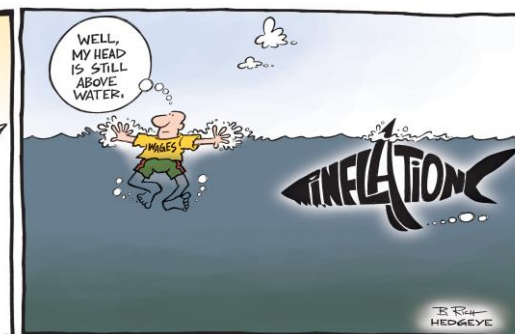
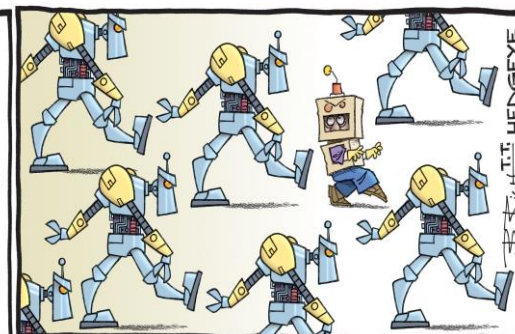
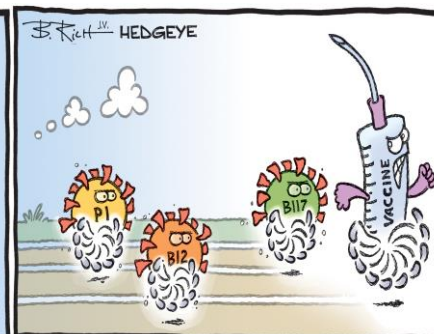
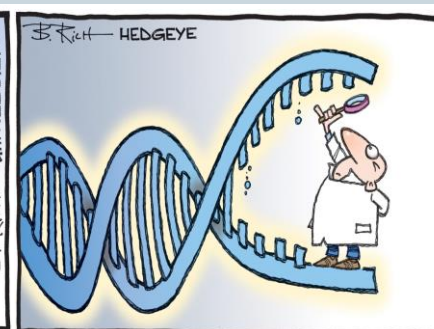


HEDGEYE

Hedgeye Health Care House Call + Q&A

For the Week Ending May 13, 2022

June 6, 2022



Hedgeye Health Care

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MICROQUAD RESULTS

While we have up to five (5) years of data on the securities in the MicroQuads model, not all securities in the model have five years of trading history, and while we make every effort to assure the accuracy of the data, we cannot guarantee its accuracy. The methodology used to arrive at the results displayed herein is proprietary to Hedgeye and involves aggregating the actual historical results for each security while it "resides" in the appropriate MicroQuad over the defined periods of time. These results do not include any consideration for trading costs, commissions, or other factors that could impact results, we make no representations or warranties that past results will or can be repeated, and the data have not been verified by a third-party.

PERFORMANCE MONITOR FORWARD/PROSPECTIVE PRICE CHANGES

The data for each security are based on historic price performance and average forward returns and are not a guarantee of future performance. We make every effort to assure the accuracy of the calculations and forecasts; however, we cannot guarantee their accuracy or that performance will be repeated.

Health Care Position Monitor

For Week of June 6, 2022

Best Ideas - Longs					Best Ideas - Shorts						
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs					Active Shorts						
XLV	Health Care Select Sector SPDR Fund	\$ 130.82	\$39.1B	✓	✓	XBI	SPDR S&P BIOTECH ETF	\$ 69.51	\$5.9B	×	×
						ARKG	ARK Genomic Revolution ETF	\$ 32.10	\$2.5B	×	×
BAX	Baxter International Inc.	\$ 74.13	\$37.3B	✓	✓	TXG	10x Genomics Inc Class A	\$ 47.70	\$4.5B	×	×
HCA	HCA Healthcare Inc	\$ 210.78	\$62.3B	✓	✓	EXAS	Exact Sciences Corporation	\$ 49.59	\$8.7B	×	×
BDX	Becton, Dickinson and Company	\$ 254.26	\$72.5B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 97.99	\$4.4B	×	×
DRIO	DarioHealth Corp.	\$ 6.26	\$0.1B	✓	✓	TDOC	Teladoc Health, Inc.	\$ 34.32	\$5.5B	×	×
ATIP	ATI Physical Therapy, Inc. Class A	\$ 1.99	\$0.4B	✓	✓	EYE	National Vision Holdings, Inc.	\$ 28.29	\$2.3B	×	×
Long Bias					Short Bias						
PINK	Simplify Health Care ETF	\$ 25.52	\$0.0B			XHE	SPDR S&P Health Care Equipment ETF	\$ 91.75	\$0.4B		
						XHS	SPDR S&P Health Care Services ETF	\$ 85.86	\$0.1B		
ACHC	Acadia Healthcare Company, Inc.	\$ 70.96	\$6.4B			LFST	Lifestance Health Group, Inc.	\$ 7.19	\$2.7B		
PGNY	Progyny, Inc.	\$ 30.62	\$2.8B			CANO	Cano Health Inc Class A	\$ 5.49	\$1.1B		
TFX	Teleflex Incorporated	\$ 289.09	\$13.6B			DGX	Quest Diagnostics Incorporated	\$ 137.61	\$16.2B		
PRVA	Privia Health Group, Inc.	\$ 24.08	\$2.6B			CYH	Community Health Systems, Inc.	\$ 5.39	\$0.7B		
CTKB	Cytek Biosciences, Inc.	\$ 10.90	\$1.5B			NTRA	Natera, Inc.	\$ 37.57	\$3.6B		
ONEM	1Life Healthcare, Inc.	\$ 8.36	\$1.6B								
DOCS	Doximity, Inc. Class A	\$ 36.10	\$4.0B								

Best Idea Longs/Shorts are high conviction ideas that we’ve either presented a Black Book for already or have one in the works (similar to other Hedgeye teams). Bias Ideas are ones in which we’ve done the bulk of the work, but there may be another question we need to answer to move it over the line. All active positions are higher conviction than bias ideas. We rank active versus active and bias versus bias.

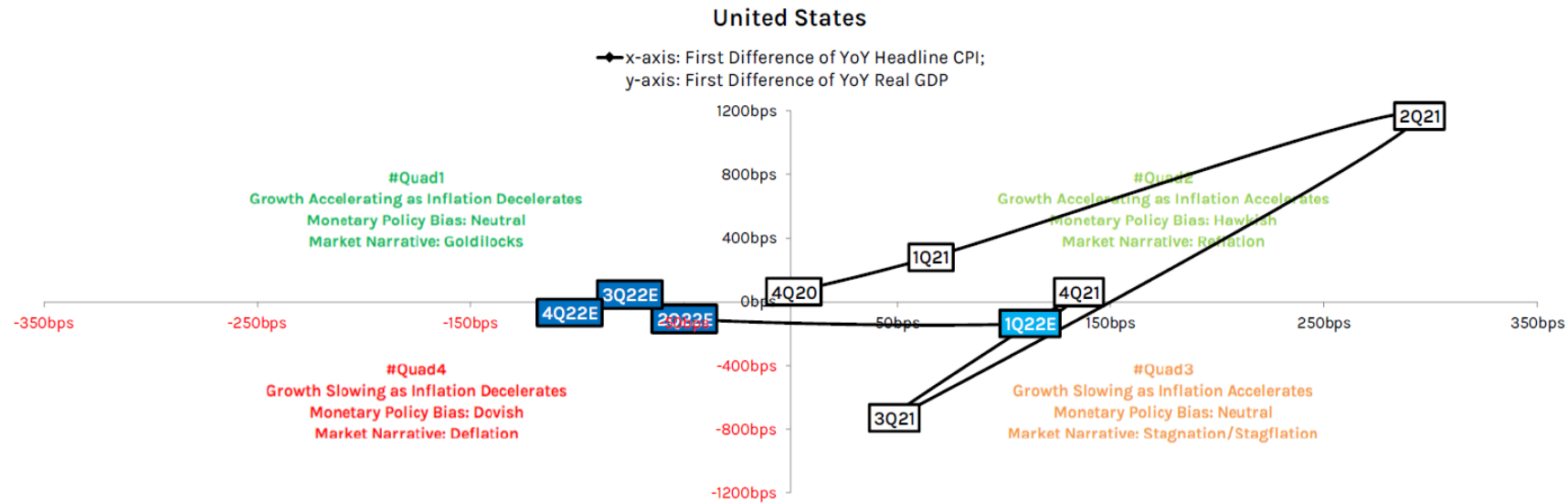
Disclaimer

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 bias and representation of a company on the bias does not forecast whether Hedgeye will or will not issue any additional material on that company.

