HEDGEYE

Genetic Testing Lab Chart Book

Key Data Updates, Claims Analyses, and Forecasts

August 6, 2020

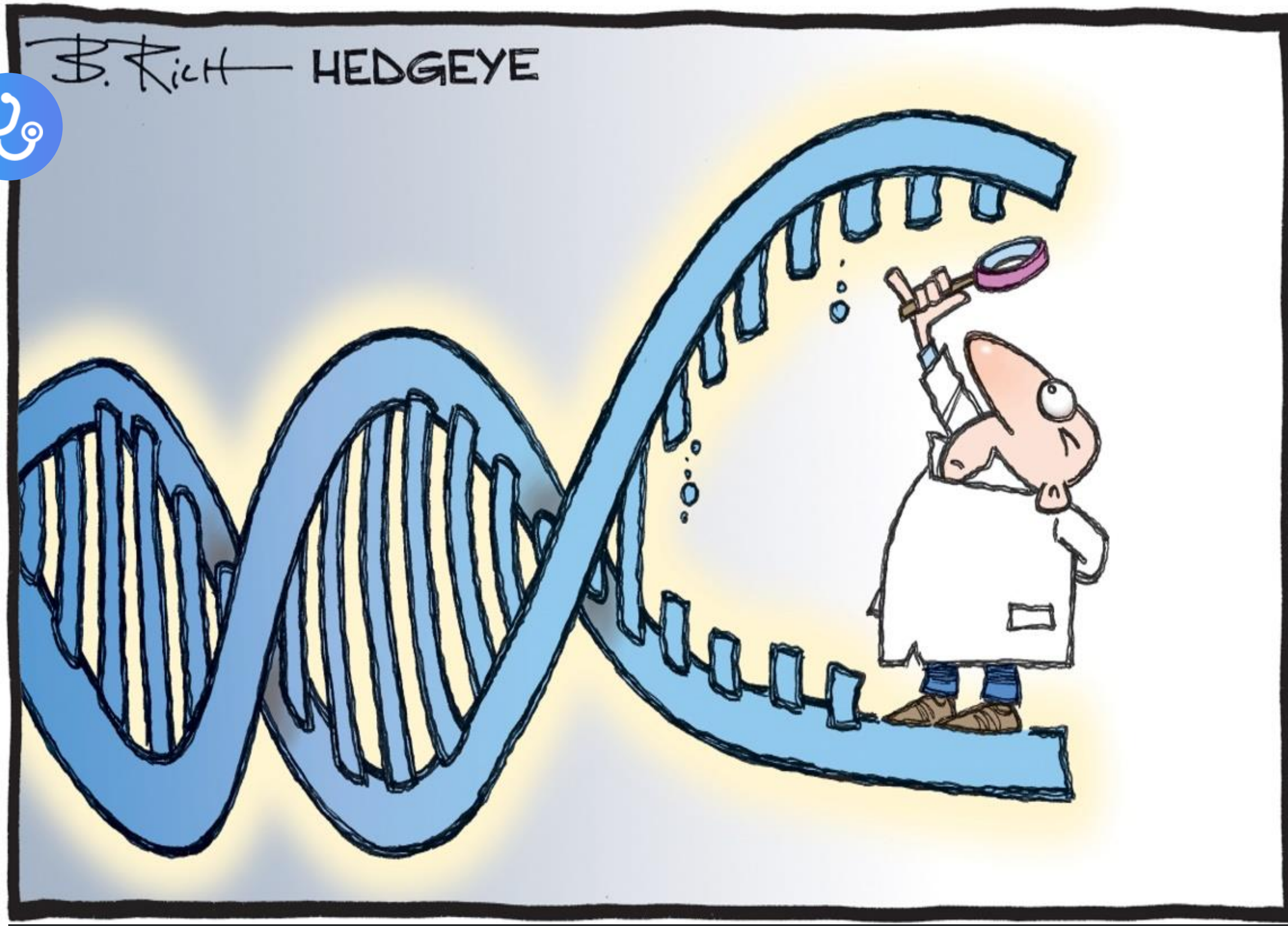

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Table of Contents

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Health Care Position Monitor

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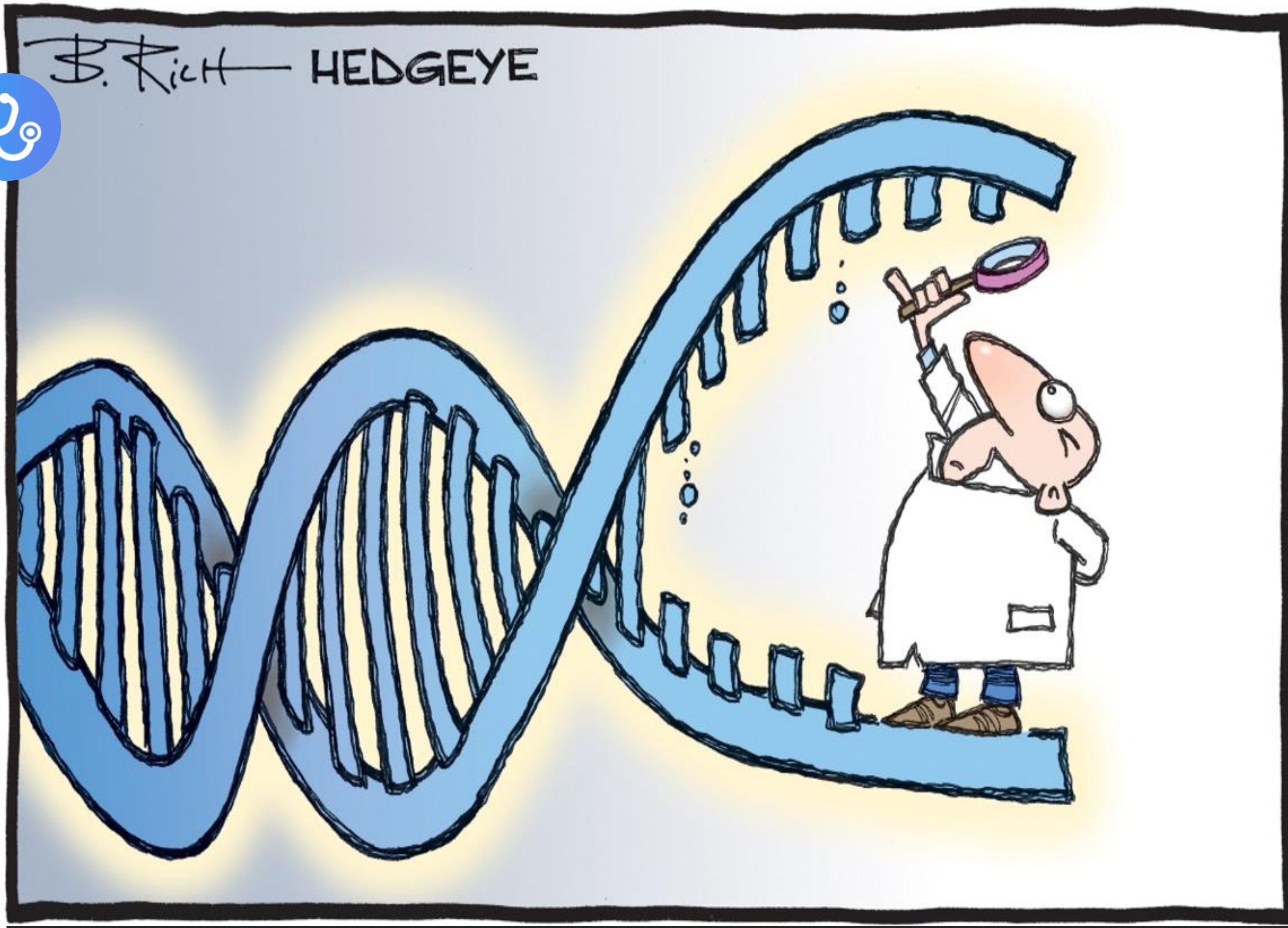
For Week of August 3, 2020

Best Ideas - Longs LONG			Price	Mkt Cap ($B)	Trend	Tail	Best Ideas - Shorts SHORT			Price	Mkt Cap ($B)	Trend	Tail
Active Longs							Active Shorts						
ONEM	1Life Healthcare, Inc.	$	29.61	$3.7B	√	√	AMN	AMN Healthcare Services, Inc.	$	54.94	$2.6B	×	×
TXG	10x Genomics Inc Class A	$	98.37	$5.7B	√	√	EXAS	Exact Sciences Corporation	$	94.75	$14.2B	×	×
TDOC	Teladoc Health, Inc.	$	237.63	$19.3B	√	√							
Long Bias							Short Bias						
NTRA	Natera, Inc.	$	48.02	$3.8B			HCA	HCA Healthcare Inc	$	126.64	$42.8B		
							HRC	Hill-Rom Holdings, Inc.	$	97.22	$6.5B		
							MASI	Masimo Corporation	$	220.12	$12.1B		
							NVTA	Invitae Corp.	$	29.20	$3.7B		
							ILMN	Illumina, Inc.	$	382.16	$56.2B		
							GH	Guardant Health, Inc.	$	85.18	$8.1B		

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.

Hedgeye Claims Proprietary Data



"As genetic testing now has the potential to guide cancer care, it has **become imperative to ensure that all populations may benefit** from these tremendous advances and that existing disparities in testing do not widen." - Tuya Pal, MD, associate director of Cancer Health Disparities at Vanderbilt-Ingram Cancer Center.

Exact Sciences (EXAS)

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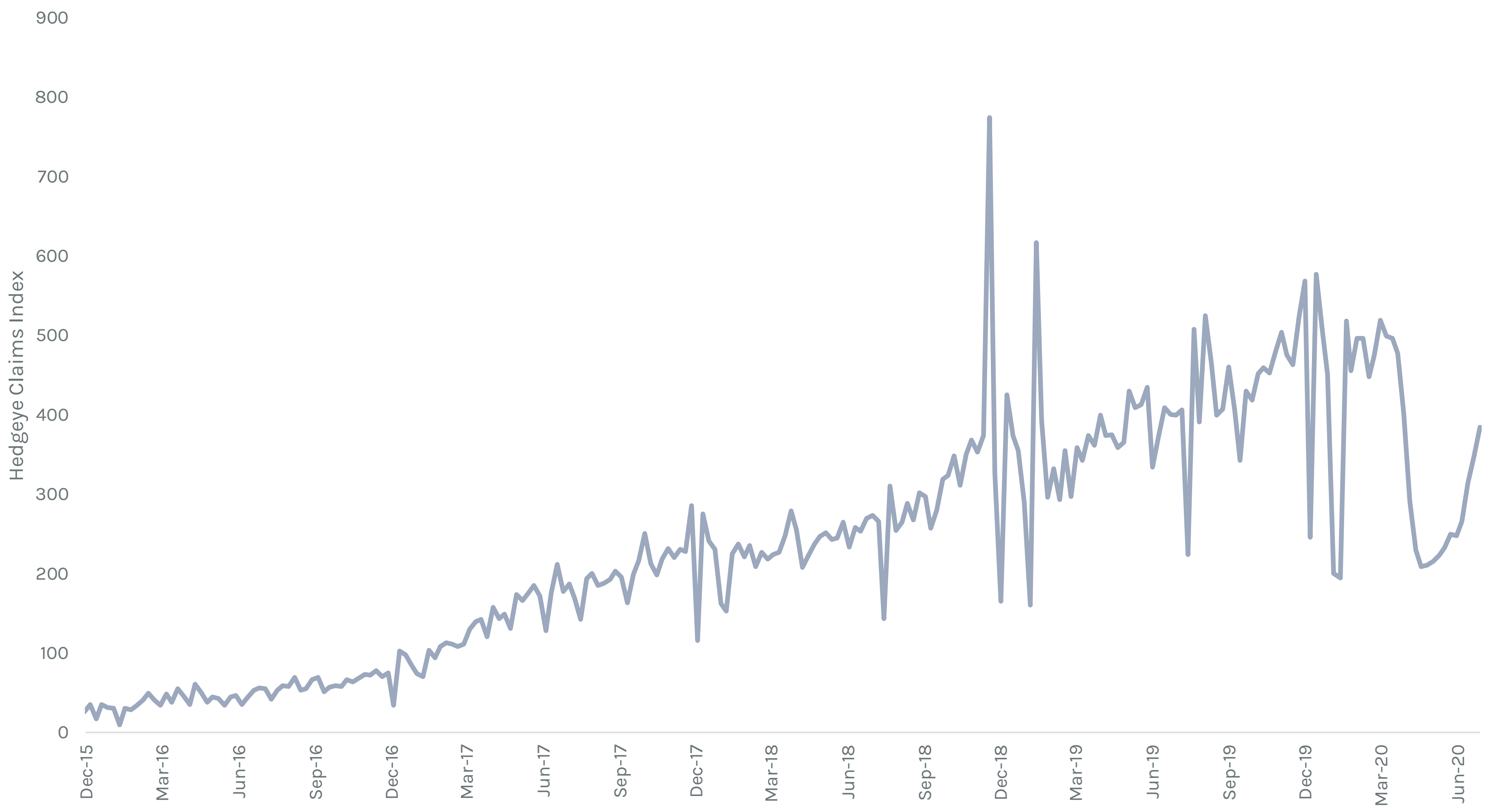
Claims Index, Weekly



- Reviewing the count of a lab's claims on a weekly basis can be helpful around major events such as the lockdown brought about by the COVID-19 pandemic.
- Analyzing the claims in this way can help our team to better track an individual Lab's recovery to pre-COVID volumes.

