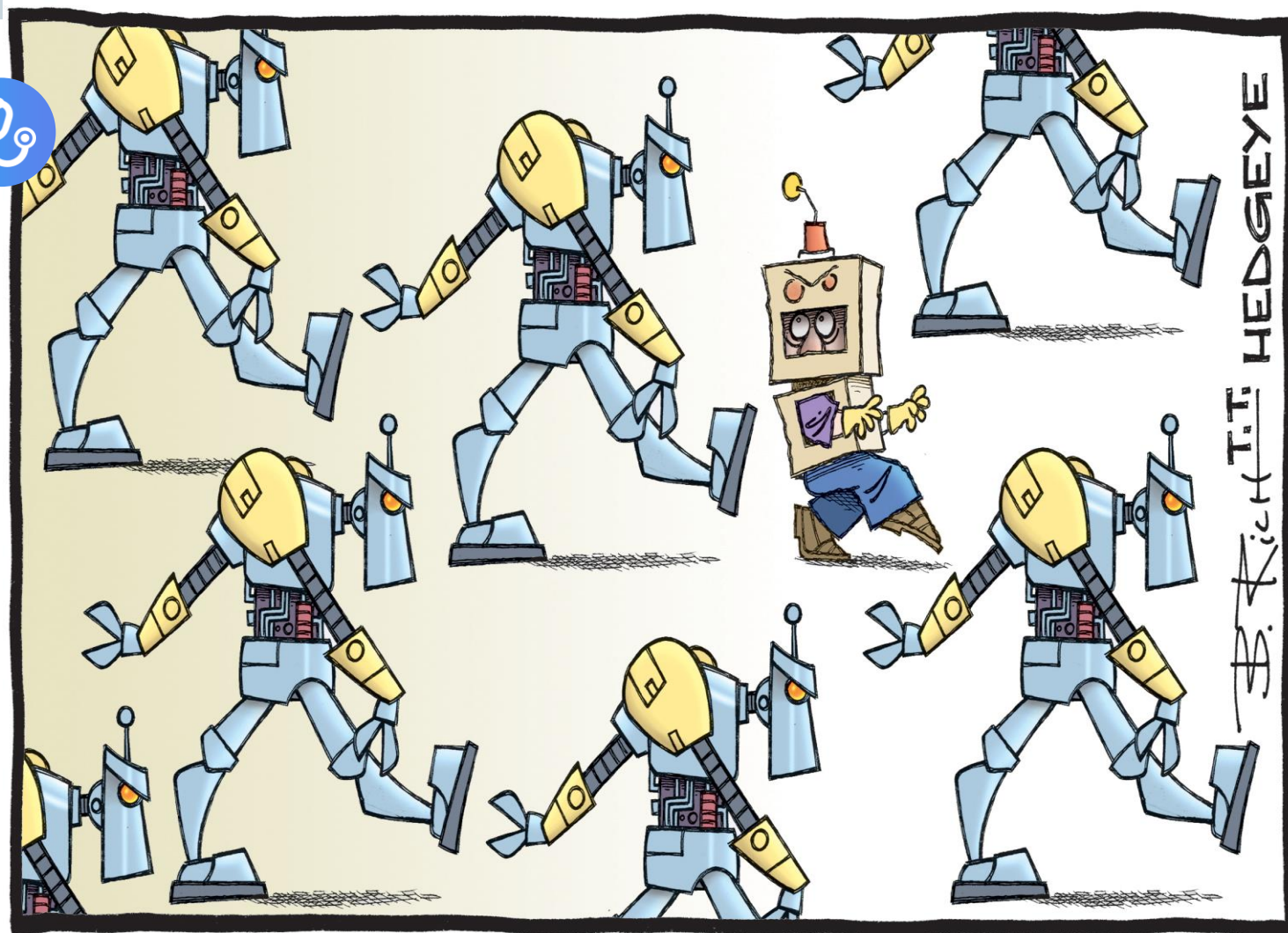


HEDGEYE

Health Care Position Monitor Update

Position Monitor Triage, Stock Quads, Coronavirus, THC, & NVTA

March 2, 2020



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Please submit questions* to
qa@hedgeye.com

*Answered at the end of the call

Health Care Position Monitor

For Week of March 2, 2020

Best Ideas - Longs					Best Ideas - Shorts						
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs						Active Shorts					
MD	MEDNAX, Inc.	\$ 17.29	\$1.5B	✓	✓	HQY	HealthEquity Inc	\$ 69.26	\$4.9B	×	×
AMN	AMN Healthcare Services, Inc.	\$ 73.36	\$3.4B	✓		NVTA	Invitae Corp.	\$ 19.51	\$1.9B	×	×
GH	Guardant Health, Inc.	\$ 77.30	\$7.3B	✓							
ILMN	Illumina, Inc.	\$ 273.02	\$40.1B	✓	✓						
THC	Tenet Healthcare Corporation	\$ 27.32	\$2.8B	✓	✓						
Long Bias						Short Bias					
TDOC	Teladoc Health, Inc.	\$ 124.99	\$9.1B			HCA	HCA Healthcare Inc	\$ 131.83	\$44.6B		
MYGN	Myriad Genetics, Inc.	\$ 17.84	\$1.3B			EXAS	Exact Sciences Corporation	\$ 75.25	\$11.1B		
TXG	10x Genomics Inc Class A	\$ 77.17	\$1.6B			UNH	UnitedHealth Group Incorporated	\$ 265.68	\$252.0B		
SGRY	Surgery Partners, Inc.	\$ 16.17	\$0.8B			DVA	DaVita Inc.	\$ 80.40	\$10.1B		
UHS	Universal Health Services, Inc. Class B	\$ 129.82	\$10.3B			DXCM	DexCom, Inc.	\$ 283.09	\$25.9B		
ZBH	Zimmer Biomet Holdings, Inc.	\$ 136.68	\$28.2B								
ANTM	Anthem, Inc.	\$ 265.05	\$66.9B								

Disclaimer

Hedgeye’s “bias” represents Hedgeye’s outlook on companies currently under Hedgeye’s review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

Position Monitor Triage

Elective and non-essential, remote care, Politics

Positives

- (+) COVID-19 cases are high acuity, reimbursed at high rate (HCA, UHS, THC)
- (+) Temp nurse labor demand, pricing, assuming net hospital census increases relative to labor supply (AMN)
- (+) Telemedicine demand increases for routine care and behavioral visits, may lead to permanent shift (TDOC)

Neutral

- (-/+) Primary voter turnout dampened, Trump approval
- (+/-) Genetic Testing, clinical testing for cancer (GH)

Negatives

- (-) Elective procedures deferred or prohibited (THC ambulatory, ZBH, MD)
- (-) Non-essential outpatient, i.e. screening colonoscopy (EXAS)
- (-) Sales force productivity, restricted access to facilities (ZBH)
- (-) Managed Care mixed impact of cost avoidance and COVID-19 costs, negative for Medicare Advantage, enrollment challenges (UNH, ANTM)
- (-) HQY enrollment, spending, custodial fees