Hedgeye Macro Quad Outlook

Hedgeye Quad Model

United States	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	← Actuals Estimates →	1Q22E	2Q22E	3Q22E	4Q22E
Real GDP QoQ SAAR	2.40%	3.20%	2.80%	1.90%	-5.10%	-31.20%	33.80%	4.50%	6.30%	6.70%	2.30%	7.00%	Real GDP QoQ SAAR	0.99%	2.43%	4.08%	4.22%
Real GDP YoY	2.15%	2.11%	2.32%	2.57%	0.63%	-9.08%	-2.89%	-2.26%	0.55%	12.23%	4.95%	5.56%	Real GDP YoY	4.22%	3.16%	3.62%	2.96%
2yr Comparative Base Effects	2.45%	2.72%	2.66%	2.52%	2.58%	2.70%	2.69%	2.45%	1.39%	-3.49%	-0.28%	0.15%	2yr Comparative Base Effects	0.99%	1.57%	1.03%	1.65%
Headline CPI YoY	1.64%	1.81%	1.76%	2.03%	2.12%	0.36%	1.22%	1.24%	1.90%	4.85%	5.34%	6.69%	Headline CPI YoY	7.81%	7.32%	6.56%	5.53%
2yr Comparative Base Effects	2.38%	2.31%	2.30%	2.16%	1.93%	2.26%	2.20%	2.12%	1.88%	1.09%	1.49%	1.64%	2yr Comparative Base Effects	2.01%	2.61%	3.28%	3.96%



Data Source: Bloomberg, Light Blue box = Hedgeye Nowcast Model estimate, Dark Blue boxes = Hedgeye Comparative Base Effects Model estimates.

© Hedgeye Risk Management

Health Care Preferred in #Quad4

Macro Quads are useful in guiding long and short and factor exposures including Sector weighting. However, at the stock level, the Macro Quads do not differentiate between tickers.

Favorable Quad 4 Factors

Quad 4: Deflation

Best Asset Classes:

Fixed Income, Gold, USD

Worst Asset Classes:

Commodities, Equities, Credit, FX

Best Equity Sectors:

Consumer Staples, Utilities, REITS, Health Care, Telecom

Worst Equity Sectors:

Energy, Tech, Industrials, Financials, Materials

Best Equity Style Factors:

Low Beta, Dividend Yield, Quality, Defensives, Value

Worst Equity Style Factors:

High Beta, Momentum, Leverage, Secular Growth, Cyclical Growth

Best Fixed Income Sectors:

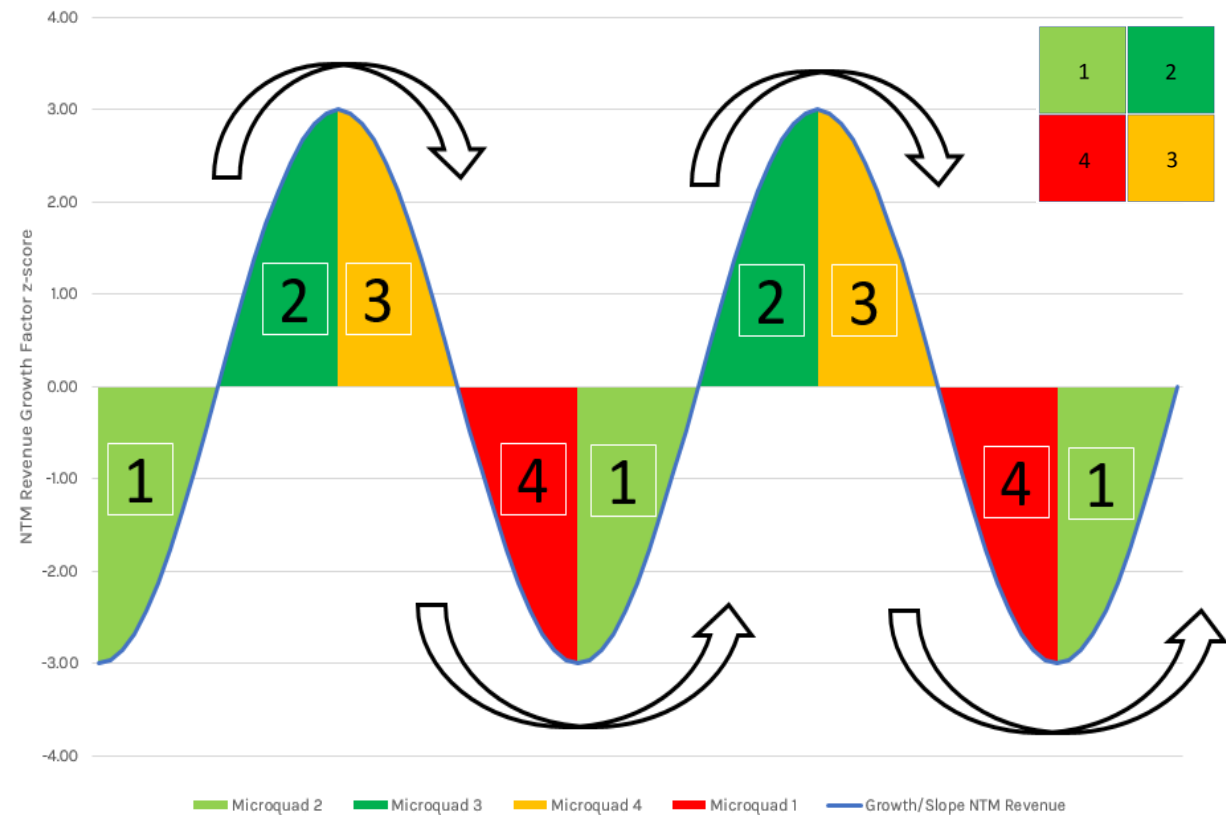
Long Bond, Treasury Belly, IG Credit, Munis, MBS

Worst Fixed Income Sectors:

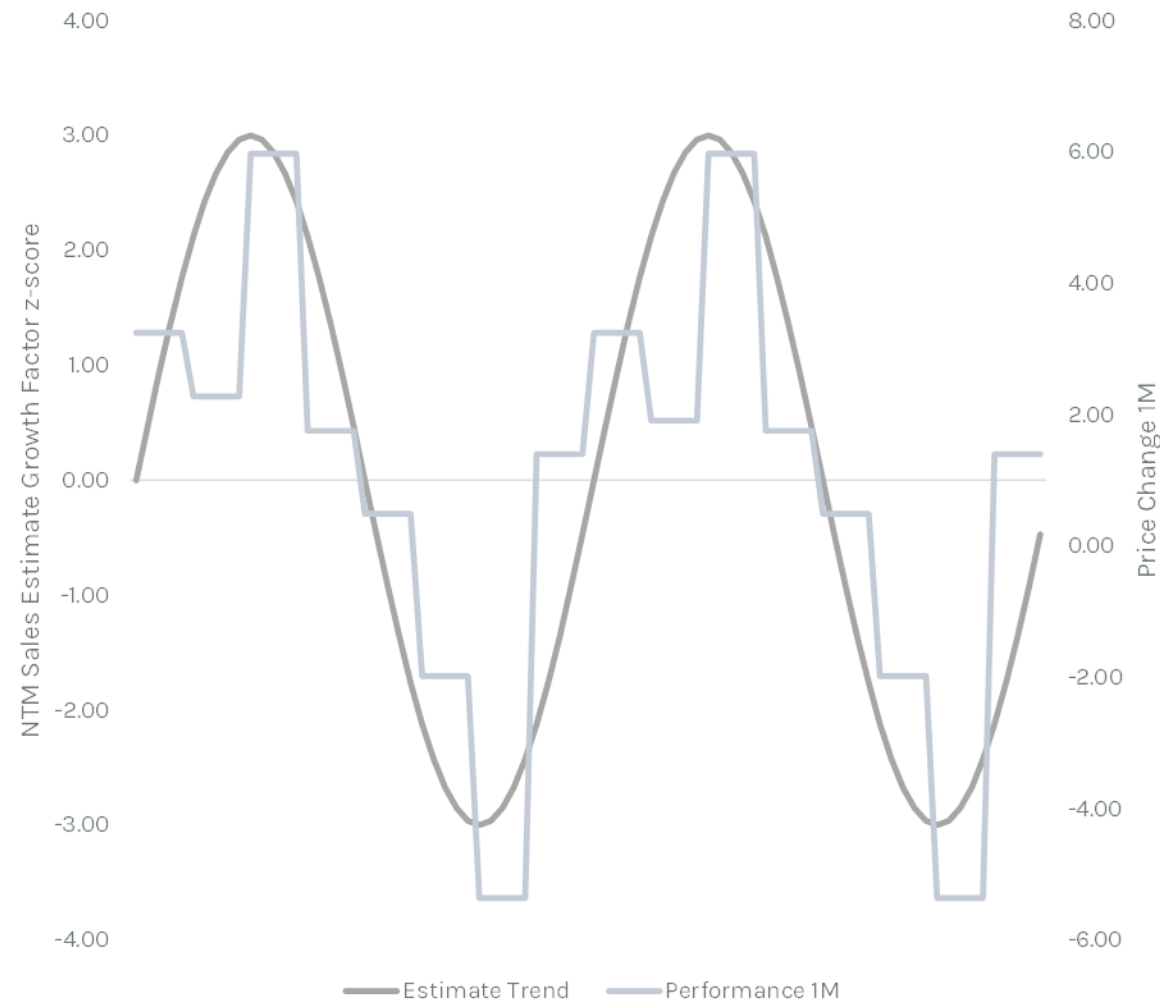
Preferreds, EM Local Currency, BDCs, Leveraged Loans, TIPS