EXAS | Claims Index versus Company Reported

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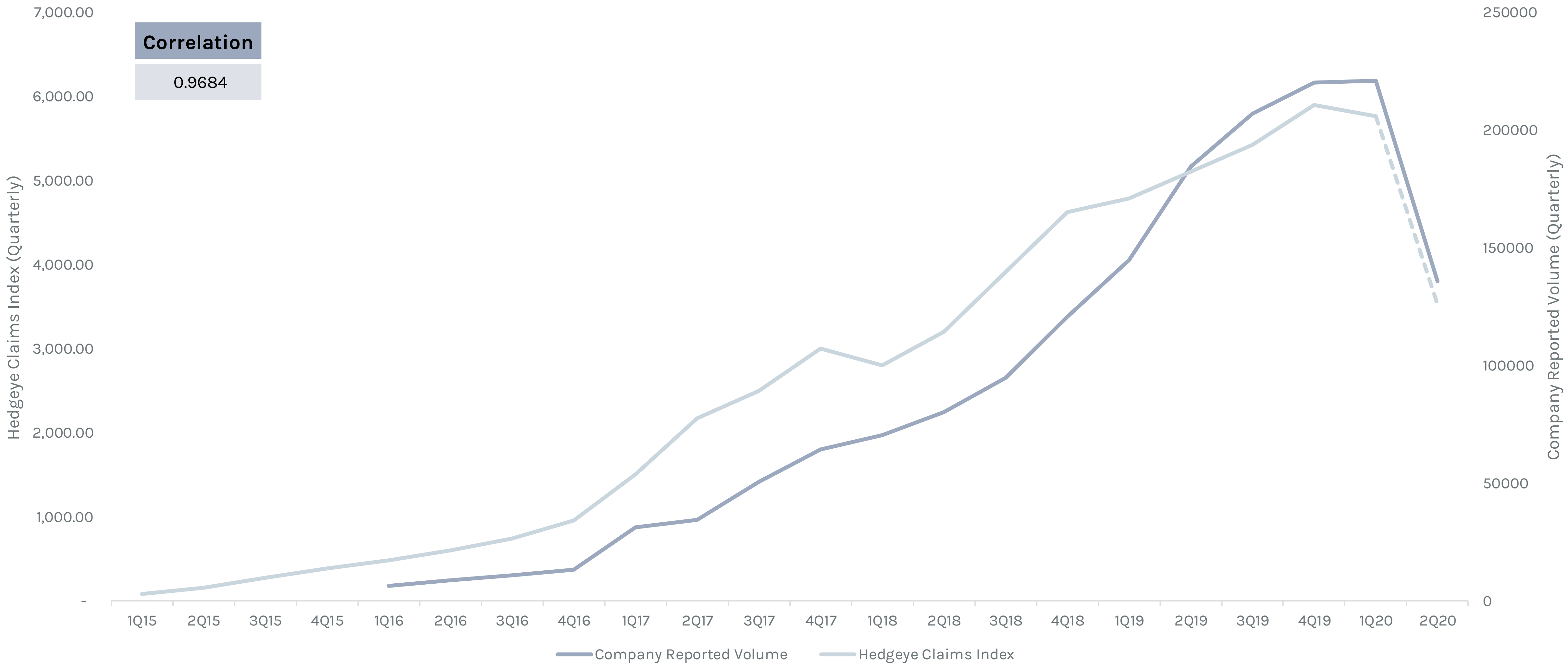
Hedgeye: 135,314 tests versus 2Q20 Reported: 135,807 tests

Correlation
0.9684



EXAS | Claims Forecast

HEDGEYE

Claims Index Forecasting Method

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	Q2-2020
1	103	149	143	199	**593**	225	223	143	311	**902**	617	375	224	460	**1,676**	194	230
2	94	131	194	218	**636**	237	237	310	350	**1,135**	393	359	507	452	**1,711**	518	208
3	108	173	200	232	**712**	220	246	254	368	**1,088**	296	365	391	479	**1,531**	456	210
4	113	166	185	220	**684**	235	251	264	353	**1,104**	332	430	525	504	**1,791**	496	215
5	111	174	188	230	**703**	209	243	288	374	**1,113**	293	408	465	476	**1,642**	496	223
6	108	185	192	228	**712**	226	244	268	775	**1,513**	354	412	399	463	**1,629**	448	232
7	111	171	203	285	**770**	218	265	301	326	**1,110**	296	435	407	522	**1,661**	475	250
8	129	128	195	115	**568**	224	233	297	164	**919**	359	334	460	568	**1,722**	519	247
9	139	175	163	275	**752**	227	258	257	425	**1,167**	342	372	405	246	**1,365**	499	266
10	142	212	199	241	**793**	248	254	280	374	**1,154**	374	409	342	577	**1,701**	496	314
11	120	177	216	231	**744**	279	269	319	355	**1,221**	361	400	430	507	**1,698**	477	347
12	158	187	250	162	**757**	256	273	324	289	**1,142**	400	400	418	450	**1,668**	401	384
13	143	169	213	153	**677**	208	265	348	160	**981**	373	406	452	200	**1,432**	292	404
Total	**1,578**	**2,198**	**2,539**	**2,787**	**9,103**	**3,011**	**3,262**	**3,652**	**4,624**	**14,549**	**4,791**	**5,107**	**5,425**	**5,903**	**21,226**	**5,768**	**3,531**

Seasonal Weekly Distribution Pattern Based on Prior Years

Week	Q2-2020
Total	3,531

Average Per Day QTD x Total Days

Week	Q2-2020
Total	3,531

QTD Volume / Ratio of Completed Days

Week	Q2-2020
Total	3,531

Last Weekly Data Point Carried Forward

Week	Q2-2020
Total	3,531

Average Weekly Volume Carried Forward

Week	Q2-2020
Total	3,531

Correlation	
Claims Data & Reported Claims	96.8%

Forecast	Q2-2020
Copmany Reported	
Cologuard Tests Completed Less Medicare	**135,807**
Hedgeye	
Method 1: Seasonal Wkly Distr.	135,314
Method 2: Avg Per Day x Total	135,314
Method 3: QTD Vol / Ratio Days	135,314
Method 4: Last Wkly Data Pt	135,314
Method 5: Avg Wkly Vol Carry	135,314
Average	**135,314**

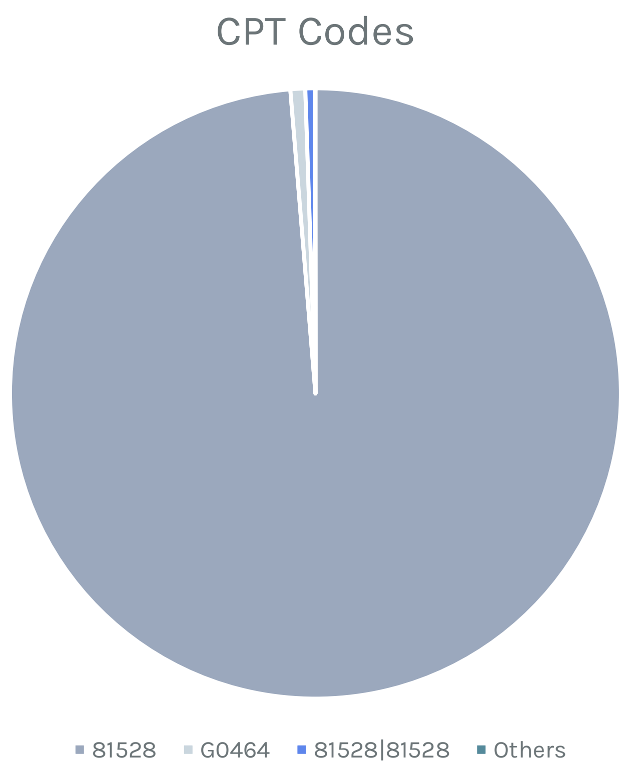
- Although too early too tell, the claims data for EXAS seemed to perform very well based on last week's 2Q20 Earnings Result.
- Our estimate landed within a half of a percentage, or less than 500 tests, away from the reported volume.

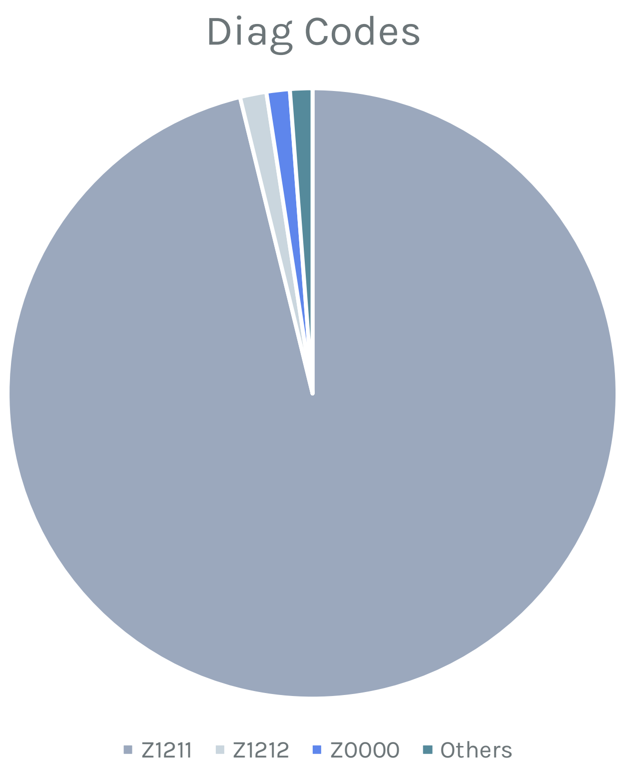
*13 of 13 weeks completed in this data set.

EXAS | Claims Analysis

HEDGEYE

Unique Diag and CPT codes Mix



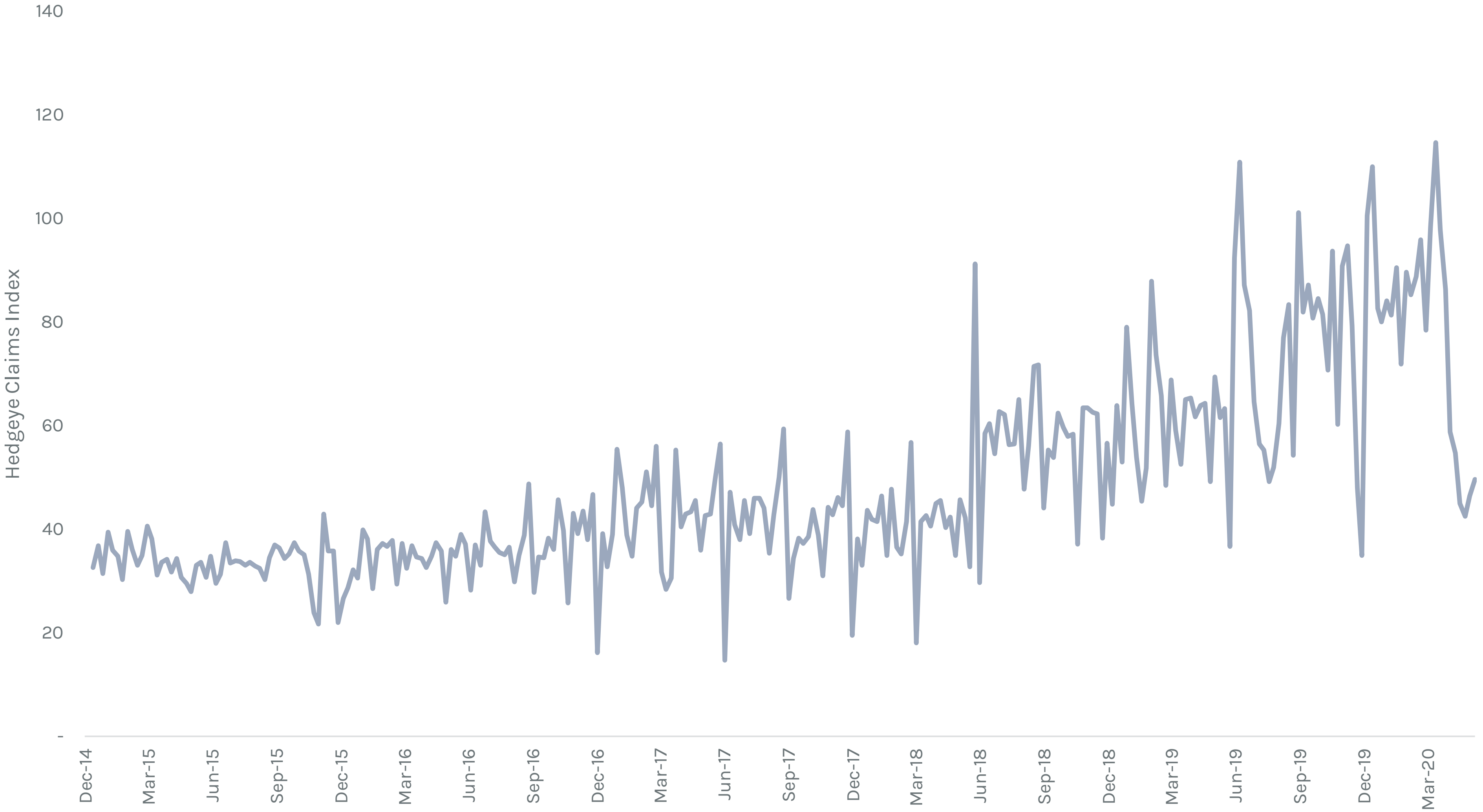


Unlike many of the other labs contained in this chartbook, Cologuard is an approved test to screen for colorectal cancer. The classification simplified the billing and diagnosis of their claims.