Fundamental Quadrants

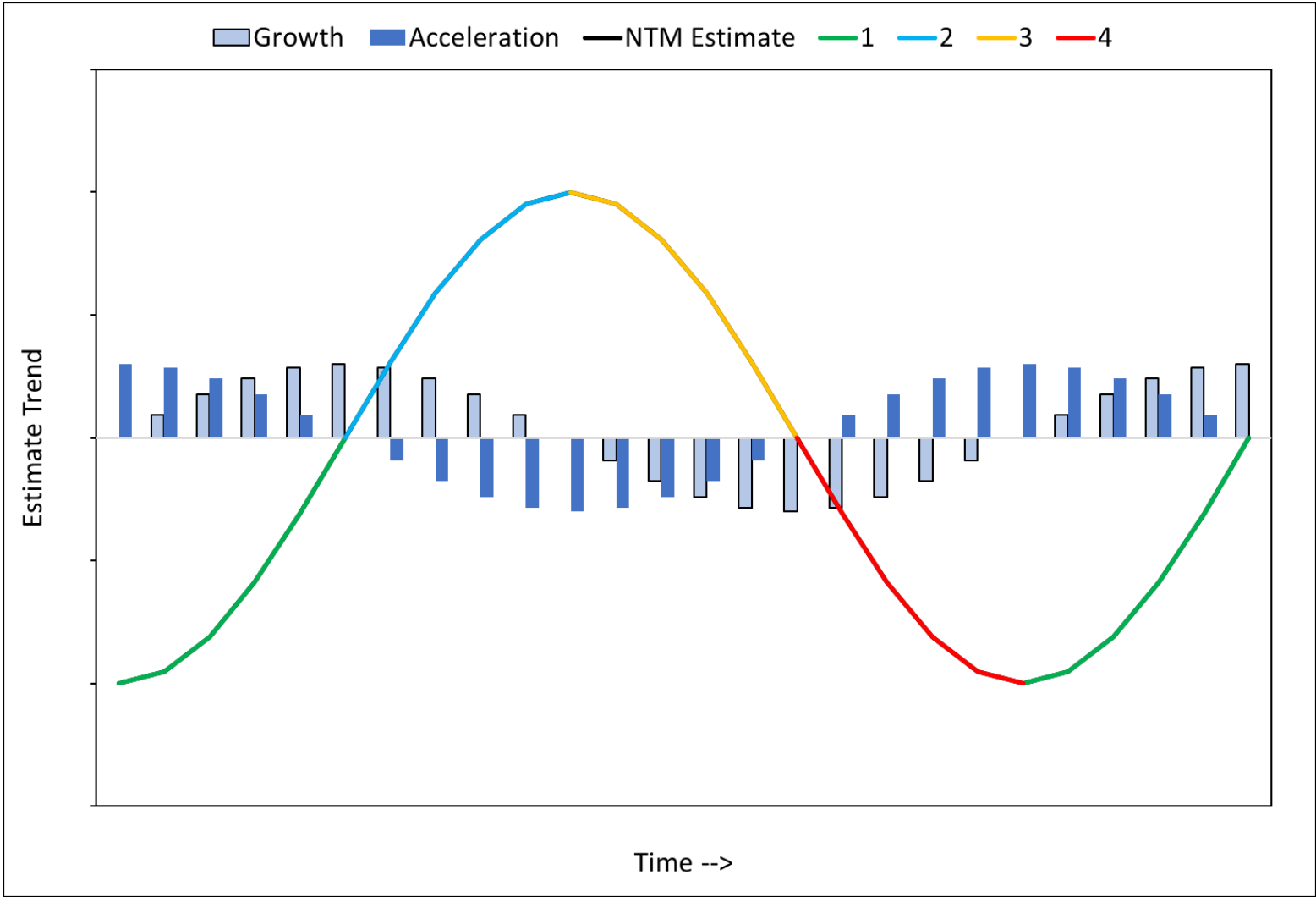
Similar to Macro Quads, stock estimates follow a pattern of growth and acceleration.

We transformed consensus forward expectations, assigning each datapoint to one of 4 possible Fundamental Quadrants.

Back tests show that companies that make the transition from Fundamental Quad 1 to Quad 2 are the best performers.

We produce these values across our universe of companies for revenue, EBITDA, and EPS alongside a correlation of the price to the underlying estimate.

Performance is weakest as companies in Fundamental Quad 2 transition into Quad 3 and 4.



Macro Quads + Fundamental Quads = Alpha

Back test results

Equal weighted results so far...

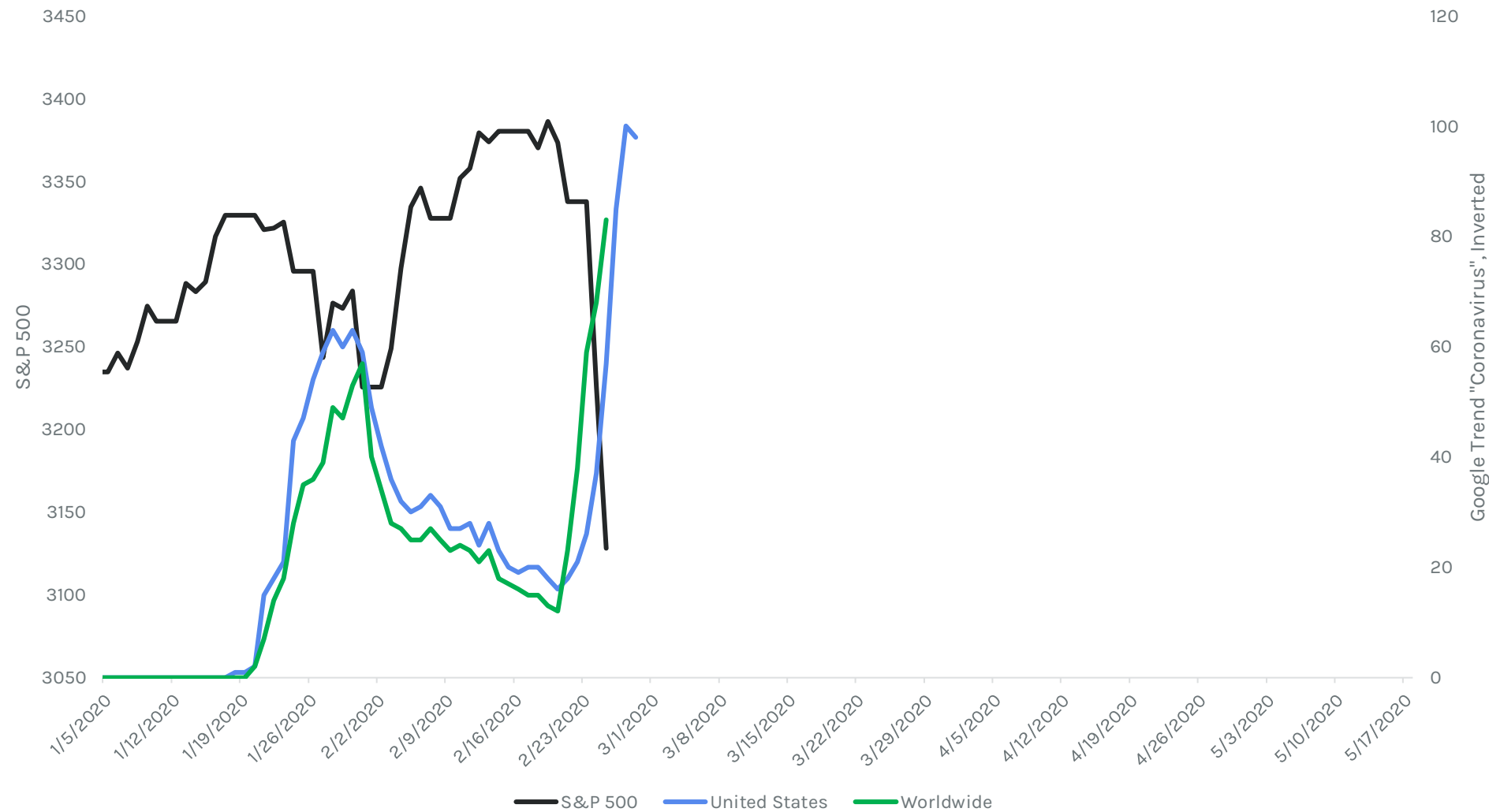
Sector Healthcare
Industry Health Care Equipment & Supplies
Factor Sales NTM
Metric Performance 1M, continuous
Correlation > 50%
Market Cap > 1000