Micro Quad | Model vs Backtest

MicroQuad – Generic Growth Curve Progression



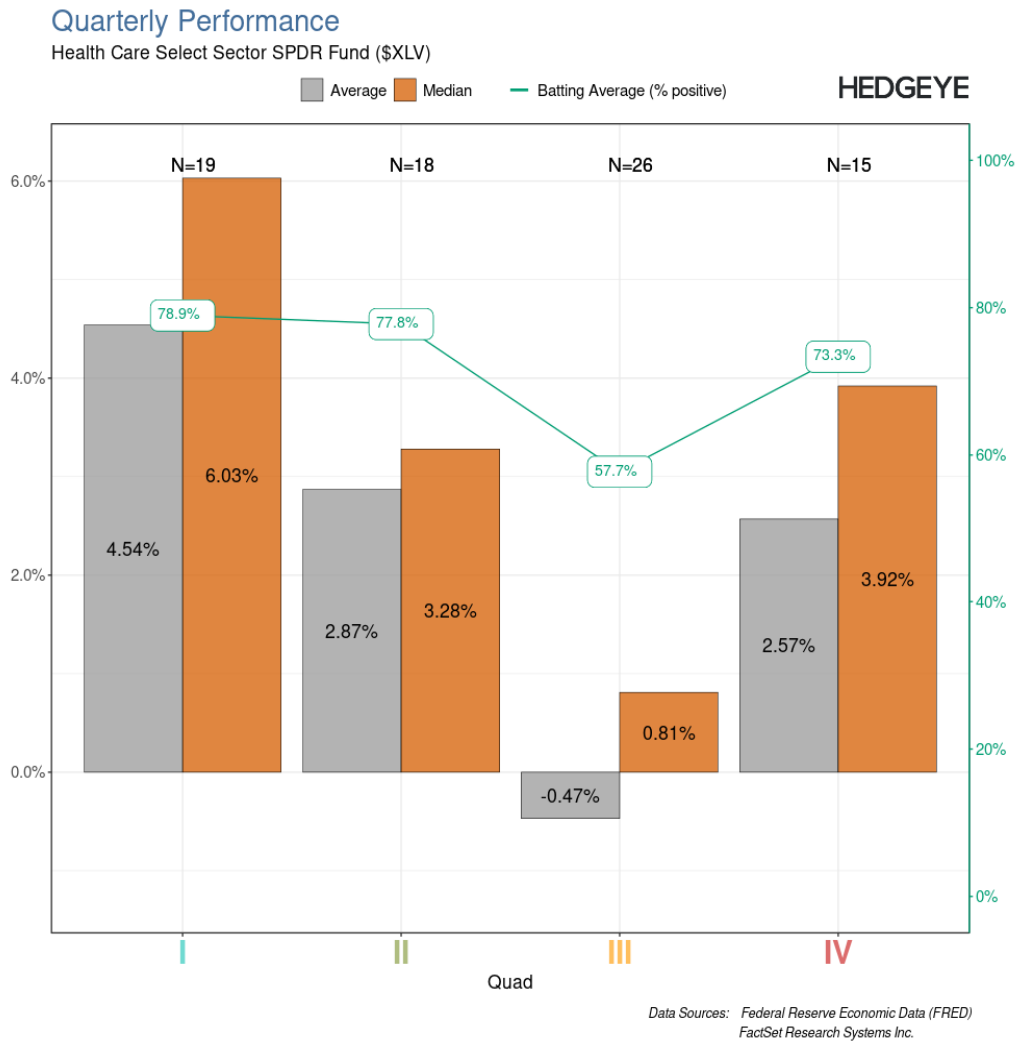
Historical 1M Performance vs MicroQuad Curve



Health Care Macro Utilization Data Outperforms in Quad 4

Personal Consumption Expenditure agrees with the XLV back test

Table 2.4.3U. Real Personal Consumption Expenditures by Type of Product, Quantity Indexes	Macro Quad			
	1	2	3	4
Health care	2.7%	2.6%	3.1%	3.2%
Outpatient services	2.9%	3.1%	3.7%	3.6%
Physician services (44)	3.3%	3.5%	4.5%	3.9%
Dental services (45)	0.4%	1.1%	1.3%	1.6%
Paramedical services (46)	3.3%	3.4%	3.5%	4.0%
Home health care	3.2%	2.3%	3.1%	3.4%
Medical laboratories	5.3%	4.7%	5.2%	6.9%
Other professional medical services	3.3%	3.8%	3.5%	3.9%
Specialty outpatient care facilities and health and allied services	3.4%	3.5%	3.6%	3.9%
All other professional medical services	3.3%	4.3%	3.3%	4.2%
Hospital and nursing home services	2.5%	2.2%	2.6%	2.8%
Hospitals (51)	2.7%	2.5%	2.8%	3.3%
Nonprofit hospitals' services to households	2.9%	2.6%	3.0%	3.2%
Proprietary hospitals	3.1%	1.4%	3.1%	3.5%
Government hospitals	1.8%	2.5%	2.2%	3.4%
Nursing homes (52)	1.6%	1.0%	1.1%	0.8%
Nonprofit nursing homes' services to households	1.5%	1.1%	0.3%	0.8%
Proprietary and government nursing homes	1.7%	0.9%	1.6%	0.8%
Prescription drugs	5.6%	4.5%	4.3%	5.7%
Nonprescription drugs	5.9%	4.9%	6.6%	4.7%