Genomic Health

HEDGEYE

Claims Index, Weekly

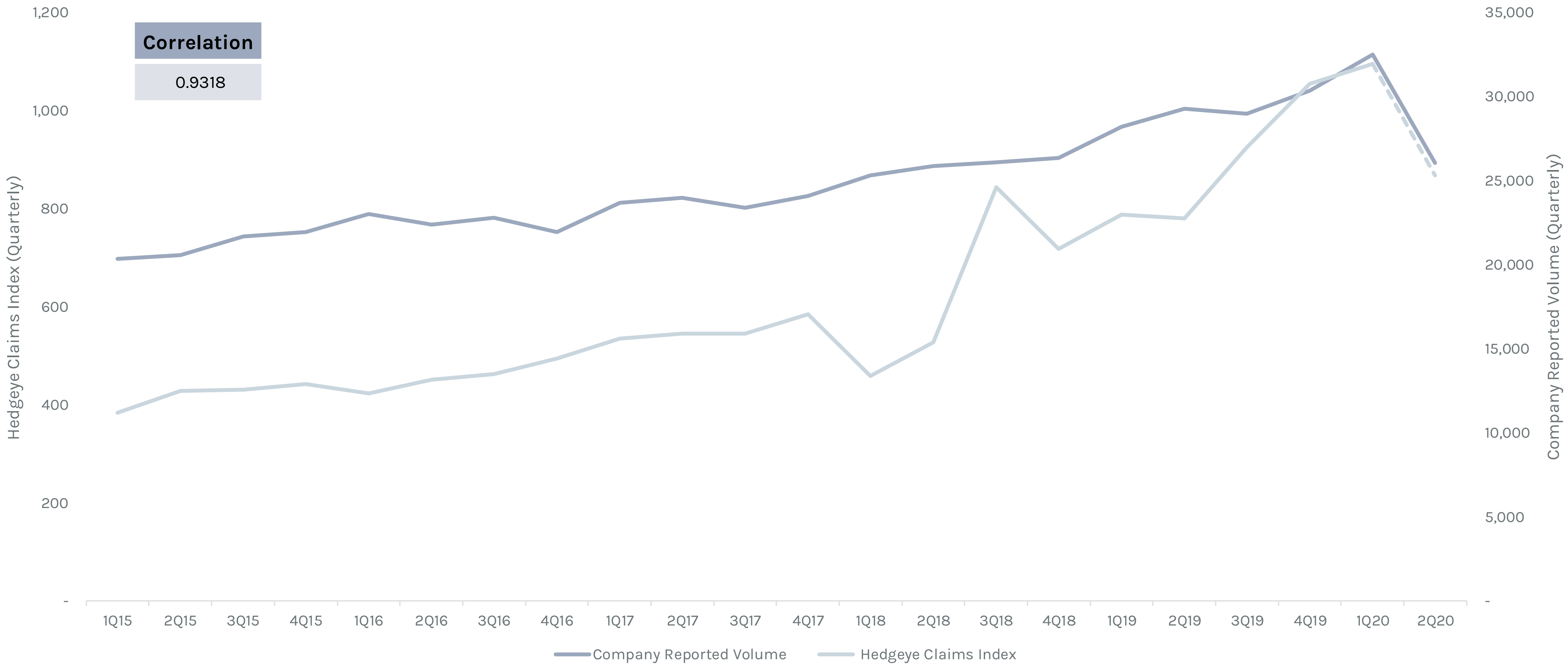


- While we find Genomic Health's Oncotype Dx product suite interesting, we recognize the company's longer-term focus with the original acquisition.

Genomic Health | Claims Index versus Company Reported

HEDGEYE

Hedgeye: 25,744 tests versus 2Q20 Reported: 26,055 tests



Genomic Health | Claims Forecast

HEDGEYE

Claims Index Forecasting Method

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	Q2-2020
1	16	32	15	27	89	19	18	30	44	111	57	69	92	101	319	35	78
2	39	28	47	34	149	38	41	58	55	193	45	59	111	82	297	101	98
3	33	30	41	38	142	33	43	60	54	190	64	53	87	87	290	110	115
4	39	55	38	37	169	44	41	55	62	201	53	65	82	81	281	83	98
5	55	40	45	39	180	42	45	63	60	209	79	65	65	85	293	80	86
6	48	43	39	44	174	41	45	62	58	207	64	62	56	81	264	84	59
7	39	43	46	39	167	46	40	56	58	201	54	64	55	71	244	81	55
8	35	46	46	31	157	35	42	56	37	171	45	64	49	94	252	90	45
9	44	36	44	44	168	48	35	65	63	211	52	49	52	60	213	72	42
10	45	43	35	43	166	37	46	48	63	193	88	69	60	91	309	90	46
11	51	43	43	46	183	35	42	56	62	196	74	62	77	95	307	85	50
12	45	49	50	45	189	41	33	71	62	208	66	63	83	79	292	89	49
13	56	56	59	59	230	57	91	72	38	258	48	37	54	48	187	96	47
Total	545	545	548	525	2,163	516	562	752	718	2,549	788	780	925	1,054	3,547	1,095	868

Seasonal Weekly Distribution Pattern Based on Prior Years

Week	Q2-2020
Total	868

Average Per Day QTD x Total Days

Week	Q2-2020
Total	868

QTD Volume / Ratio of Completed Days

Week	Q2-2020
Total	868

Last Weekly Data Point Carried Forward

Week	Q2-2020
Total	868

Average Weekly Volume Carried Forward

Week	Q2-2020
Total	868

Correlation	
Claims Data & Reported Claims	93.2%

Forecast	Q2-2020
Company Reported Volume	
U.S. Oncotype DX Tests Delivered	26,055
Hedgeye	
Method 1: Seasonal Wkly Distr.	25,744
Method 2: Avg Per Day x Total	25,744
Method 3: QTD Vol / Ratio Days	25,744
Method 4: Last Wkly Data Pt	25,744
Method 5: Avg Wkly Vol Carry	25,744
Average	25,744

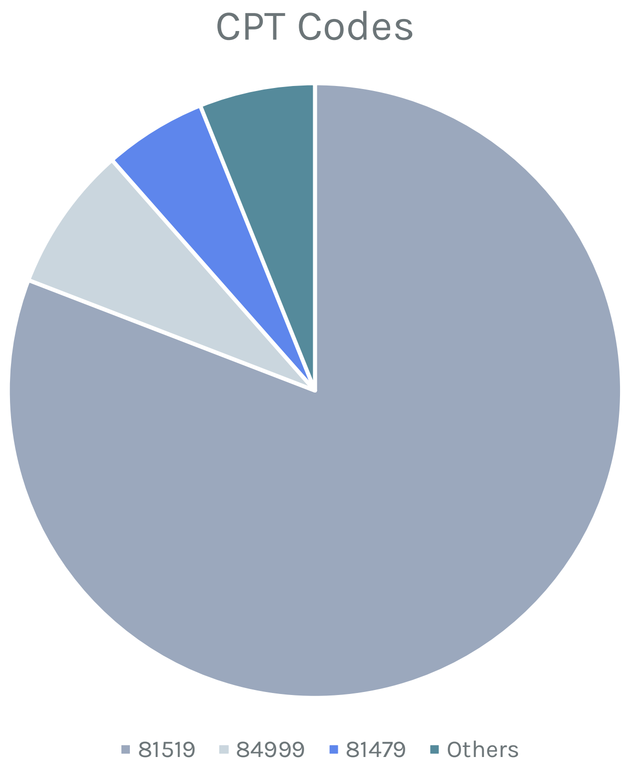
- As was the case for Cologuard volume, the tracker impressed in its forecast for Oncotype Dx volume as well.
- Our estimate landed within one and a half percent, or nearly 300 tests, away from the reported volume.

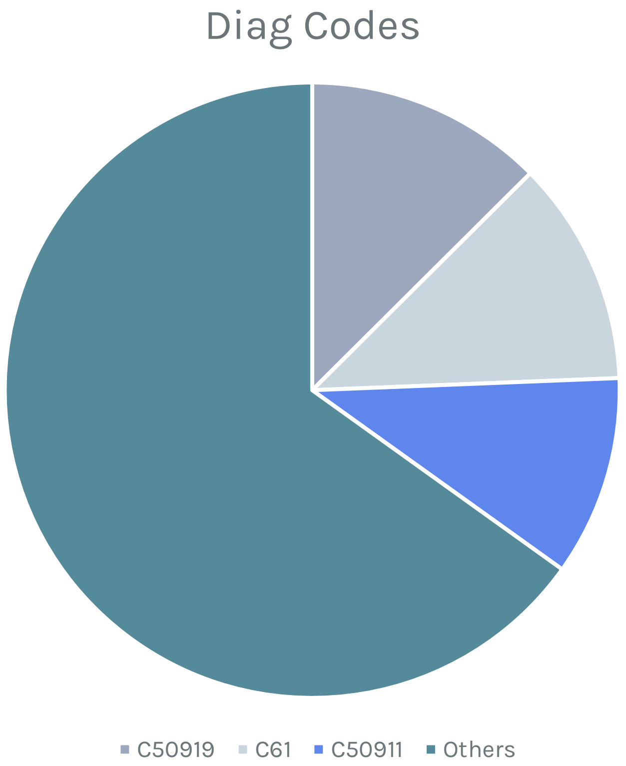
*13 of 13 weeks completed in this data set.

Genomic Health | Claims Analysis

HEDGEYE

Unique Diag and CPT codes Mix



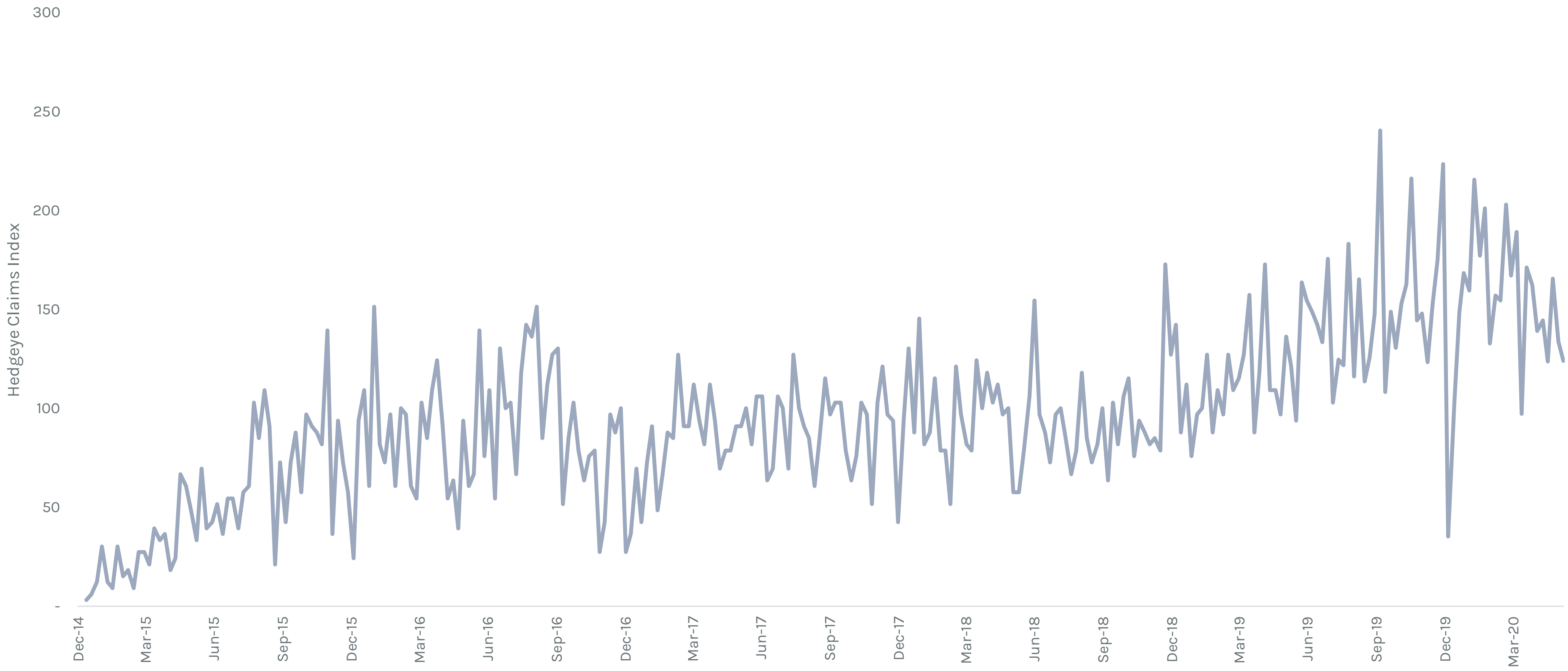


Genomic Health has Breast, Colon, and Prostate Cancer Tests within their single billing NPI.