		Macro Quad			
		1	2	3	4
Fundamental Equity Quad	1	3.52	3.12	2.51	4.07
	2	2.40	2.77	0.99	1.31
	3	2.06	1.93	0.67	0.34
	4	2.08	1.65	0.86	0.49

		31-Jan	24-Feb	28-Feb
Fundamental Equity Quad	1	3.05%	-2.12%	-7.22%
	2	3.51%	-0.50%	-5.71%
	3	2.83%	-8.96%	-12.63%
	4	5.70%	-2.49%	-7.42%
	Weighted Performance	-0.06%	1.24%	0.12%

#Coronavirus

Google Trend versus S&P 500



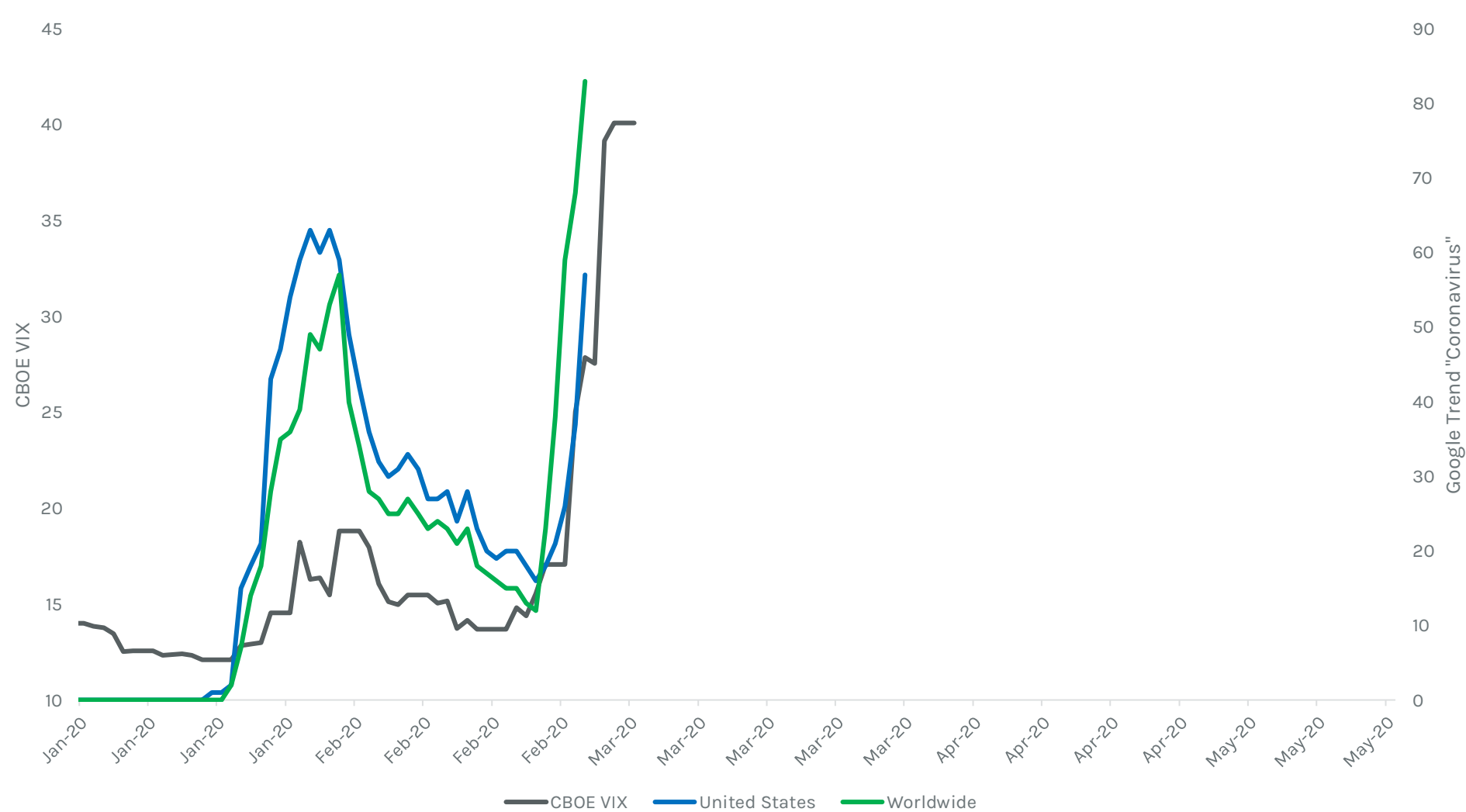
The overlay of S&P 500 versus the inverted time series of Google Trend for “Coronavirus.”

[42 CFR 70.13 - Payment for care and treatment.](#)

Provides the text of the 42 CFR 70.13 - Payment for care and treatment. (CFR).