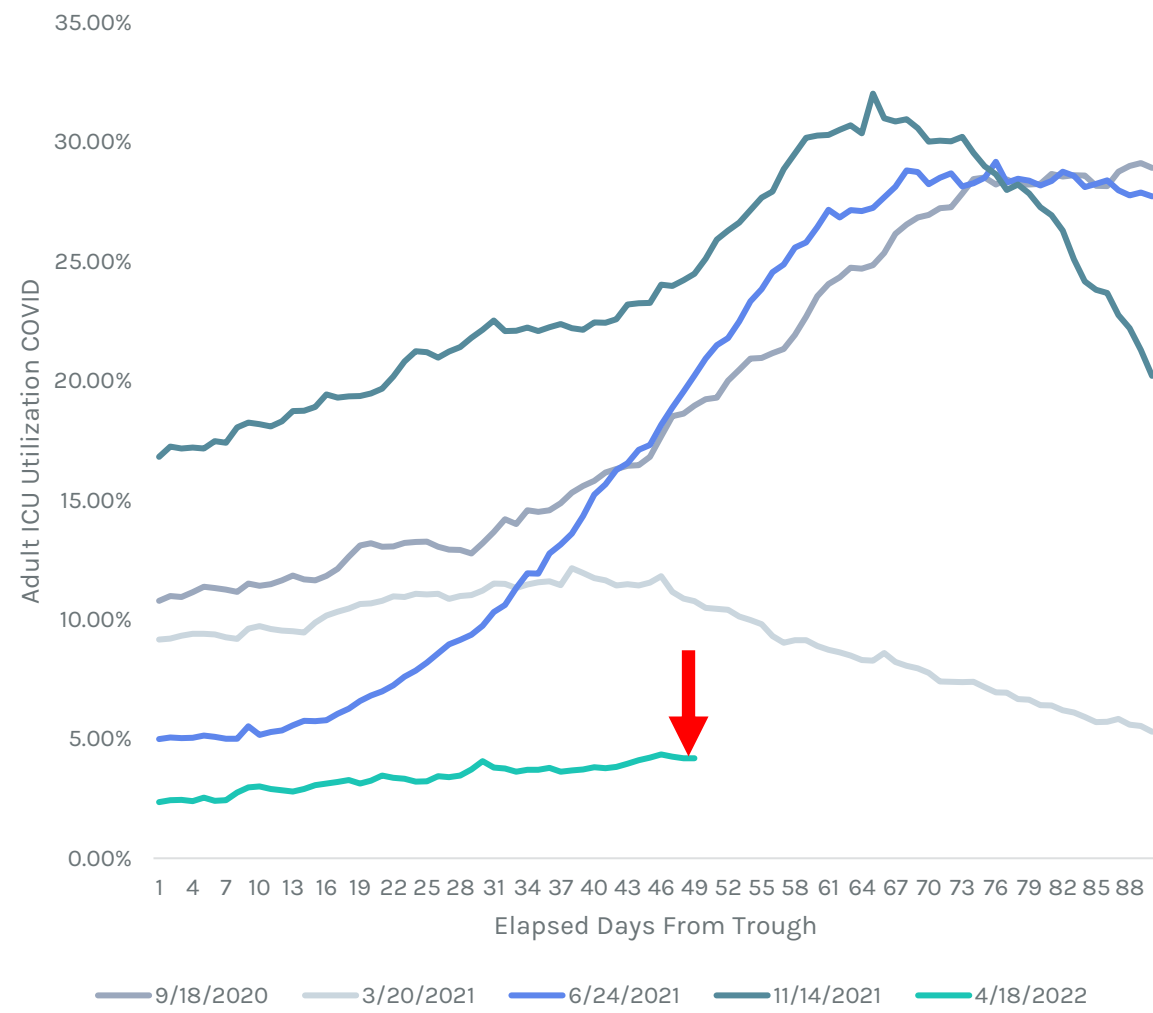


Current COVID-19 Wave Less Severe

Percentage of COVID Hospitalizations in the ICU



ICU Utilization Post Trough



Quad 4 Ranked Factor Exposure

Combining Quad and Factors across the Health Care Universe

Factor Name	Macro Quad 4				
	Average 3M Performance				Q4 vs Q1
	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Effect Size
Short Interest Days to Cover	7.76	2.51	-0.94	0.17	7.59
Consensus Sales Momentum Bin1 (-1,0,+1)	0.05	2.02	2.56	5.92	5.87
Consensus Sales Estimate Momentum	0.11	0.28	3.13	5.65	5.55
EV/Sales	0.66	0.88	3.21	5.87	5.21
Sales Bin2	4.80	3.84	1.95	-0.15	4.95
EBITDA NTM	-0.88	3.31	2.57	3.07	3.94
Consensus Sales Acceleration Standardized	8.62	7.65	9.22	4.95	3.67
Consensus Sales Slope Unstandardized	-0.27	1.88	3.70	3.25	3.52
EBITDA Growth NTM/LTM	2.58	3.12	2.38	-0.39	2.97
Dollar Volume	1.14	1.82	3.21	4.10	2.96
Consensus EPS Growth, STM/NTM	4.87	0.07	2.88	2.19	2.68
Consensus EPS Growth, NTM/LTM	4.83	0.86	1.95	2.37	2.46
EV/EBITDA	5.12	-2.32	3.04	3.04	2.09
MicroQuad Average	2.76	6.40	3.72	0.72	2.04
Consensus Sales Growth, STM/NTM	3.27	2.89	3.05	1.24	2.03
Sales Correlation	4.28	2.09	1.53	2.82	1.45
Consensus Sales Growth, NTM/LTM	1.59	2.75	3.06	2.99	1.40
Consensus EBITDA Growth STM/NTM	0.98	2.31	2.58	2.31	1.33
Enterprise Value	1.72	2.01	3.56	3.00	1.28
Price Volatility, Quarterly	3.26	2.51	2.25	2.33	0.92
EBITDA Margin	1.27	2.91	2.52	2.14	0.87
Sellside Rating	3.60	2.24	1.61	2.75	0.85
Consensus Sales NTM	3.57	1.18	2.13	2.74	0.83
Sellside Rating	3.39	-0.53	2.95	4.10	0.71
Market Capitalization	2.34	2.19	2.81	2.90	0.56
Debt to Total Capitalization	3.39	-0.53	2.95	3.75	0.36

This table includes data aggregated from our 306 unique tickers currently held across major Health Care ETFs including XLV, XBI, XHE, XHS, ARKG, and PINK. The data covers the period from 4Q 2008 to 1Q 2022.

The Average 3M Performance is measured daily and averaged for the quarter for each individual equity, which was then grouped by factor quartile.

The Effect Size is the absolute difference between quartile 4 and quartile 1.

Consensus estimate trends are passed through a weekly process that drives our MicroQuad analysis for estimate momentum. Standardized values compare daily readings to the trailing 3 years.

Factor Screen by Macro Quad

MicroQuad plus factors helps identify high probability risks and opportunities

Macro Quad	Rank	Factor	RSQ	Slope	Q1	Q2	Q3	Q4
1	1	MicroQuad Consensus Sales	0.79	5.38	Red			Green
1	2	Price Volatility	0.77	133.52	Red			Green
1	3	Revenue Growth STM	0.50	5.30	Red			Green
1	4	Short interest Days to Cover	0.49	-0.68	Green			Red
1	5	EBITDA Margin %	0.49	-0.09	Green			Red

Quad 1: Growth Accelerating and Inflation Slowing

MicroQuad upper quartile and steepest slope, alongside highest expected revenue growth. High short interest is always a negative factor with 3 days to cover a key threshold. Companies with negative EBITDA are richly rewarded with a huge performance spread over more profitable companies.

Macro Quad	Rank	Factor	RSQ	Slope	Q1	Q2	Q3	Q4
2	1	Price Volatility	0.75	159.23	Red			Green
2	2	MicroQuad Consensus Sales	0.63	4.39	Red			Green
2	3	Short interest Days to Cover	0.51	-0.68	Green			Red
2	4	EV/Sales	0.46	0.25	Red	Red	Green	Green
2	5	Revenue Growth NTM	0.32	5.84	Green			Red

Quad 2: Growth Accelerating and Inflation Accelerating

Similar set up to Macro Quad 1 with the inclusion of EV/Sales favoring the higher multiple names.

Macro Quad	Rank	Factor	RSQ	Slope	Q1	Q2	Q3	Q4
3	1	MicroQuad Consensus Sales	0.64	2.76	Red			Green
3	2	Short interest Days to Cover	0.51	-0.70	Green			Red
3	3	EV/Sales	0.33	0.11	Red	Red	Green	Green
3	4	Revenue Growth NTM	0.27	2.63	Green			Red
3	5	EBITDA Margin %	0.13	-0.03	Green			Red

Quad 3: Growth Decelerating and Inflation Accelerating

Quad 3 is the worst sector for Health Care. Lower multiple names do poorly alongside high short interest names, likely reflecting perceived quality. There is a downshift from higher growth and not-for-profit to slower growth and higher margin.

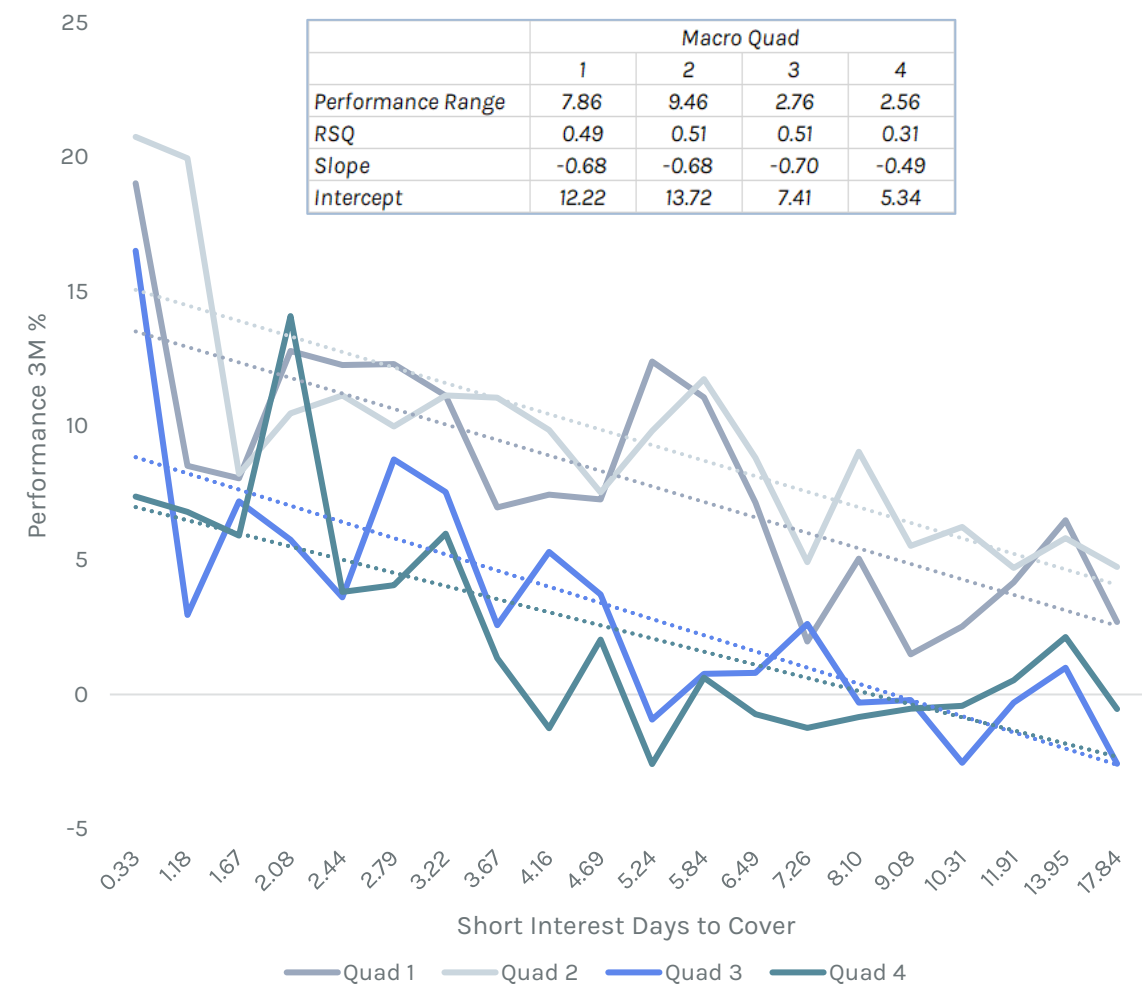
Macro Quad	Rank	Factor	RSQ	Slope	Q1	Q2	Q3	Q4
4	1	MicroQuad Consensus Sales	0.38	2.23	Red			Green
4	2	Short interest Days to Cover	0.31	-0.49	Green	Red	Red	Red
4	3	EV/Sales	0.24	0.12	Red	Red	Green	Green
4	4	EBITDA Margin %	0.21	0.06	Red			Green
4	5	Debt to Total Capital	0.16	0.05	Red			Green