Guardant Health (GH)

HEDGEYE

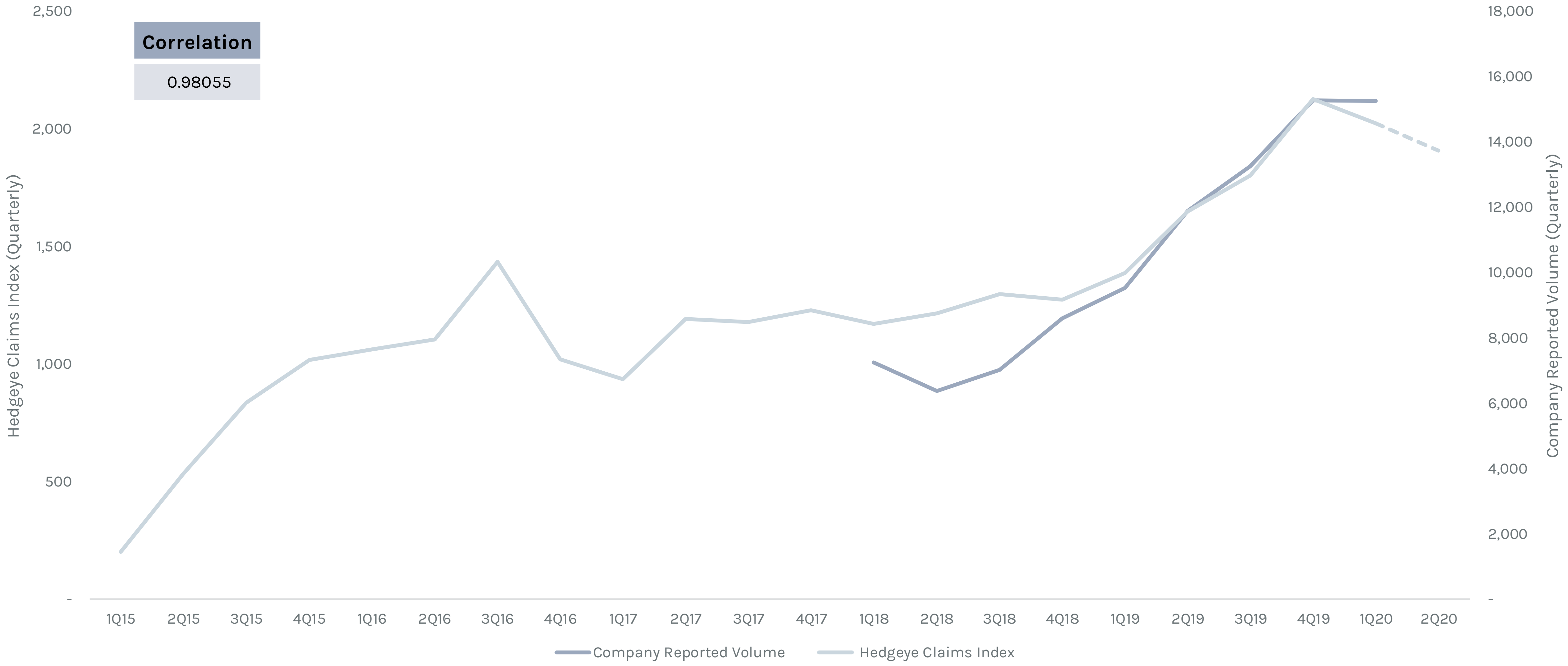
Claims Index, Weekly



GH | Claims Index versus Company Reported

HEDGEYE

So far, the claims data has been most helpful as a directional tool indicating weakness in prior quarters



GH | Claims Forecast

HEDGEYE

Claims Index Forecasting Method

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	Q2-2020
1	36	94	64	103	297	94	79	97	64	333	142	127	148	241	658	35	189
2	70	82	70	103	324	130	124	88	103	445	88	157	142	108	496	103	97
3	42	112	106	79	339	88	100	73	82	342	112	88	133	149	482	148	171
4	73	94	100	64	330	145	118	97	106	466	76	118	176	131	500	168	162
5	91	70	70	76	306	82	103	100	115	400	97	173	103	153	525	159	139
6	48	79	127	103	357	88	112	85	76	360	100	109	125	163	496	215	144
7	67	79	100	97	342	115	97	67	94	372	127	109	122	216	574	177	124
8	88	91	91	51	321	79	100	79	88	345	88	97	183	144	512	201	165
9	85	91	85	103	363	79	58	118	82	336	109	136	116	148	509	133	134
10	127	100	61	121	409	51	58	85	85	279	97	121	165	123	506	157	124
11	91	82	85	97	354	121	79	73	79	351	127	94	113	152	487	155	-
12	91	106	115	94	406	97	106	82	173	457	109	164	126	175	573	203	-
13	112	106	97	42	357	82	154	100	127	463	115	154	148	223	641	167	-
Total	1,020	1,184	1,169	1,132	4,506	1,251	1,287	1,142	1,272	4,951	1,387	1,647	1,800	2,126	6,960	2,022	1,450

Seasonal Weekly Distribution Pattern Based on Prior Years

Week	Q2-2020
11	125
12	201
13	242
Total	2,018

Average Per Day QTD x Total Days

Week	Q2-2020
11	159
12	160
13	160
Total	1,929

QTD Volume / Ratio of Completed Days

Week	Q2-2020
11	145
12	145
13	145
Total	1,885

Last Weekly Data Point Carried Forward

Week	Q2-2020
11	124
12	124
13	124
Total	1,821

Average Weekly Volume Carried Forward

Week	Q2-2020
11	145
12	145
13	145
Total	1,885

Correlation	
Claims Data & Reported Claims	98.1%

Forecast	Q2-2020
Management Guidance	
Clinical Test Volume	Withdrawn
Hedgeye	
Method 1: Seasonal Wkly Distr.	15,225
Method 2: Avg Per Day x Total	14,551
Method 3: QTD Vol / Ratio Days	14,220
Method 4: Last Wkly Data Pt	13,742
Method 5: Avg Wkly Vol Carry	14,220
Average	14,392

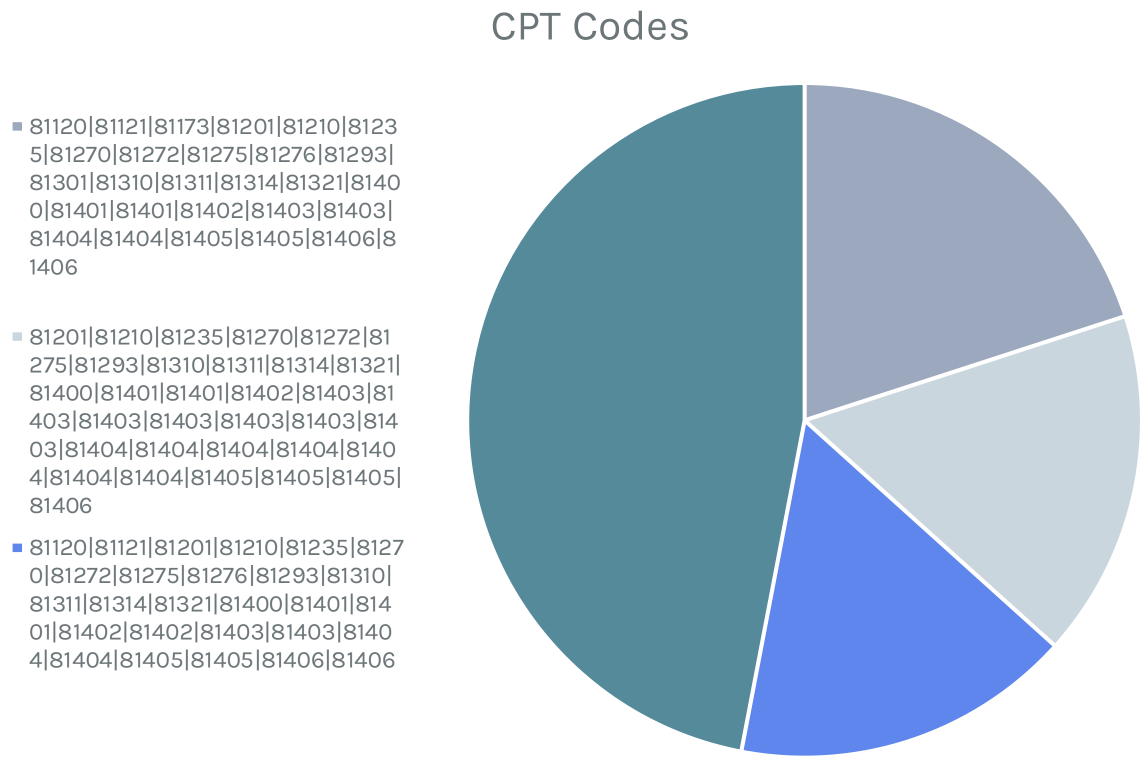
- The process for forecasting for GH based on claims is slightly more difficult. Because the company is not billing their Biopharmaceutical Test Volume, we must subtract these.
- Consensus does not give a test volume or Clinical Test Volume Consensus. Using the numbers below, we can find a rough estimate:
  - Consensus 2Q20 Revenue of $59.2mm x 1Q20 Clinical Test Revenue mix of 63.1% = Consensus 2Q20 Clinical Test Revenue of $37.34mm.
  - $37.34mm / Consensus ASP of $2,412 = ~15,480 Consensus Clinical Tests.
- Management withdrew guidance earlier this year.

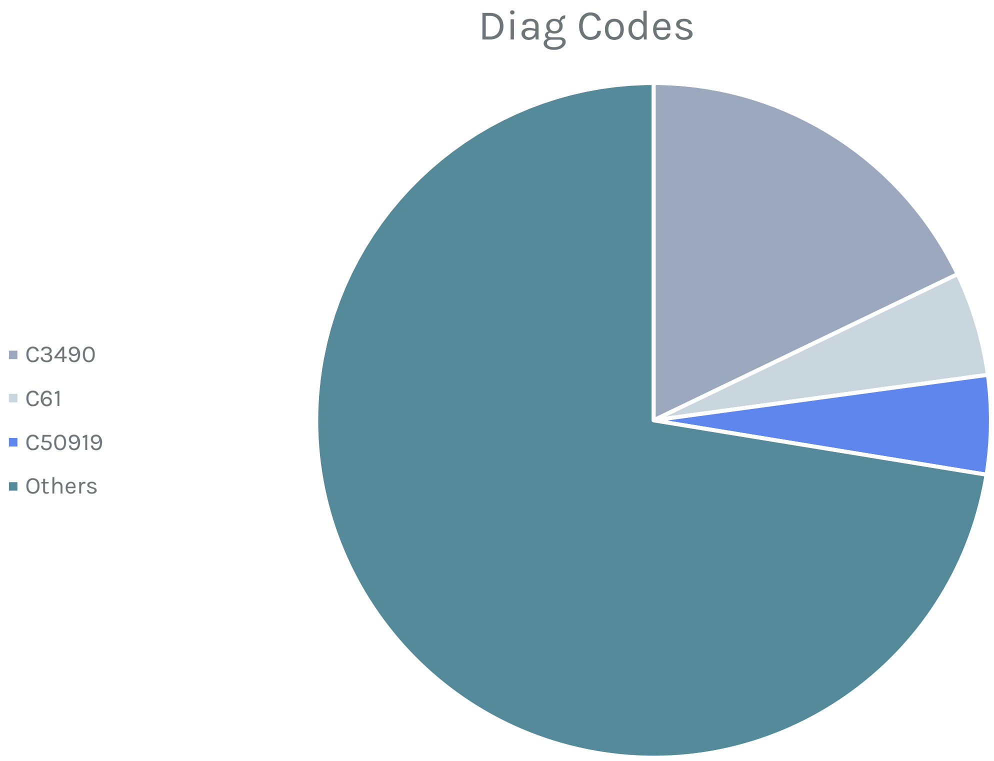
*10 of 13 weeks completed in this data set.