#Coronavirus

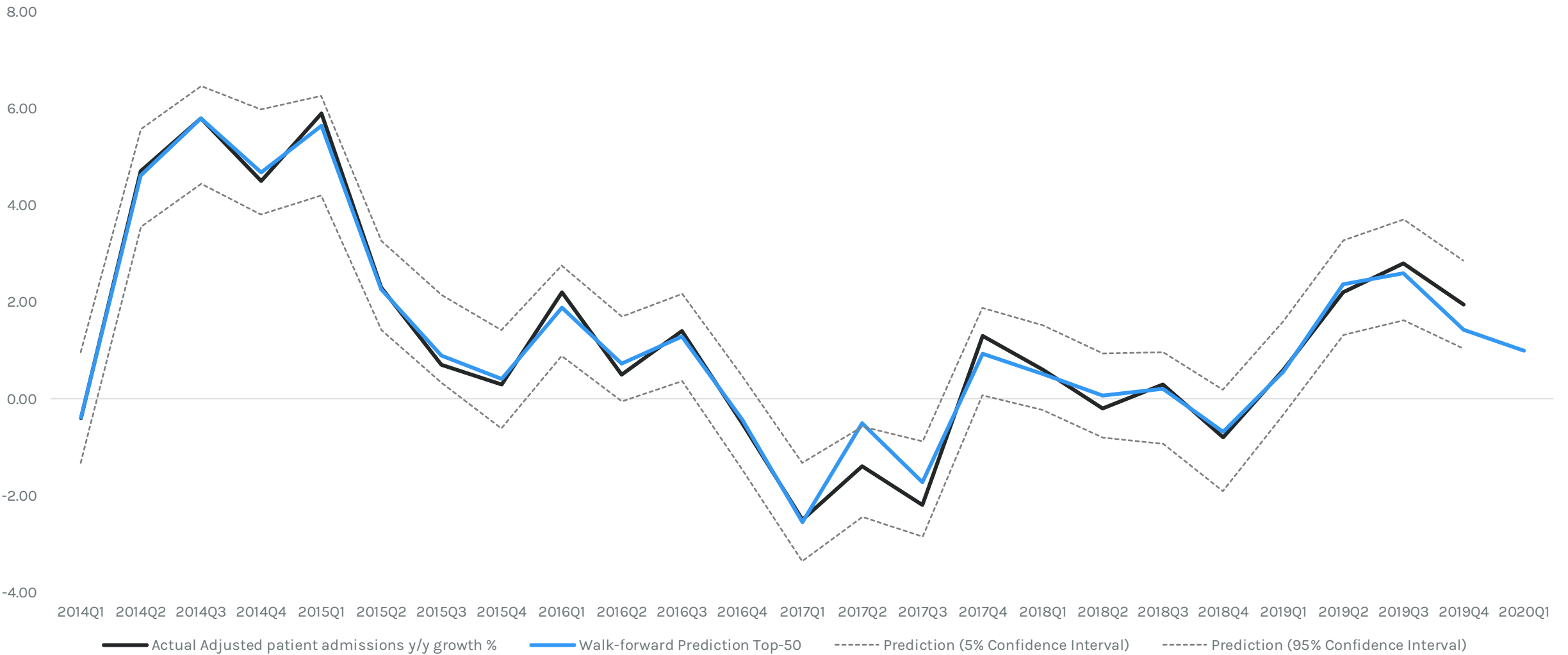
Google Trend versus VIX



We will be 13 weeks out at the end of May, early June.