Quad 4: Growth Decelerating and Inflation Slowing

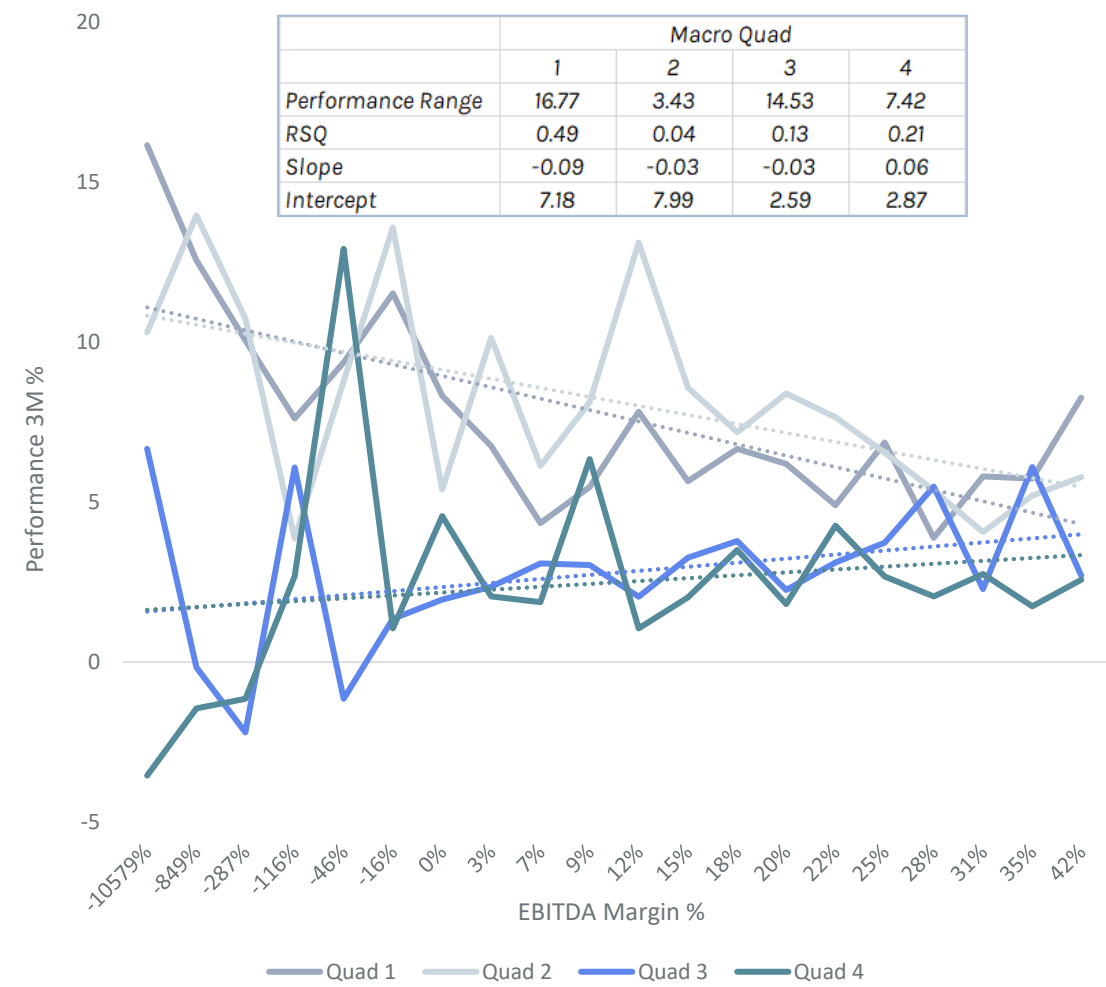
Health Care growth accelerates in Quad 4. Any short interest is bad short interest in Quad 4, and lower multiple names are considered broken. A negative margin and a low EV/Sales multiple is particularly negative factor combination. Debt to total capital screens out companies using only equity as a source of capital.