GH | Claims Analysis

HEDGEYE

Unique Diag and CPT codes Mix



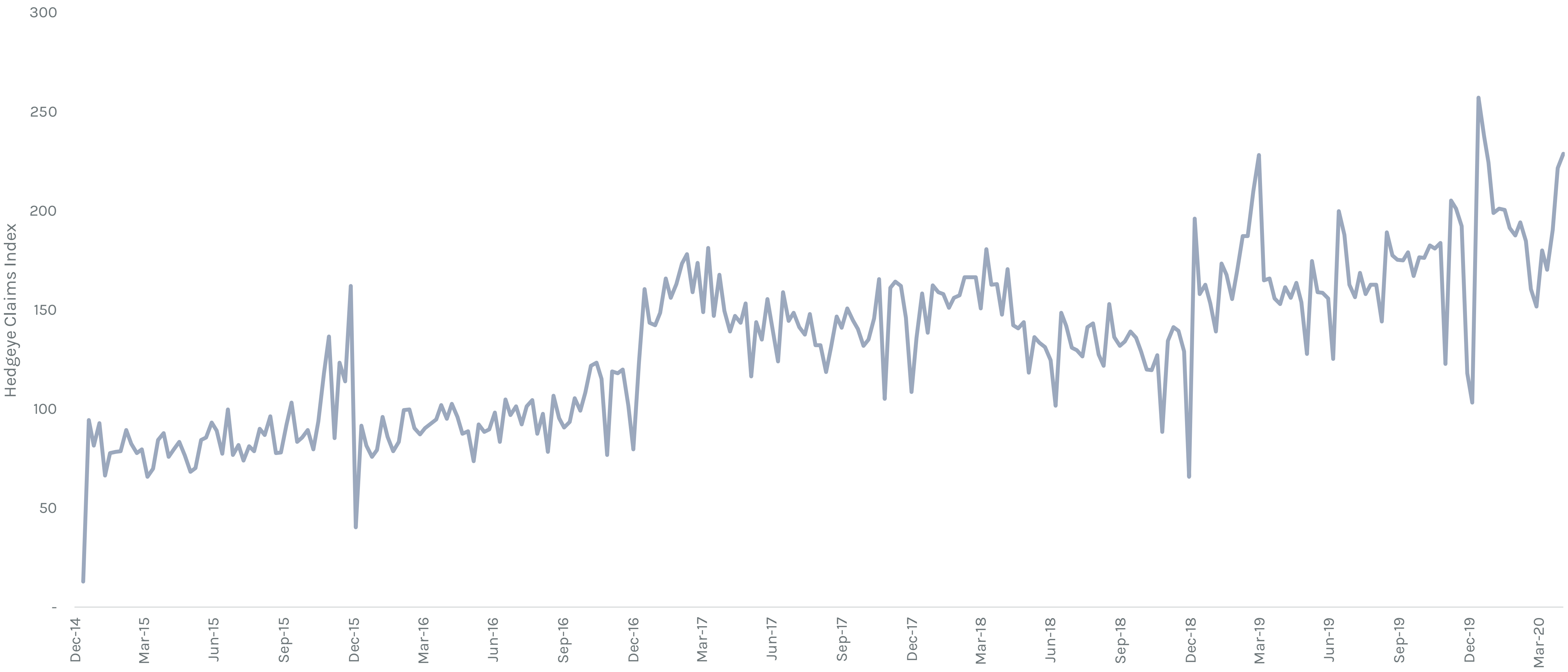


Within Guardant's data, you can see how some labs utilize combining different CPT codes, or resubmitting claims, to get a percentage of tests approved. We have found this common in labs without an established billing process or distinct CPT code for their test.

Natera (NTRA)

HEDGEYE

Claims Index, Weekly



NTRA | Claims Index versus Company Reported

HEDGEYE

Hedgeye: 242,765 tests versus 2Q20 Reported: 221,600 tests

NTRA | Claims Forecast

HEDGEYE

Claims Index Forecasting Method

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	Q2-2020
1	123	181	124	151	579	136	181	102	134	552	196	165	125	175	661	103	180
2	160	147	159	145	611	158	163	148	139	608	158	166	200	179	703	257	170
3	143	168	144	140	596	138	163	142	136	579	163	156	188	167	673	238	190
4	142	149	148	132	572	162	148	131	129	570	153	153	163	177	645	224	222
5	149	139	141	135	564	159	170	130	120	579	139	162	156	176	633	199	229
6	166	147	138	146	596	158	142	126	119	546	173	156	168	182	680	201	-
7	156	143	148	165	613	151	141	141	127	560	168	163	158	181	670	200	-
8	163	153	132	105	553	156	144	143	88	531	155	154	163	184	655	191	-
9	173	116	132	161	583	157	118	127	134	537	170	128	163	123	582	188	-
10	178	144	119	164	605	166	136	122	141	566	187	175	144	205	711	194	-
11	159	135	131	162	588	166	133	153	139	592	187	159	189	201	736	185	-
12	174	155	147	146	622	166	131	136	129	563	210	159	178	192	739	160	-
13	149	141	141	109	539	151	125	132	66	473	228	156	175	118	677	152	-
Total	2,036	1,919	1,804	1,861	7,620	2,026	1,895	1,733	1,602	7,257	2,287	2,050	2,170	2,260	8,767	2,492	991

Seasonal Weekly Distribution Pattern Based on Prior Years

Week	Q2-2020
6	223
7	228
8	222
9	180
10	233
11	217
12	215
13	207
Total	2,716

Average Per Day QTD x Total Days

Week	Q2-2020
6	238
7	239
8	240
9	240
10	240
11	241
12	241
13	241
Total	2,911

QTD Volume / Ratio of Completed Days

Week	Q2-2020
6	198
7	198
8	198
9	198
10	198
11	198
12	198
13	198
Total	2,577

Last Weekly Data Point Carried Forward

Week	Q2-2020
6	229
7	229
8	229
9	229
10	229
11	229
12	229
13	229
Total	2,822

Average Weekly Volume Carried

Week	Q2-2020
6	198
7	198
8	198
9	198
10	198
11	198
12	198
13	198
Total	2,577

Correlation	
Claims Data & Reported Claims	90.8%

Forecast	Q2-2020
Reported	
Tests Accessioned	221,600
Hedgeye	
Method 1: Seasonal Wkly Distr.	242,361
Method 2: Avg Per Day x Total	259,746
Method 3: QTD Vol / Ratio Days	229,949
Method 4: Last Wkly Data Pt	251,820
Method 5: Avg Wkly Vol Carry	229,949
Average	242,765

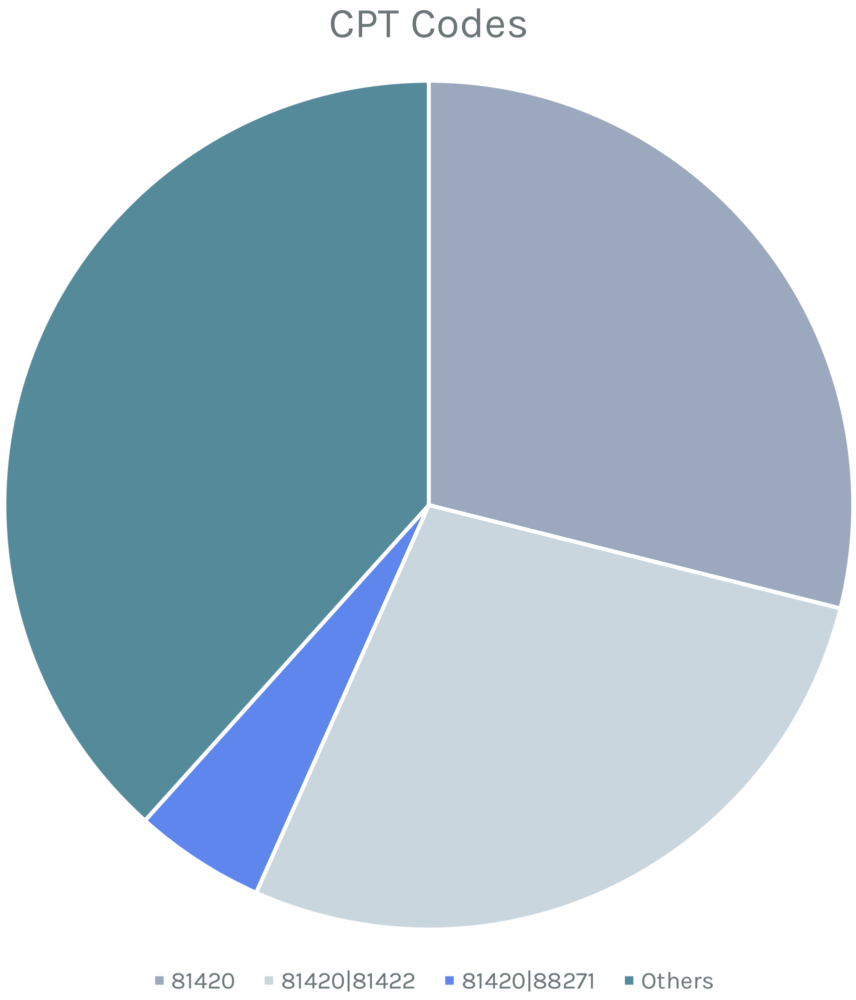
- So far, Natera's claims have made it especially difficult to forecast their quarterly volume due to the longer lag time needed to validate the counts we are seeing.
- For NTRA and labs with similar disruptions, we have utilized the range produced by our 5 forecasting methods and the directional indicators.
    - 2 of our 5 forecasting methods were within 10,000 tests of the reported tests accessioned.

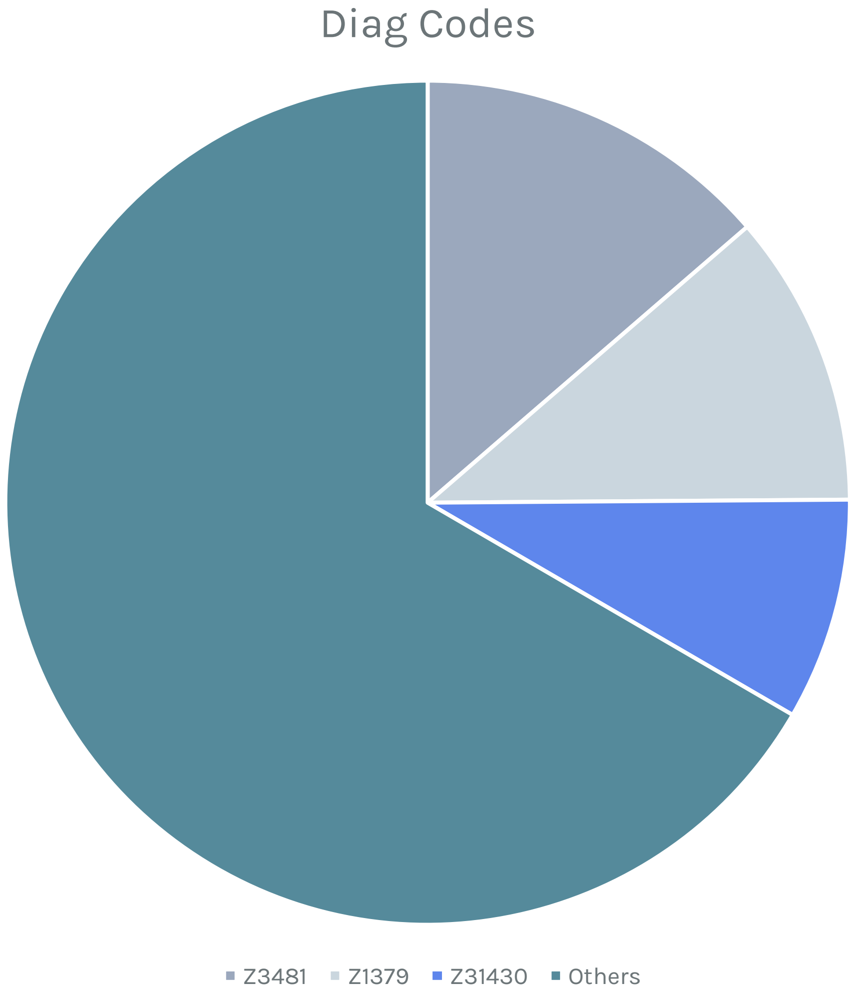
*5 of 13 weeks completed in this data set.