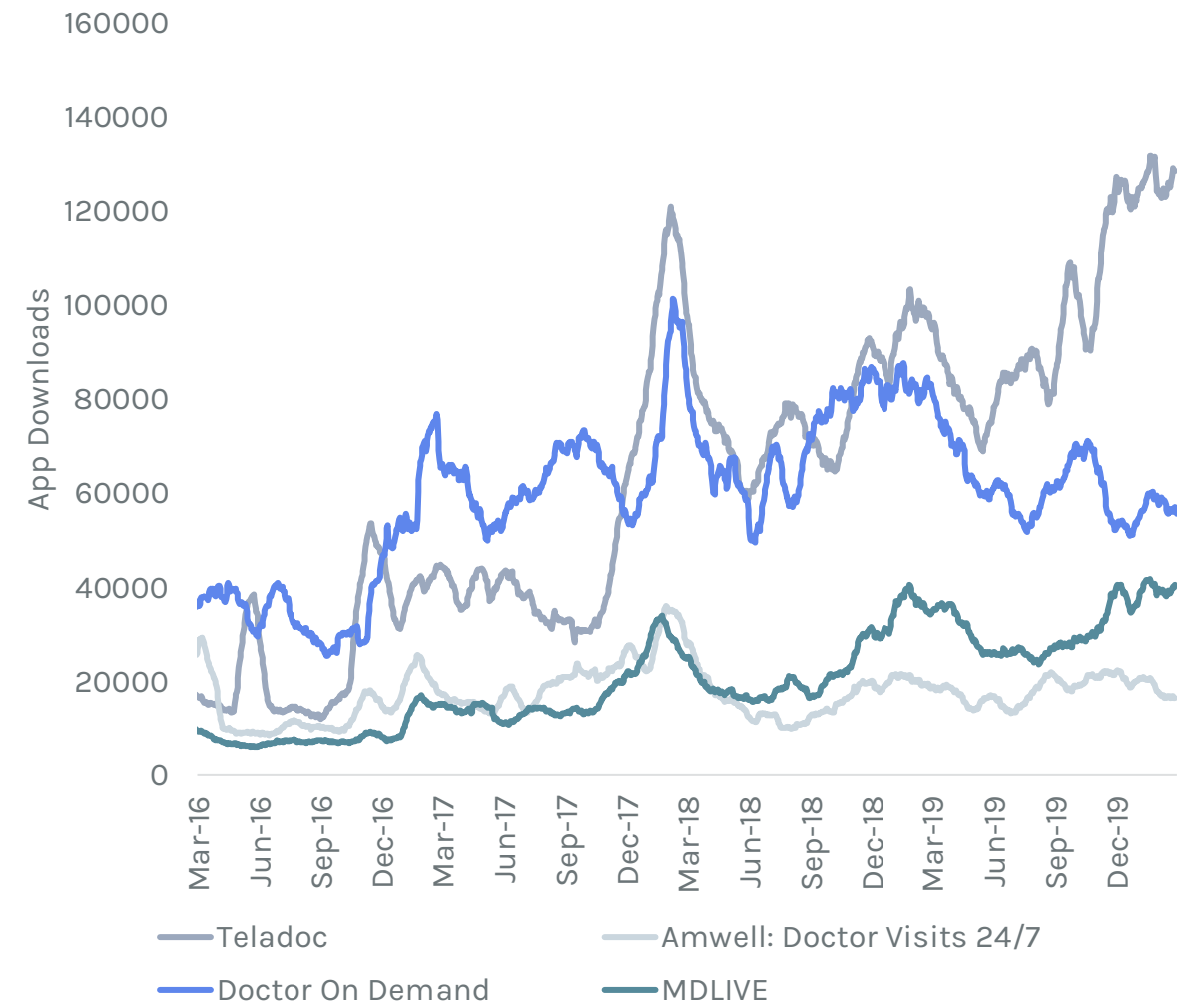
THC slowing into 1Q20

Same facility adjusted admissions forecast

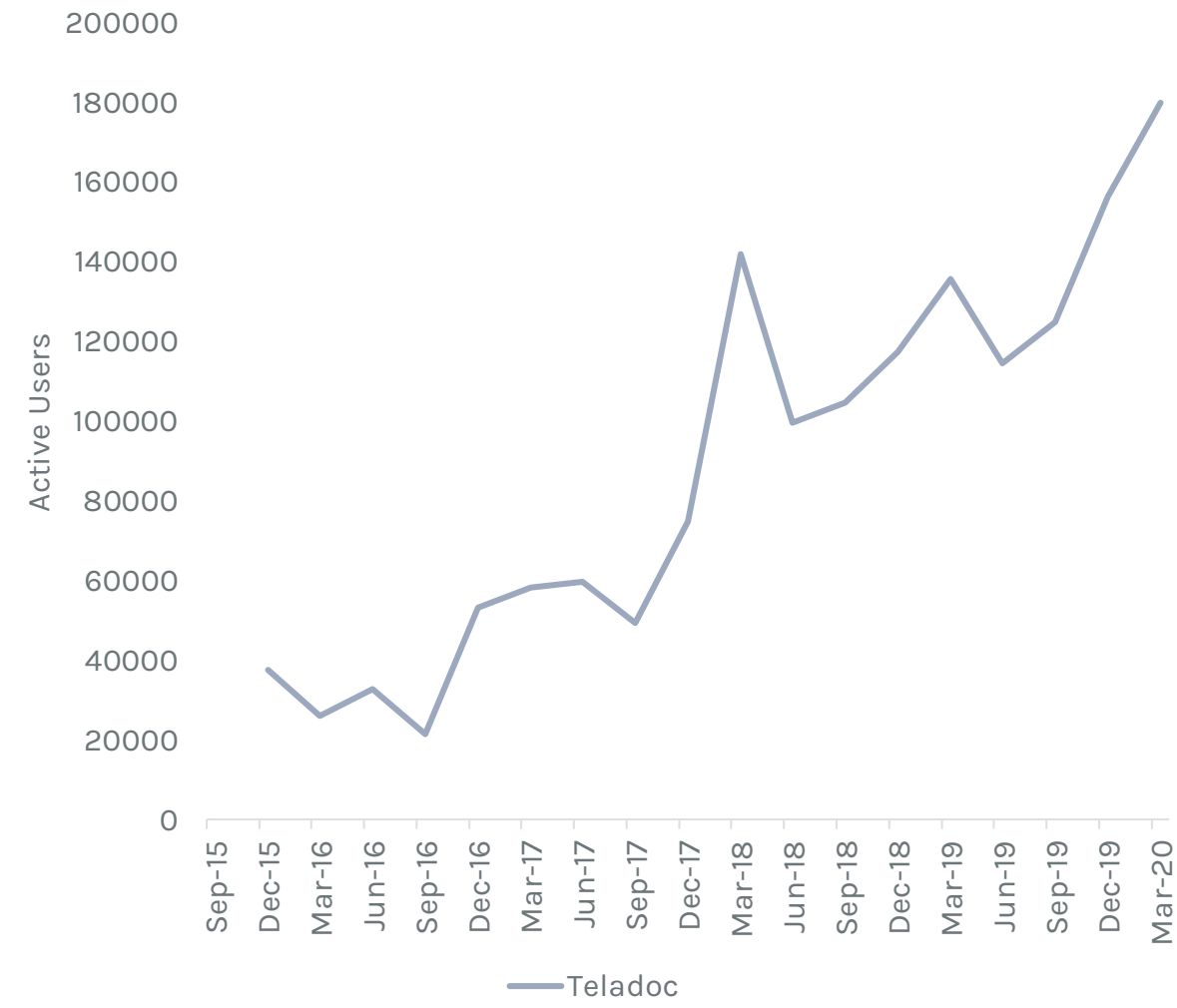


Telemedicine trends

App downloads

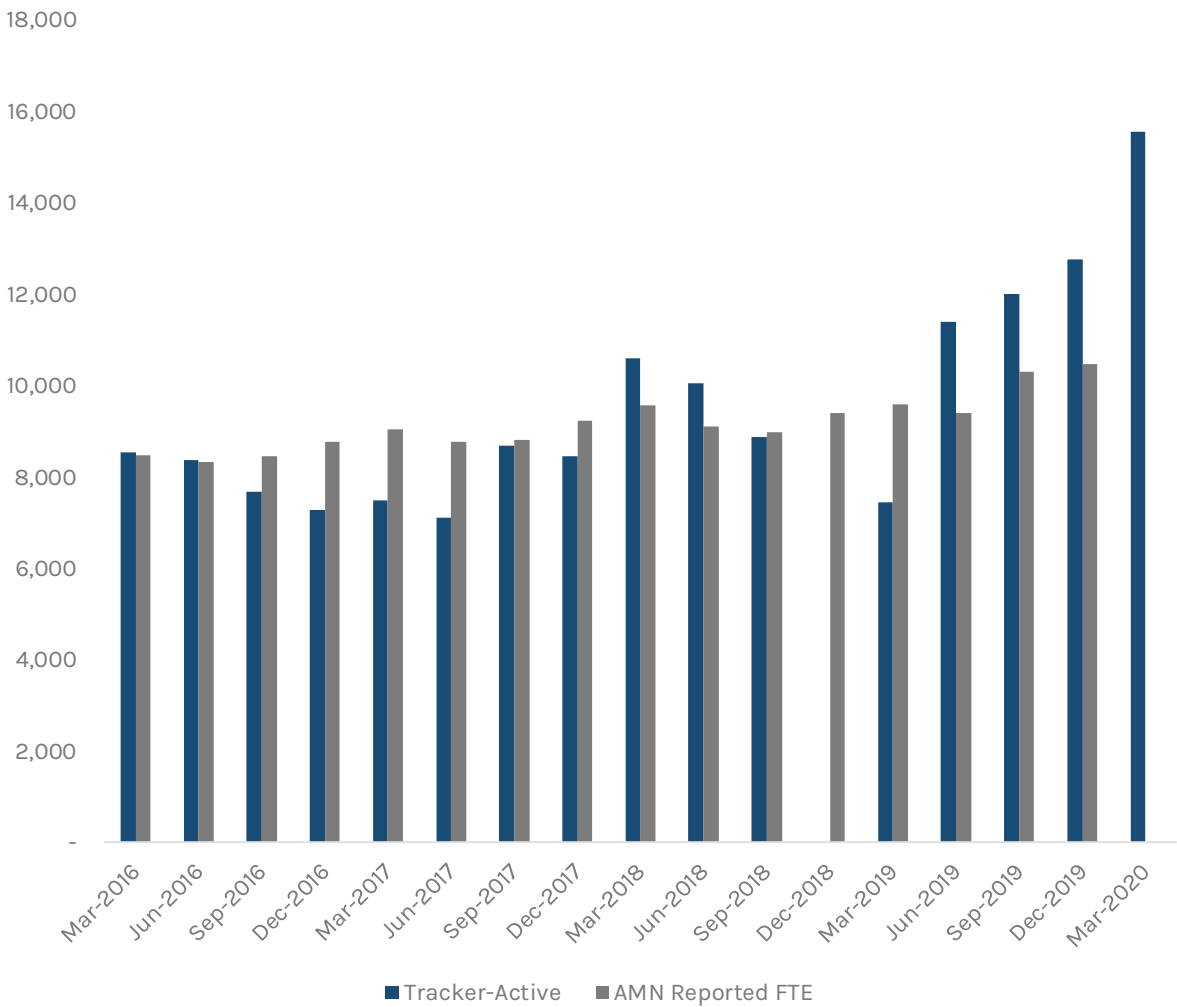


Teladoc Active Users

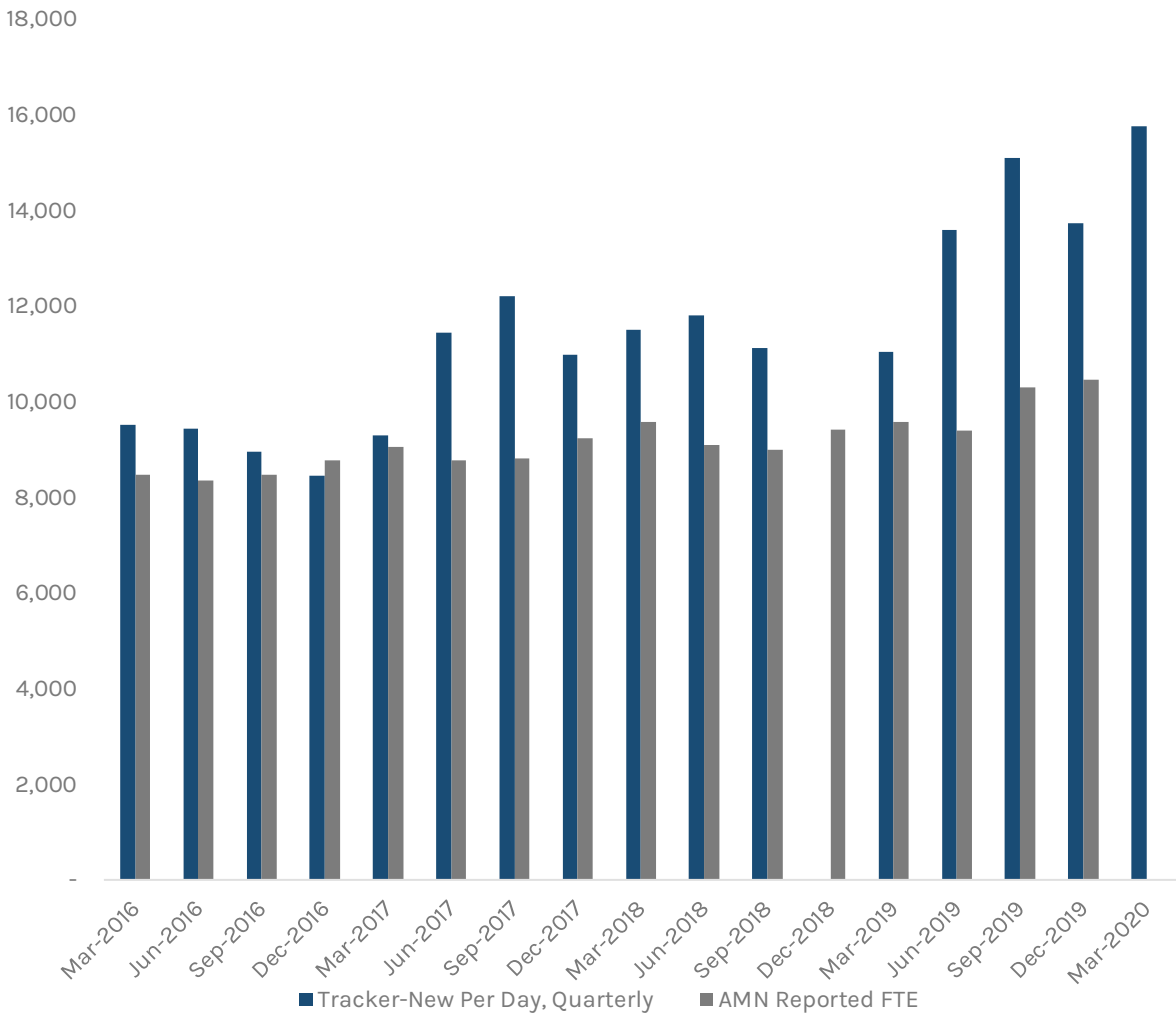


Temp staffing

“Active” placements



New Per Day



NVTA | Claims Forecast

Claims Index Forecast, slow start to 2020

Week	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020
1	45	75	57	104	282	86	142	124	168	520	162	159	134	236	691	76
2	72	68	76	90	306	137	129	172	168	605	205	196	197	210	807	267
3	70	65	79	134	348	130	147	183	153	613	231	195	206	224	855	256
4	67	76	66	121	331	155	191	177	183	707	173	206	186	243	808	-
5	72	72	87	127	357	122	156	173	215	666	146	189	205	226	766	-
6	72	83	122	131	409	129	139	179	176	623	194	193	196	209	792	-
7	83	76	94	117	371	128	160	166	136	590	161	234	205	252	852	-
8	66	76	107	71	319	99	133	164	104	500	158	195	214	291	857	-
9	84	71	64	106	324	111	153	163	195	623	150	158	191	147	646	-
10	77	81	66	129	354	111	128	131	211	582	158	198	183	249	789	-
11	79	116	96	120	410	125	140	168	202	635	164	198	204	276	841	-
12	77	103	101	118	398	113	158	185	208	665	159	173	231	254	817	-
13	71	102	120	48	341	144	156	186	78	563	157	207	205	105	673	-
Total	935	1,065	1,134	1,416	4,551	1,589	1,932	2,169	2,198	7,889	2,217	2,501	2,556	2,922	10,196	599