Factor Screen: Short Interest and EBITDA Margin %

Short Interest: Quad 4 RSQ 0.31

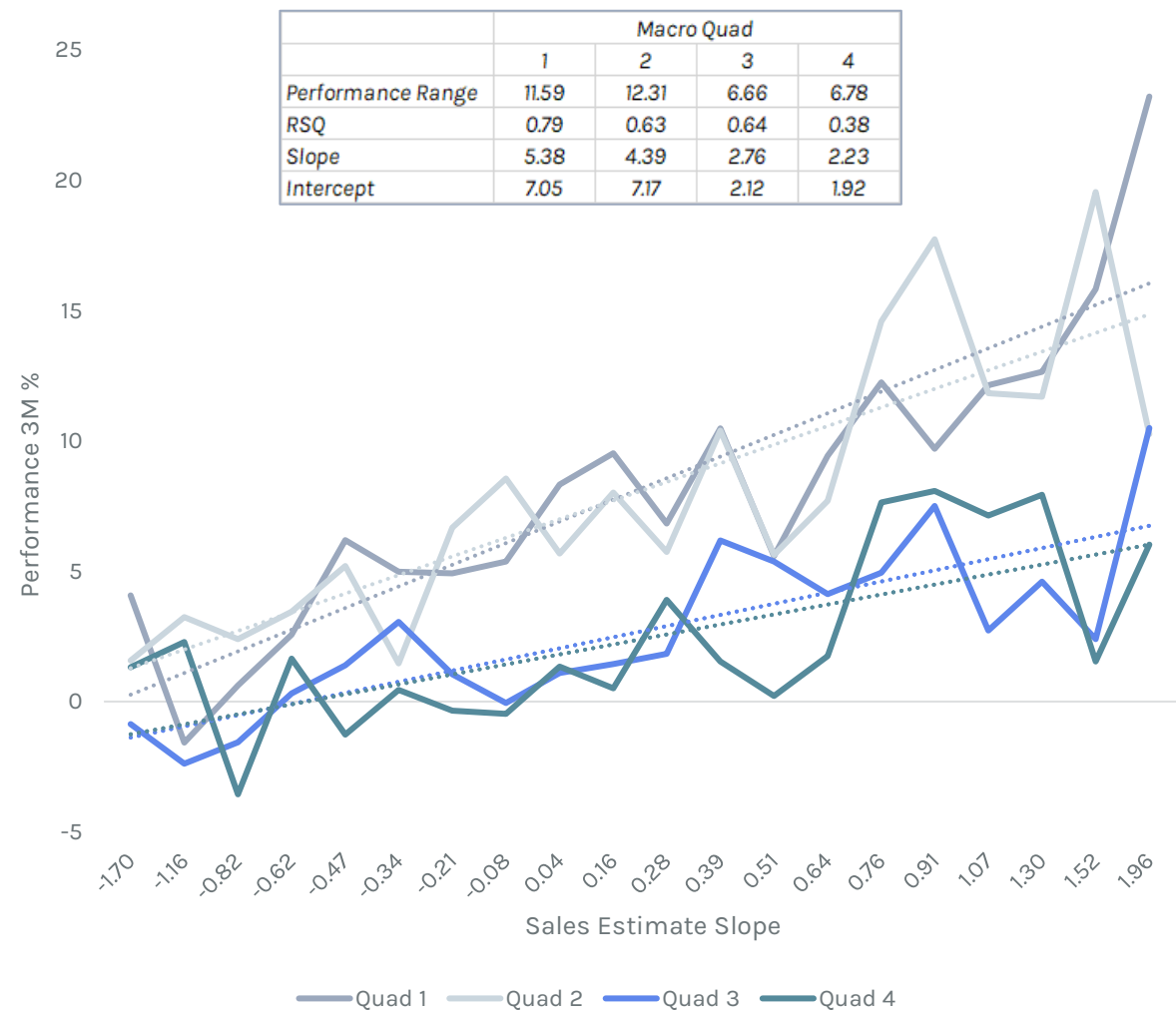


EBITDA Margin: Quad 4 RSQ 0.21

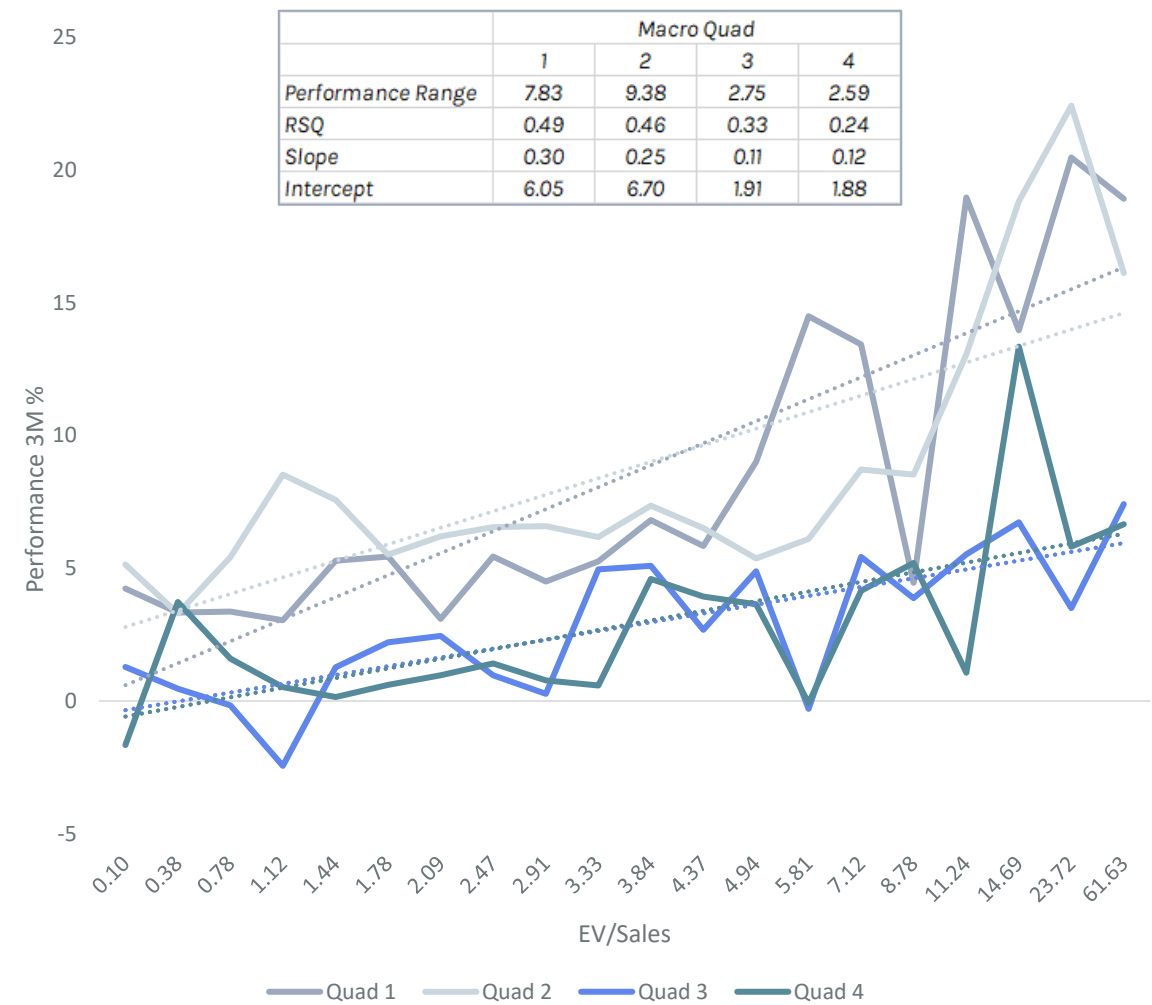


Factor Screen: Consensus Trend and EV/Sales

MicroQuad: Quad 4 RSQ 0.38

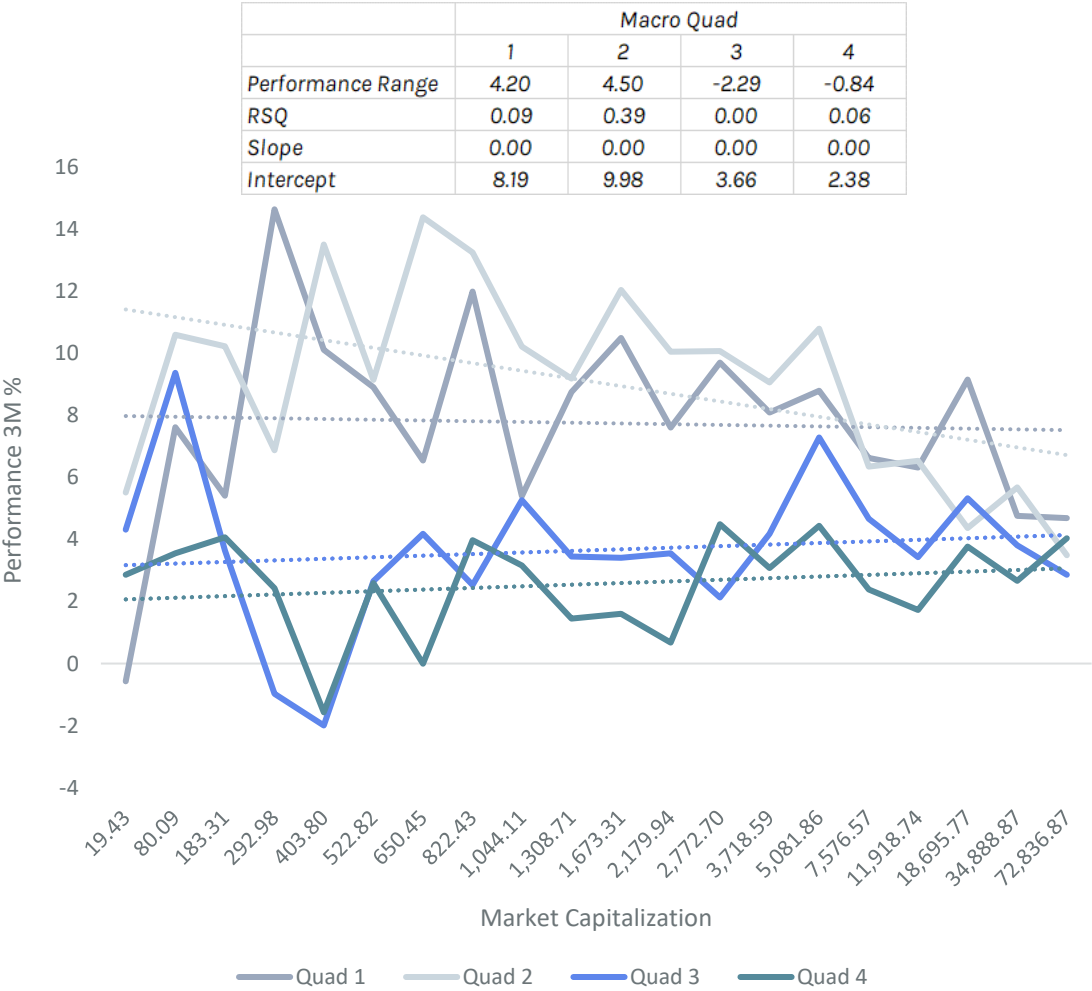


EV/Sales: Quad 4 RSQ 0.24

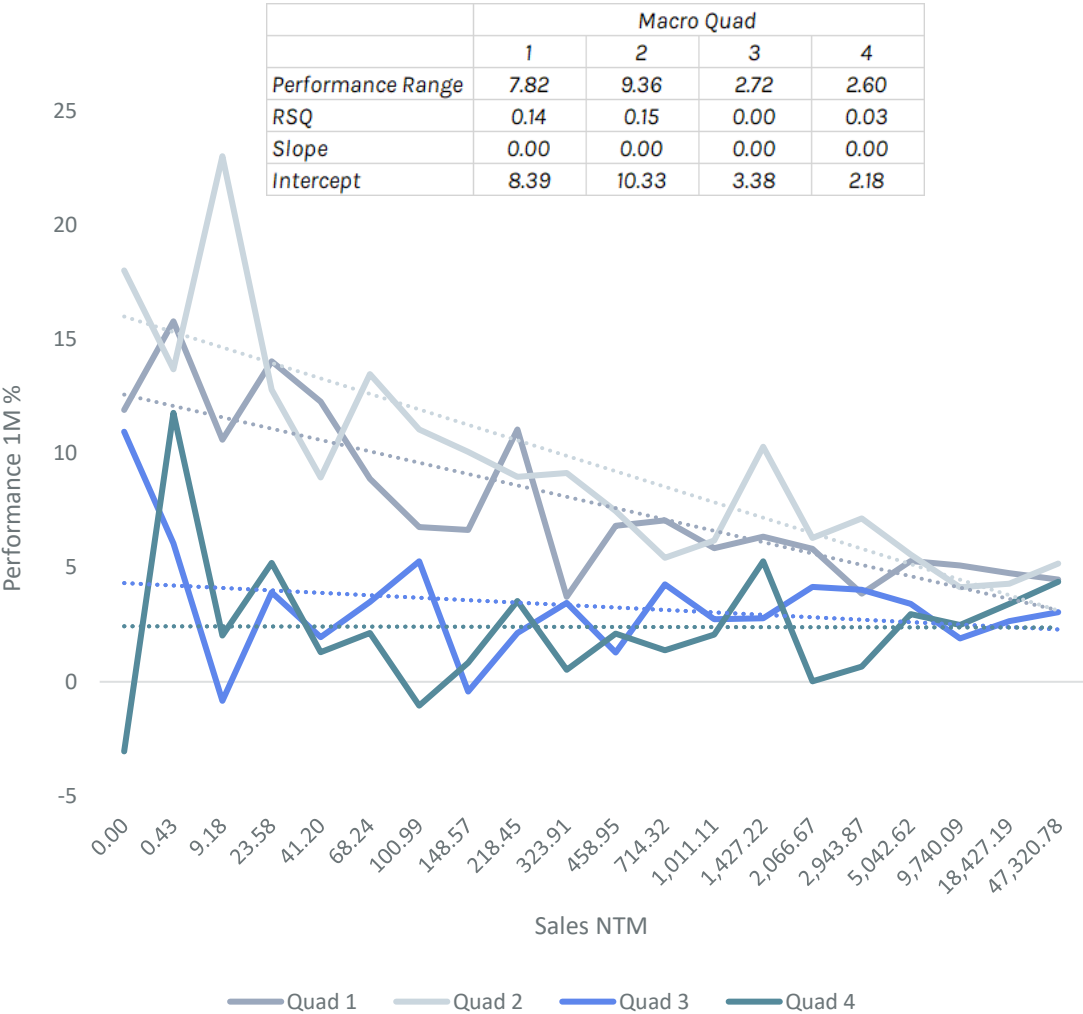


Factor Screen: Market Cap and Sales NTM

Market Cap: Quad 4 RSQ 0.06



Sales NTM: Quad 4 RSQ 0.03



Quad 4 Long Screens Results

Low short interest, (+) EBITDA margin, (+) Sales estimate momentum

Ticker	Company Name	NAICS
BIO	Bio-Rad Laboratories, Inc. Class A	Analytical Laboratory Instrument Manufacturing
BSX	Boston Scientific Corporation	Surgical and Medical Instrument Manufacturing
ILMN	Illumina, Inc.	Analytical Laboratory Instrument Manufacturing
LLY	Eli Lilly and Company	Pharmaceutical Preparation Manufacturing
LNTH	Lantheus Holdings Inc	Pharmaceutical Preparation Manufacturing
PEN	Penumbra, Inc.	Surgical and Medical Instrument Manufacturing
STAA	STAAR Surgical Company	Surgical Appliance and Supplies Manufacturing
SWAV	Shockwave Medical, Inc.	Surgical and Medical Instrument Manufacturing
SYK	Stryker Corporation	Surgical Appliance and Supplies Manufacturing
TECH	Bio-Techne Corporation	Biological Product (except Diagnostic) Manufacturing
WAT	Waters Corporation	Analytical Laboratory Instrument Manufacturing

Quad 4 **Short** Screens Results

High short interest, (-) EBITDA margin, (-) Sales estimate momentum

Ticker	Company Name	NAICS
ARCT	Arcturus Therapeutics Holdings, Inc.	Biological Product (except Diagnostic) Manufacturing
BLI	Berkeley Lights Inc	Research and Development in Biotechnology (except Nanobiotechnology)