NTRA | Claims Analysis

HEDGEYE

Unique Diag and CPT codes Mix

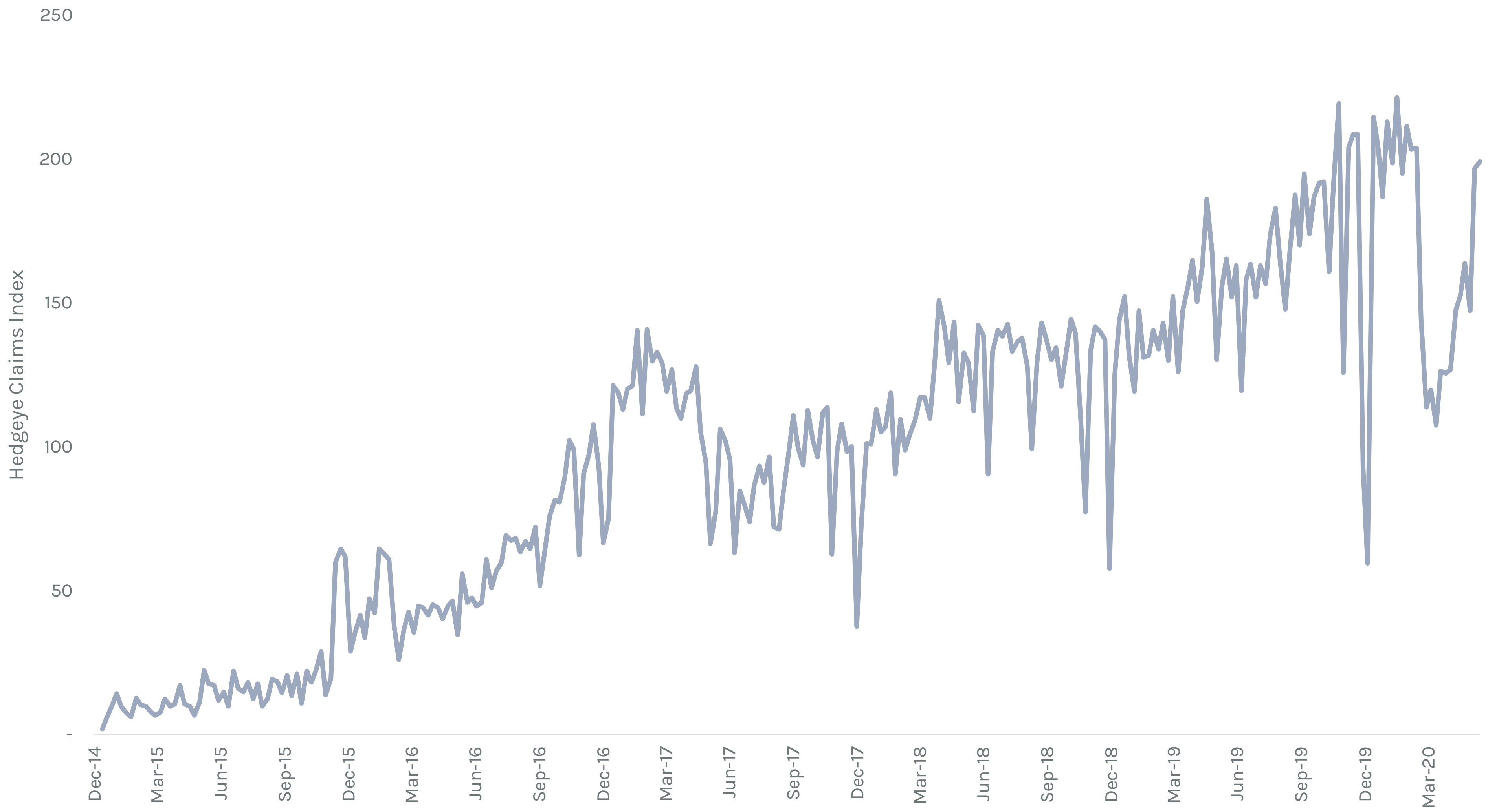




Invitae (NVTA)

HEDGEYE

Claims Index, Weekly



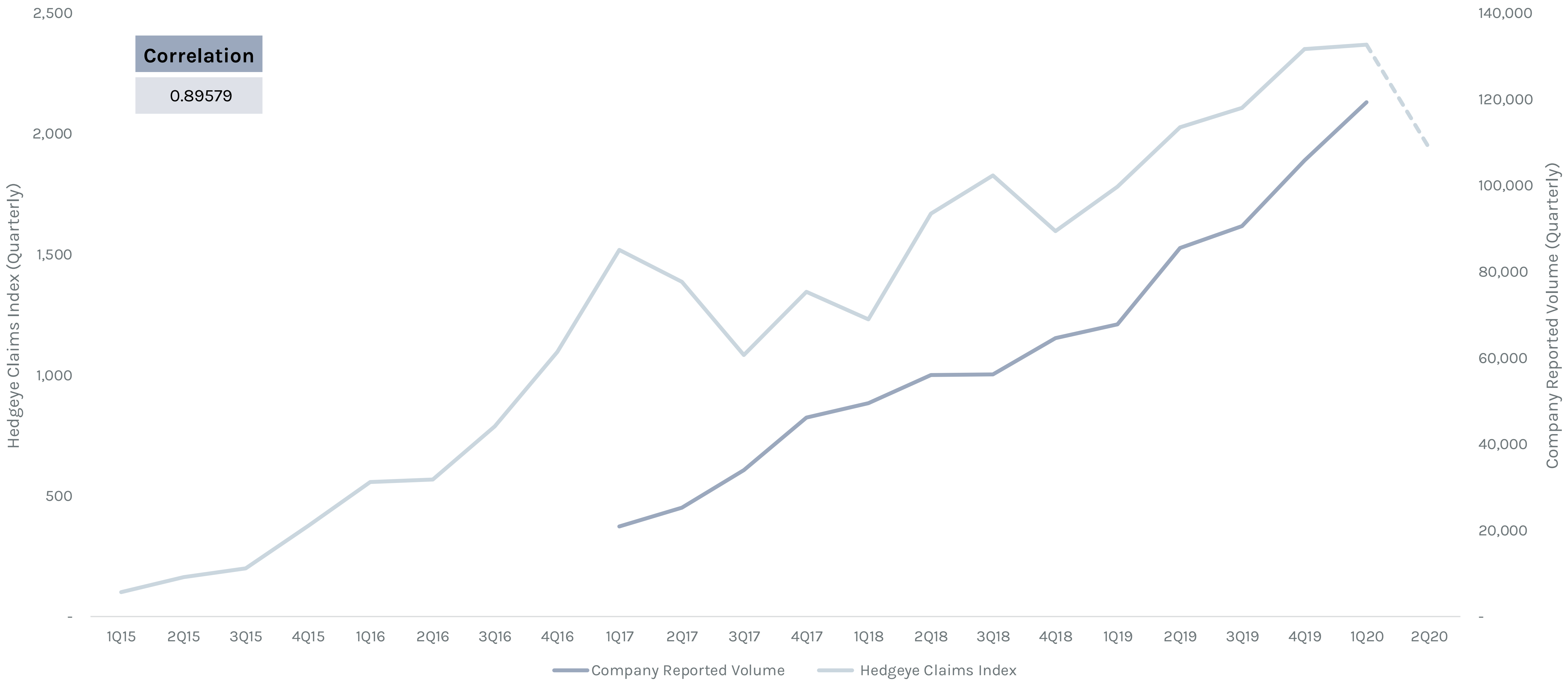
- Invitae test volume was likely significantly affected by patient fear to show up a routine check-ups during the COVID-19 lockdown.
- As these fears alleviate, volume looks to have returned quickly to pre-COVID levels.

*This index includes each of the billing labs which NVTA has acquired in recent years.

NVTA | Claims Index versus Company Reported

HEDGEYE

We have not yet found a way to track recent acquisition, Archer Dx



NVTA | Claims Forecast

HEDGEYE

Claims Index Forecasting Method

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	Q2-2020
1	75	127	63	100	364	73	117	90	130	410	125	126	119	195	566	59	120
2	121	113	85	94	413	101	110	133	134	478	144	147	158	174	623	215	107
3	119	110	80	113	421	101	128	140	121	490	152	156	163	187	658	204	126
4	113	118	74	102	407	113	151	138	132	534	131	165	152	192	640	187	126
5	120	119	86	96	422	105	142	143	144	534	119	150	163	192	625	213	127
6	121	128	93	112	454	107	129	133	139	509	147	163	157	161	627	199	147
7	140	105	87	114	447	119	143	136	108	507	131	186	174	192	683	221	152
8	111	95	96	63	365	90	116	138	77	421	132	167	183	219	701	195	164
9	141	66	72	99	378	109	132	128	134	504	140	130	165	126	561	211	147
10	130	77	71	108	386	99	129	99	142	469	134	156	148	204	642	203	197
11	133	106	85	98	422	105	112	130	140	487	143	165	168	209	685	204	199
12	129	102	96	100	428	109	142	143	137	531	130	152	188	209	678	144	-
13	119	95	111	37	363	117	139	137	58	451	152	163	170	93	578	114	-
Total	1,572	1,362	1,100	1,235	5,270	1,348	1,690	1,690	1,597	6,324	1,781	2,027	2,107	2,351	8,267	2,369	1,612

Seasonal Weekly Distribution Pattern Based on Prior Years

Week	Q2-2020
12	169
13	173
Total	1,954

Average Per Day QTD x Total Days

Week	Q2-2020
12	160
13	160
Total	1,932

QTD Volume / Ratio of Completed Days

Week	Q2-2020
12	147
13	147
Total	1,905

Last Weekly Data Point Carried Forward

Week	Q2-2020
12	199
13	199
Total	2,010

Average Weekly Volume Carried Forward

Week	Q2-2020
12	147
13	147
Total	1,905

Correlation	
Claims Data & Reported Claims	89.6%

Forecast	Q2-2020
Management Guidance	
Billable Tests ex Medicare	Withdrawn
Hedgeye	
Method 1: Seasonal Wkly Distr.	98,390
Method 2: Avg Per Day x Total	97,298
Method 3: QTD Vol / Ratio Days	95,951
Method 4: Last Wkly Data Pt	101,234
Method 5: Avg Wkly Vol Carry	95,951
Average	97,765

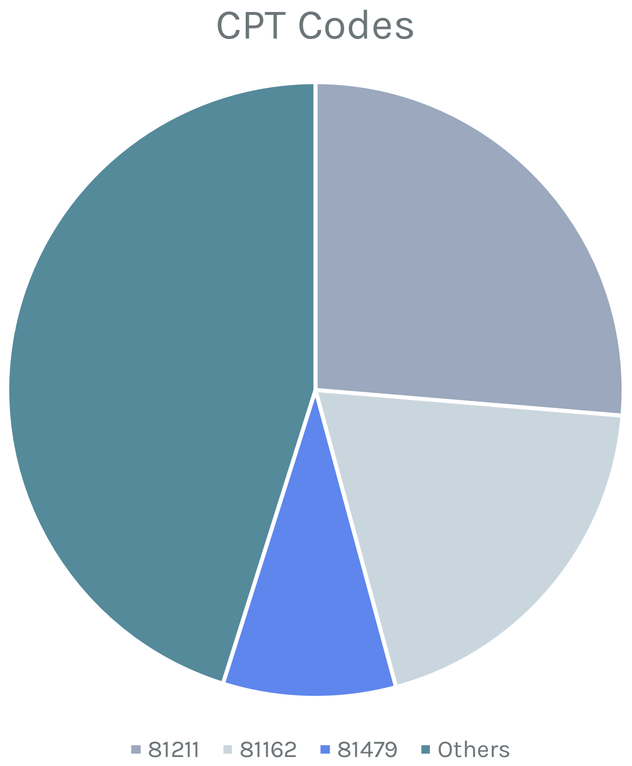
- NVTA will report 2Q20 Earnings after the close on August 4, 2020.