Correlation

Claims Data & Reported Claims 94.8%

Forecast

FY2020

Company Guidance

Samples Accessioned 725,000

Samples Accessioned: Medicare 181,250

Samples Accessioned: Commercial 543,750

CDC Criteria for Testing COVID-19

Updated on February 27, to expand testing criteria

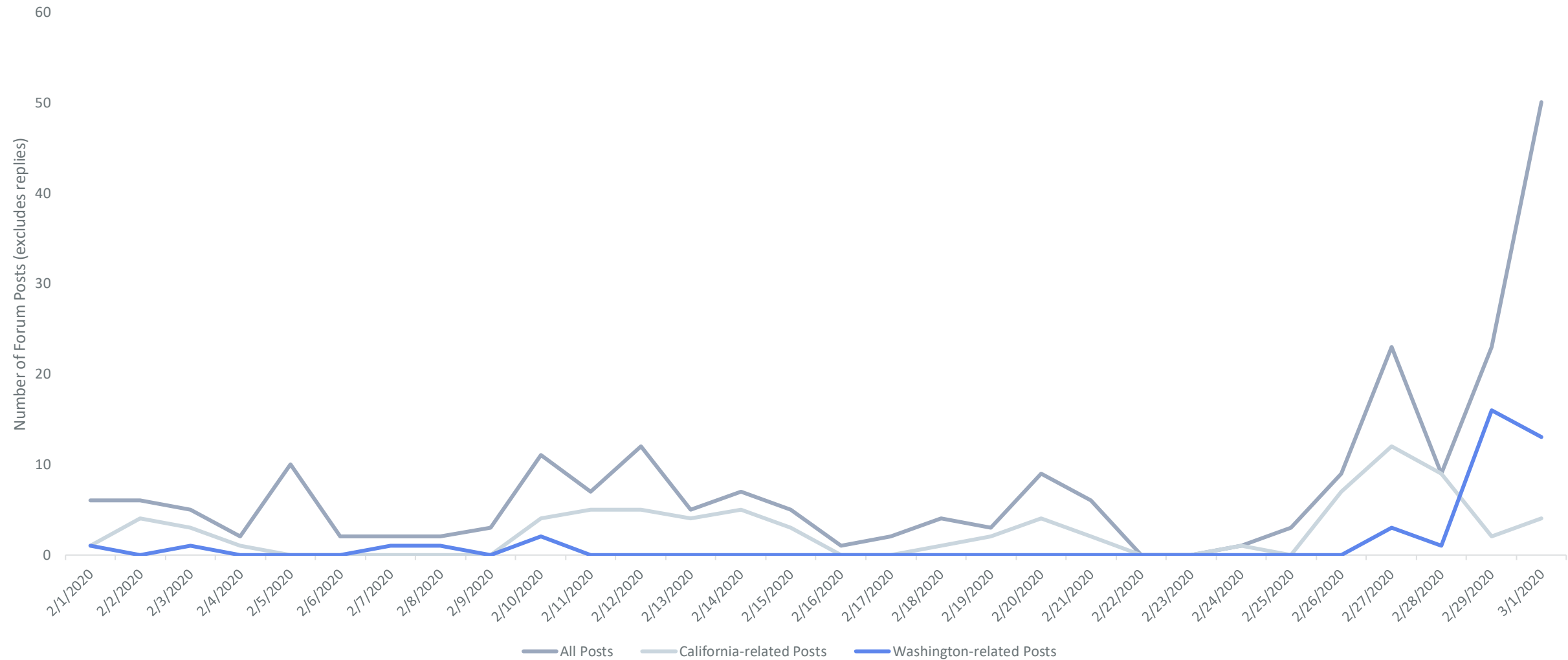
Effective February 1, 2020

Clinical Features	AND	Epidemiologic Risk
Fever OR signs/symptoms of lower respiratory illness (e.g. cough or shortness of breath)	AND	Any person, including health care workers, who has had close contact with a laboratory confirmed 2019-nCoV patient within 14 days of symptom onset
Fever AND signs/symptoms of lower respiratory illness (e.g. cough or shortness of breath)	AND	A history of travel from Hubei Province, China within 14 days of symptom onset
Fever AND signs/symptoms of lower respiratory illness (e.g. cough or shortness of breath)	AND	A history of travel from mainland China within 14 days of symptom onset

Effective February 27, 2020

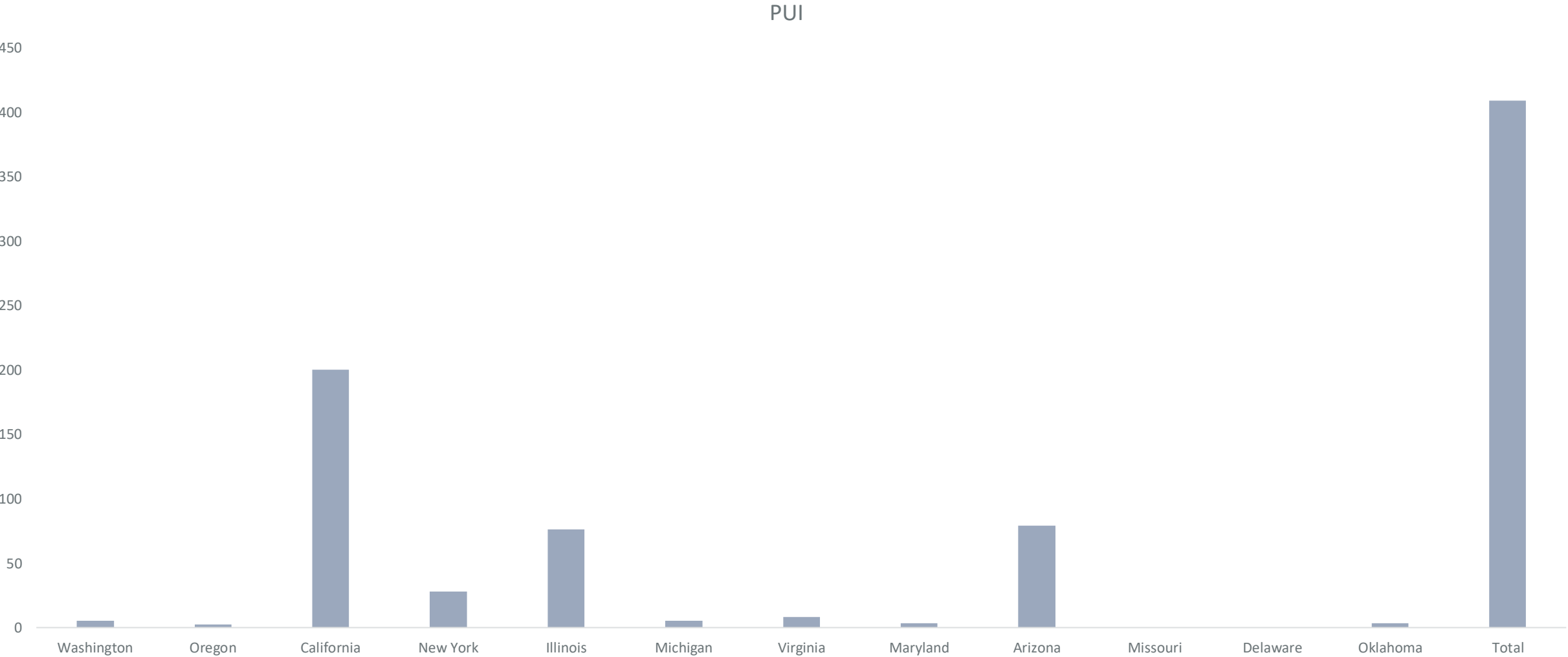
Clinical Features	AND	Epidemiologic Risk
Fever OR signs/symptoms of lower respiratory illness (e.g. cough or shortness of breath)	AND	Any person, including health care workers, who has had close contact with a laboratory confirmed 2019-nCoV patient within 14 days of symptom onset
Fever AND signs/symptoms of lower respiratory illness (e.g. cough or shortness of breath)	AND	A history of travel from geographically affected areas within 14 days of symptom onset
Fever with severe acute lower respiratory illness (e.g. pneumonia, ARDS) requiring hospitalization and without an alternative explanatory diagnosis (e.g. influenza)	AND	No identified source or exposure