CDNA	CareDx, Inc.	Medical Laboratories
EXAS	Exact Sciences Corporation	Medical Laboratories
ICPT	Intercept Pharmaceuticals, Inc.	Pharmaceutical Preparation Manufacturing
INO	Inovio Pharmaceuticals, Inc.	Pharmaceutical Preparation Manufacturing
MASS	908 Devices Inc.	Analytical Laboratory Instrument Manufacturing
ME	23andMe Holding Co Class A	Research and Development in Biotechnology (except Nanobiotechnology)
MGNX	MacroGenics, Inc.	Pharmaceutical Preparation Manufacturing
ONEM	1Life Healthcare, Inc.	Offices of Physicians, Mental Health Specialists
OPK	OPKO Health, Inc.	Medical Laboratories
OSUR	OraSure Technologies, Inc.	Surgical and Medical Instrument Manufacturing
RGNX	REGENXBIO, Inc.	Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology)
SGMO	Sangamo Therapeutics, Inc.	Research and Development in Biotechnology (except Nanobiotechnology)
SLGC	SomaLogic, Inc. Class A	Research and Development in Nanotechnology

Estimate Trend | Still Down and to the right... but

The rate of change looks better and the upturn in the forecast is in mid-July, but it's flattening.



Based on the current forecast trend, we see the bottom/cycle upturn happening in mid-July.

Comments on 1Q22 thus far are underwhelming, as uncertainty seems to be an issue. The Macro Quad backdrop and labor inflation may be to blame, or perhaps it's stubbornly high COVID case counts.

Regardless, consensus revenue estimates began to turn negative at the end of February 2021, coincident with the beginning of a slide in performance across our Health Care universe. **The upturn could be in sync with the end of Quad 4.**

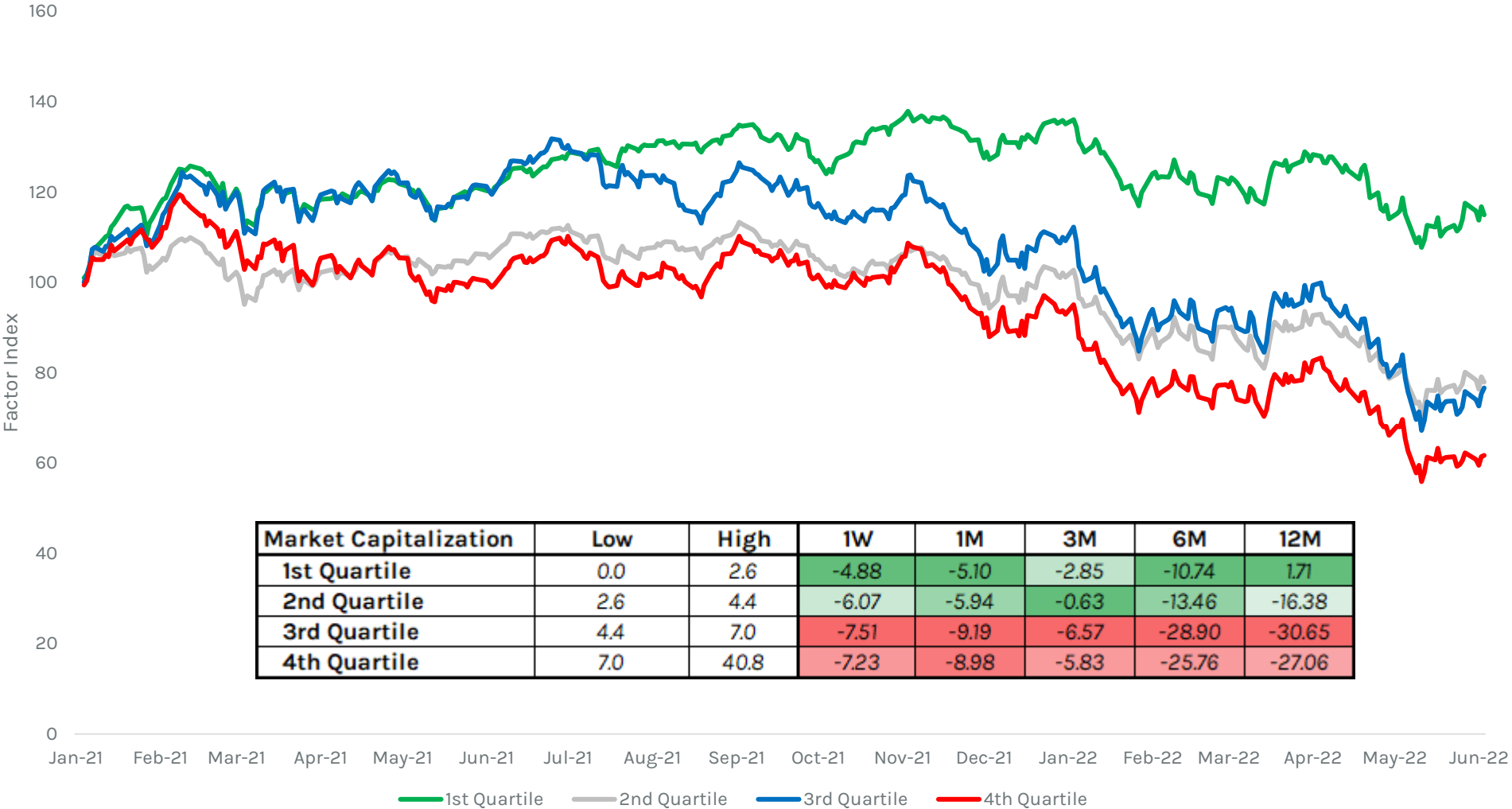
Multiples - especially for small caps and stocks with high EV/Sales multiples - have been crushed over the past ~1 year.