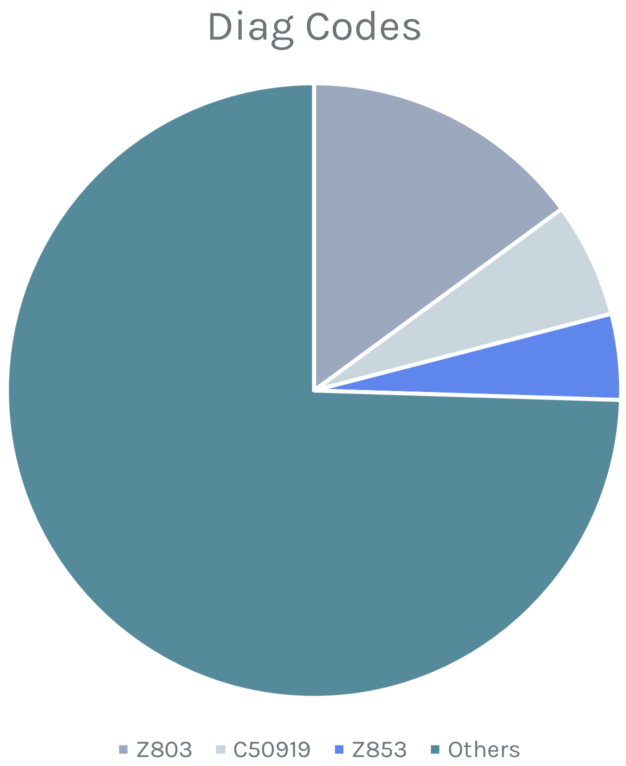
*11 of 13 weeks completed in this data set.

NVTA | Claims Analysis

HEDGEYE

Unique Diag and CPT codes Mix

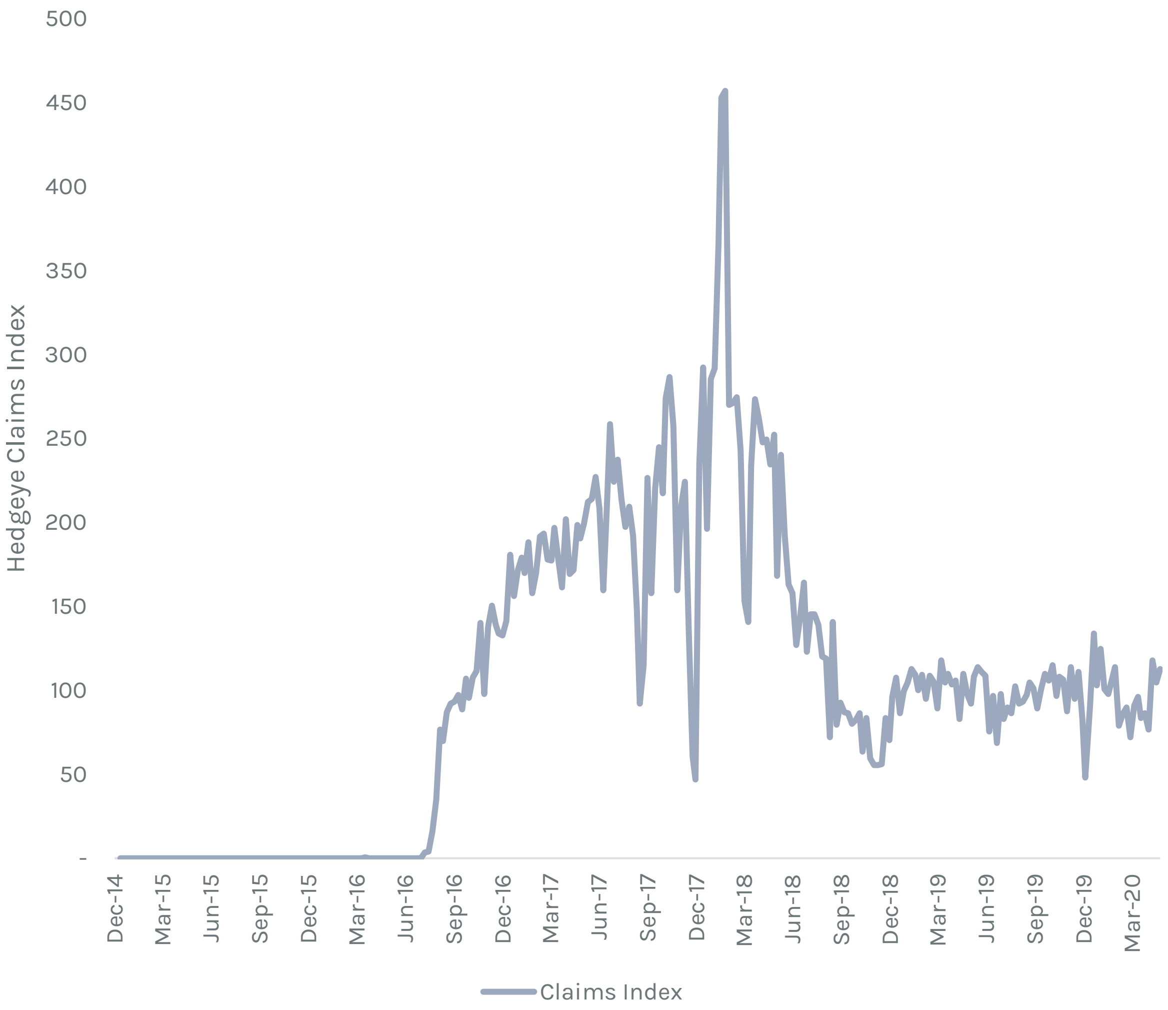




Invitae has a very messy billing process; so much so that they report their volume in tests accessioned and tests billed. The difference ranges between 0% - 4%.