COVID-19-related Flu Trackers Post



Persons Under Investigation (PUI)

Number prior to new testing criteria



FLUVIEW



U.S. Influenza Surveillance System: Purpose and Methods

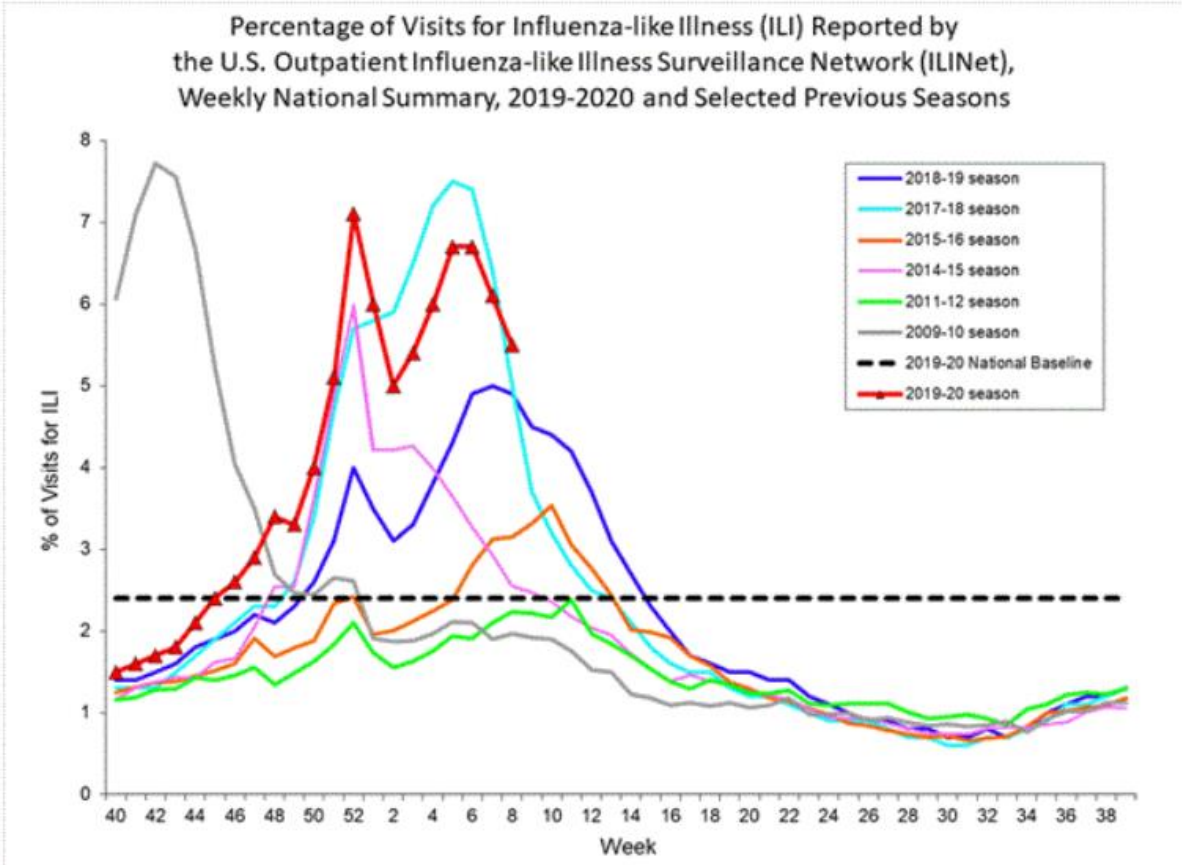
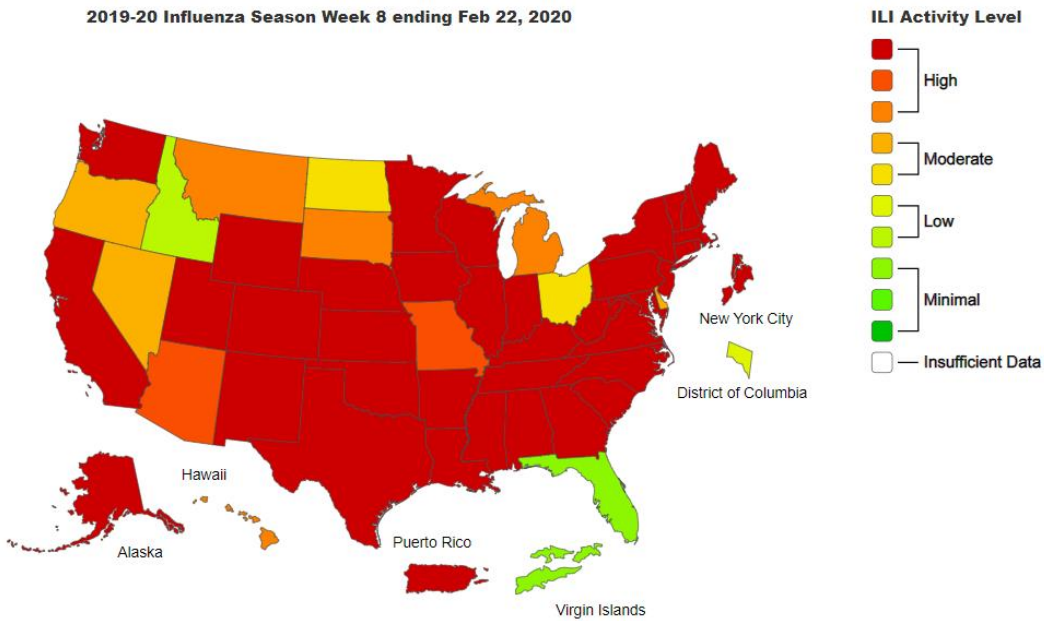
The Influenza Division at CDC collects, compiles and analyzes information on influenza activity year-round in the United States. [FluView](#), a weekly influenza surveillance report, and [FluView Interactive](#), an online application which allows for more in-depth exploration of influenza surveillance data, are updated each week. **The data presented each week are preliminary and may change as more data is received.**

On This Page

[U.S. World Health Organization \(WHO\) Collaborating Laboratories System and the National Respiratory and Enteric Virus Surveillance System \(NREVSS\)](#)

Flu and Flu-like Activity Remain High But Falling

Will COVID-19 reverse trend? May depend on the weather



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