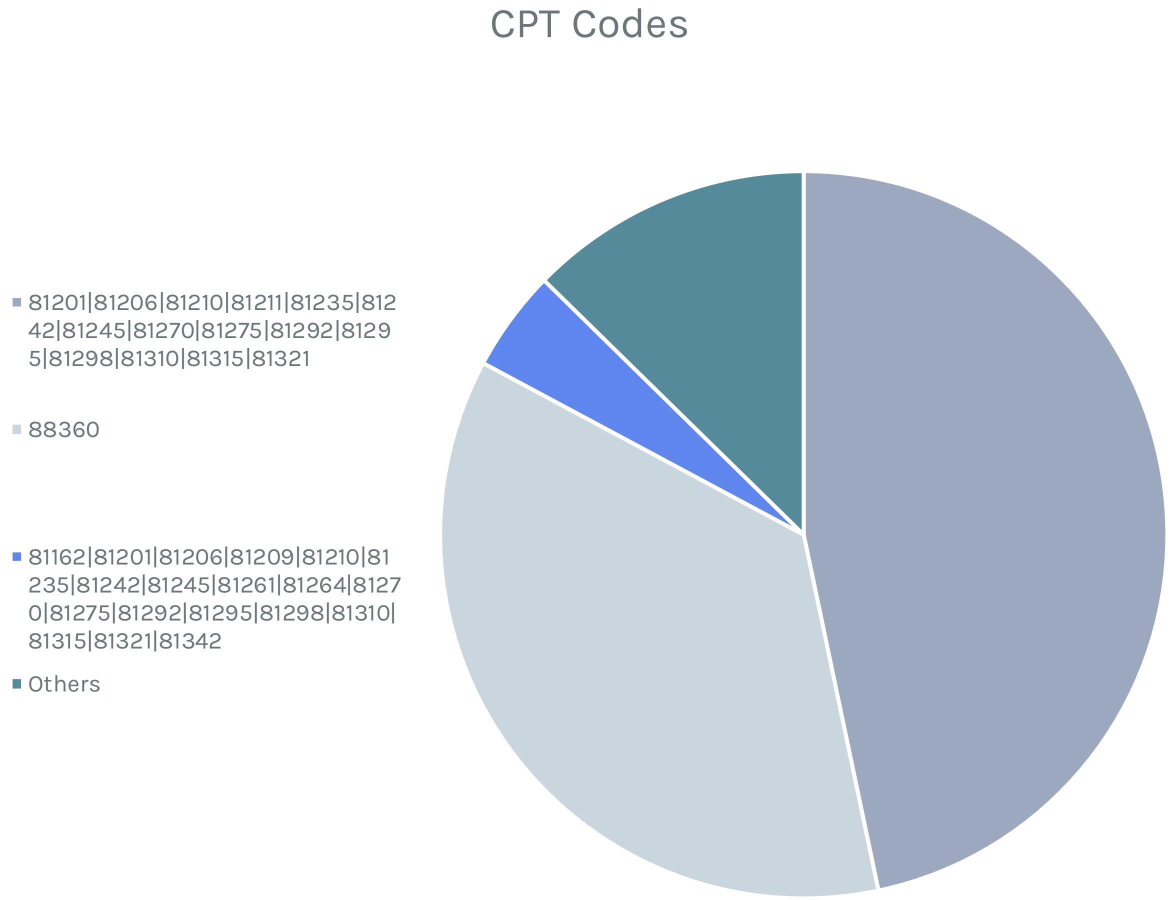
Foundation | Claims Index

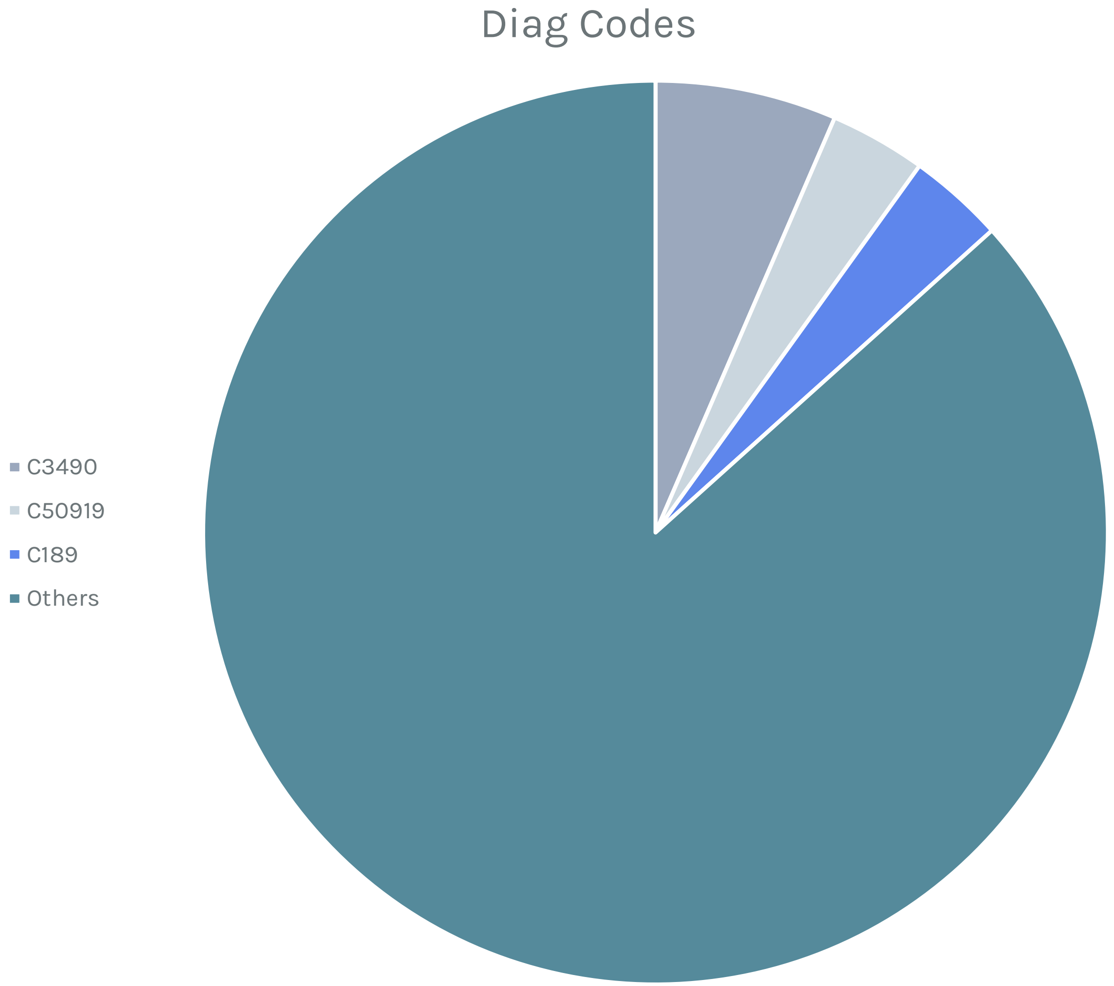
HEDGEYE



Foundation | Claims Analysis

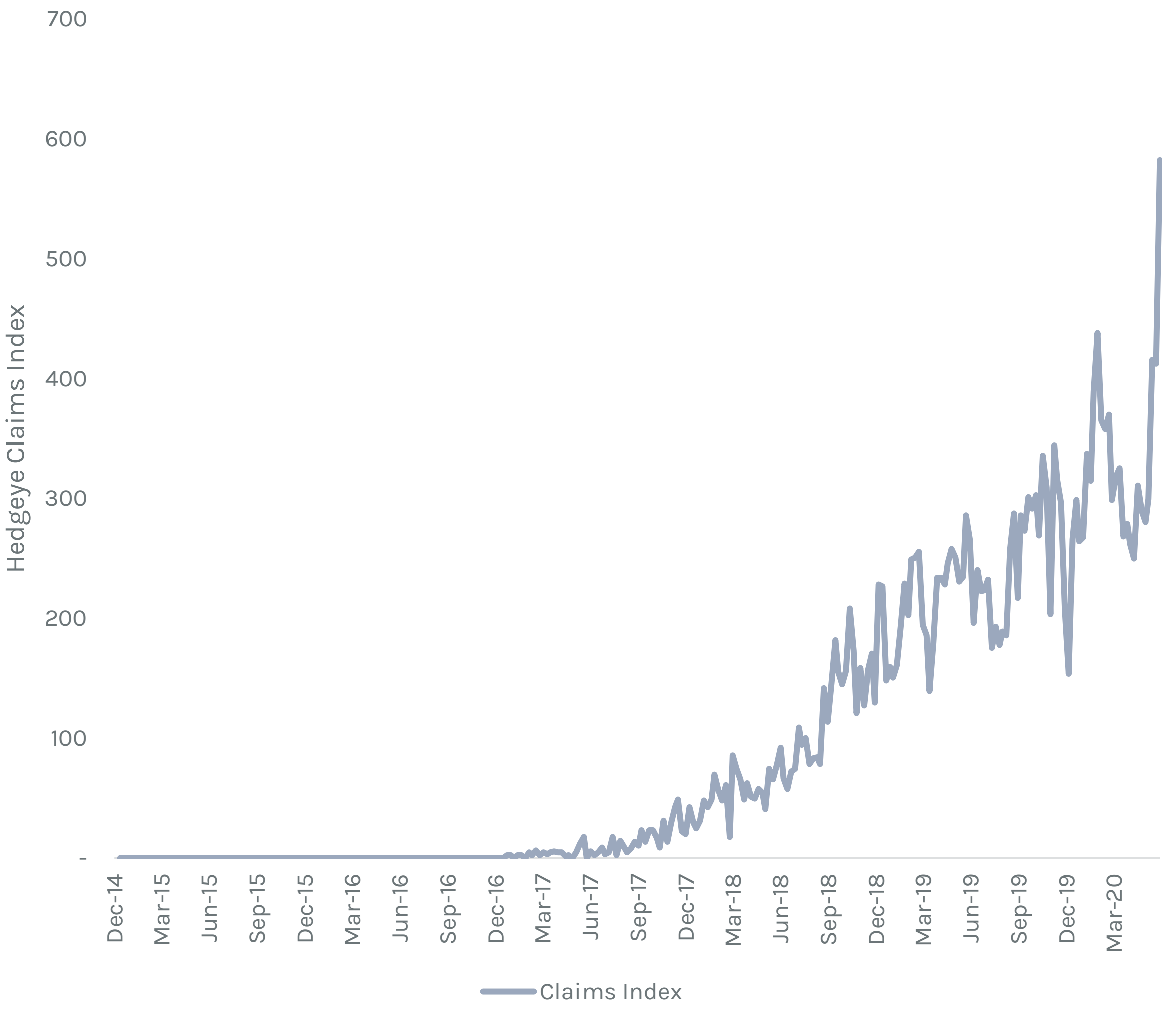
Unique Diag and CPT codes Mix

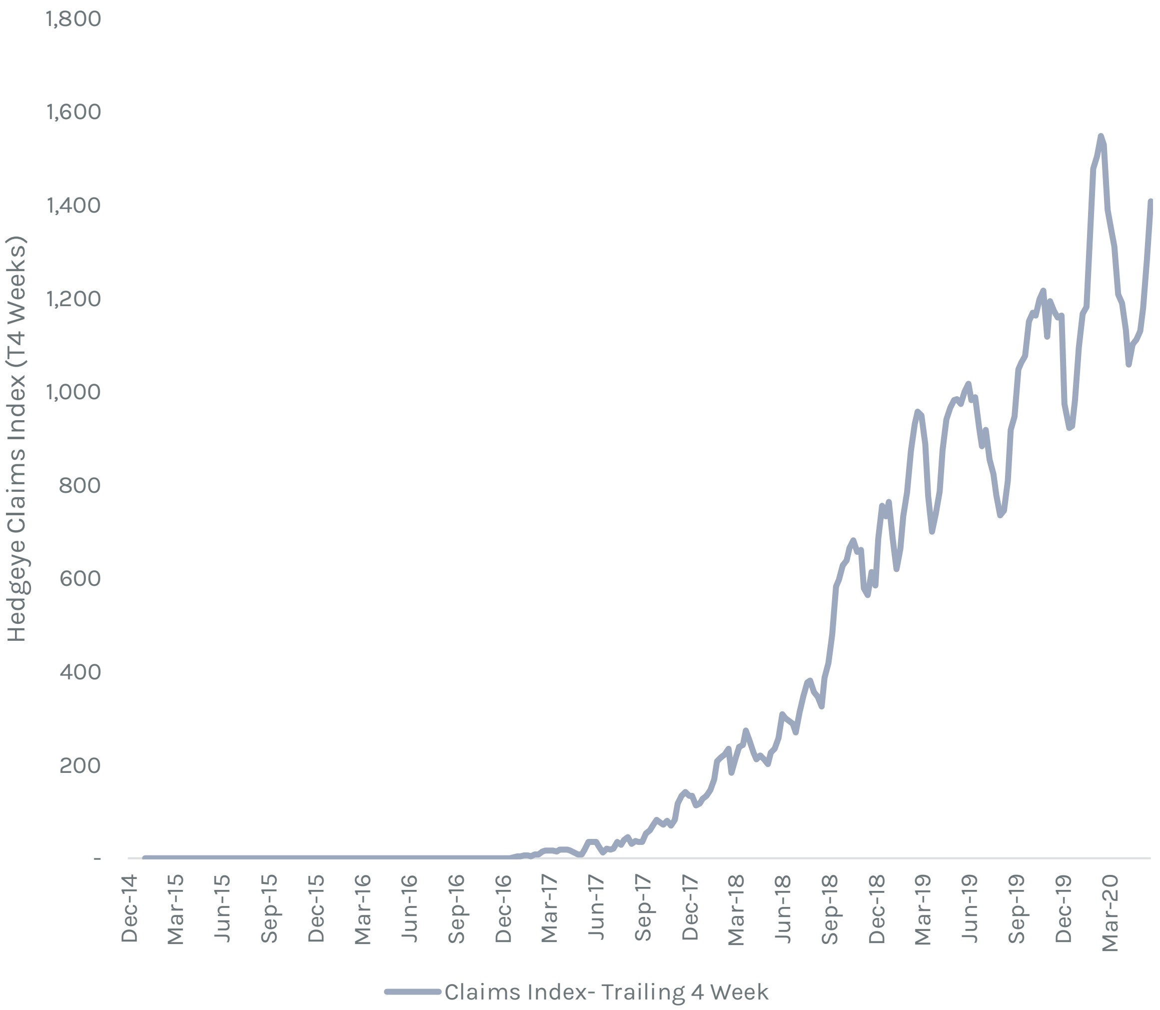




Tempus | Claims Index

HEDGEYE



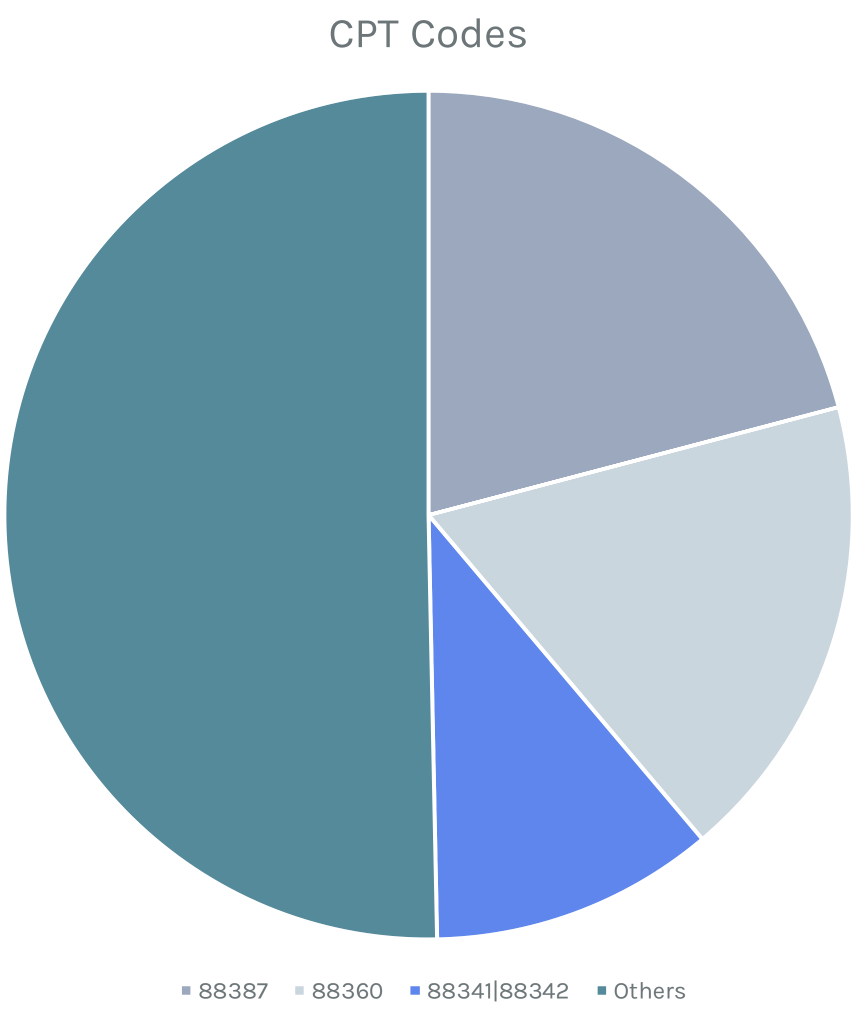


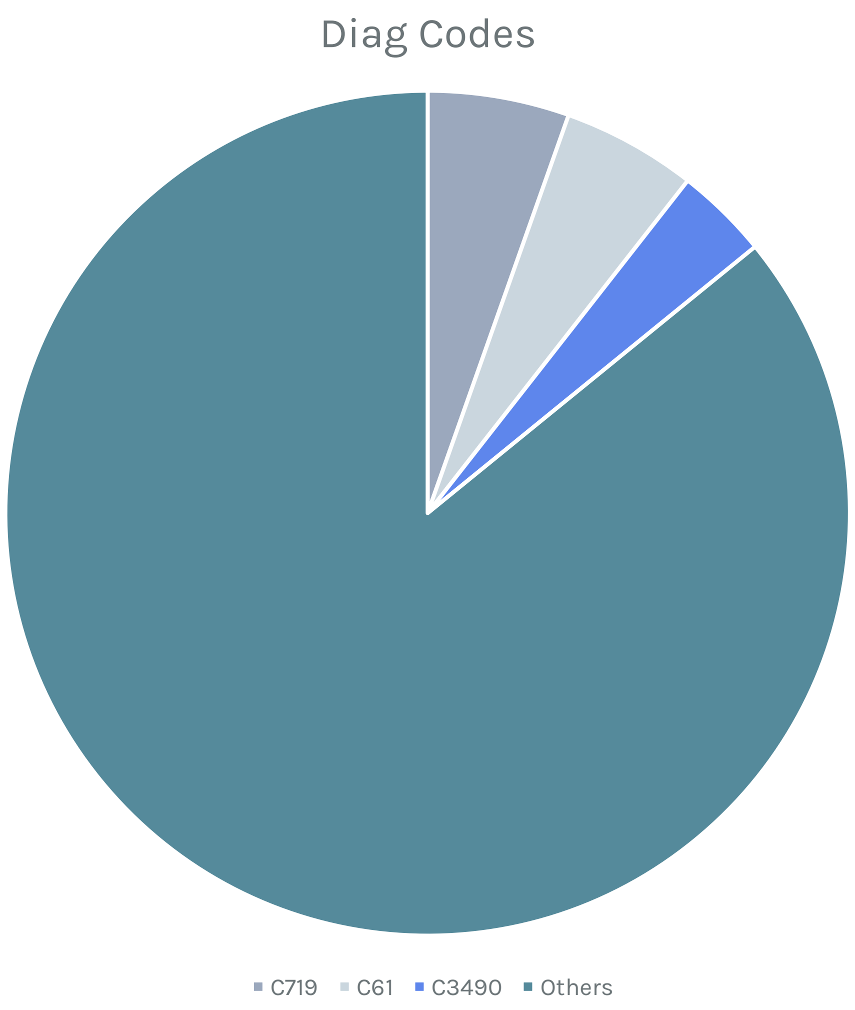
Data Source: Hedgeye and Other Proprietary Data Sources

Tempus | Claims Analysis

HEDGEYE

Unique Diag and CPT codes Mix





For more information, contact us at:

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