Factor Index | Short Interest Days to Cover

Short interest is the top Factor in Quad 4

Our work on how to quantify and track the impact of stock factors at the individual equity level shows short interest routinely ranks at or near the top for effect size.

In Quad 4, the separation between low short interest names versus high is dramatic. Although in the last few weeks, the impact has been less significant during the rallies.

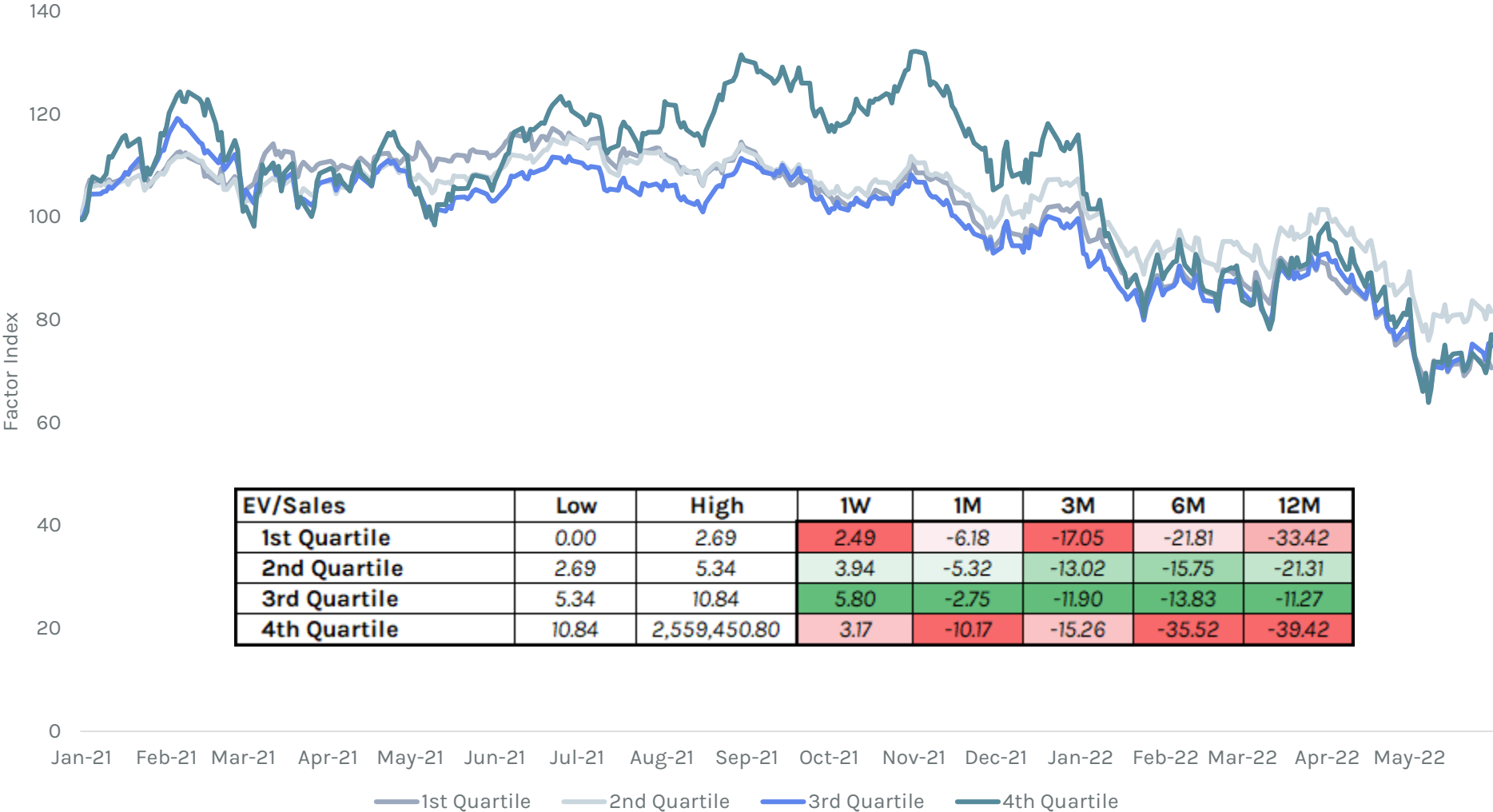


Factor Index | Enterprise Value to Sales

EV/Sales is a mediocre Factor in Quad 4

EV/Sales has been shown only modest results in separating high versus low multiple names.

We did notice that the absolute level of EBITDA saw good separation between large and small values, presumably driven by unprofitable TAM stories, although the signal was lost at the EV/Sales level.

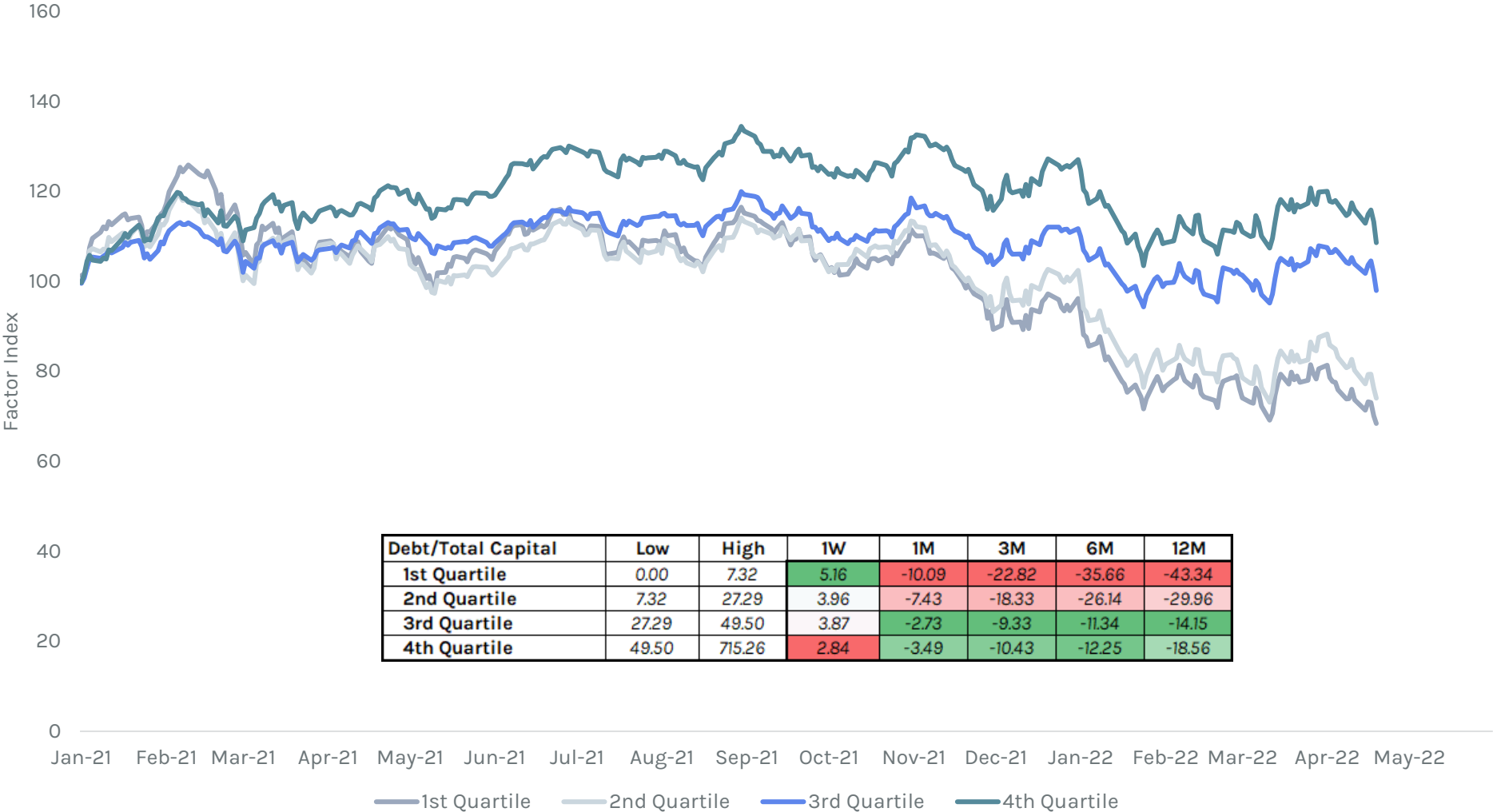


Factor Index | Debt to Total Capital

Debt to Total Capital is the top Factor in Quad 4

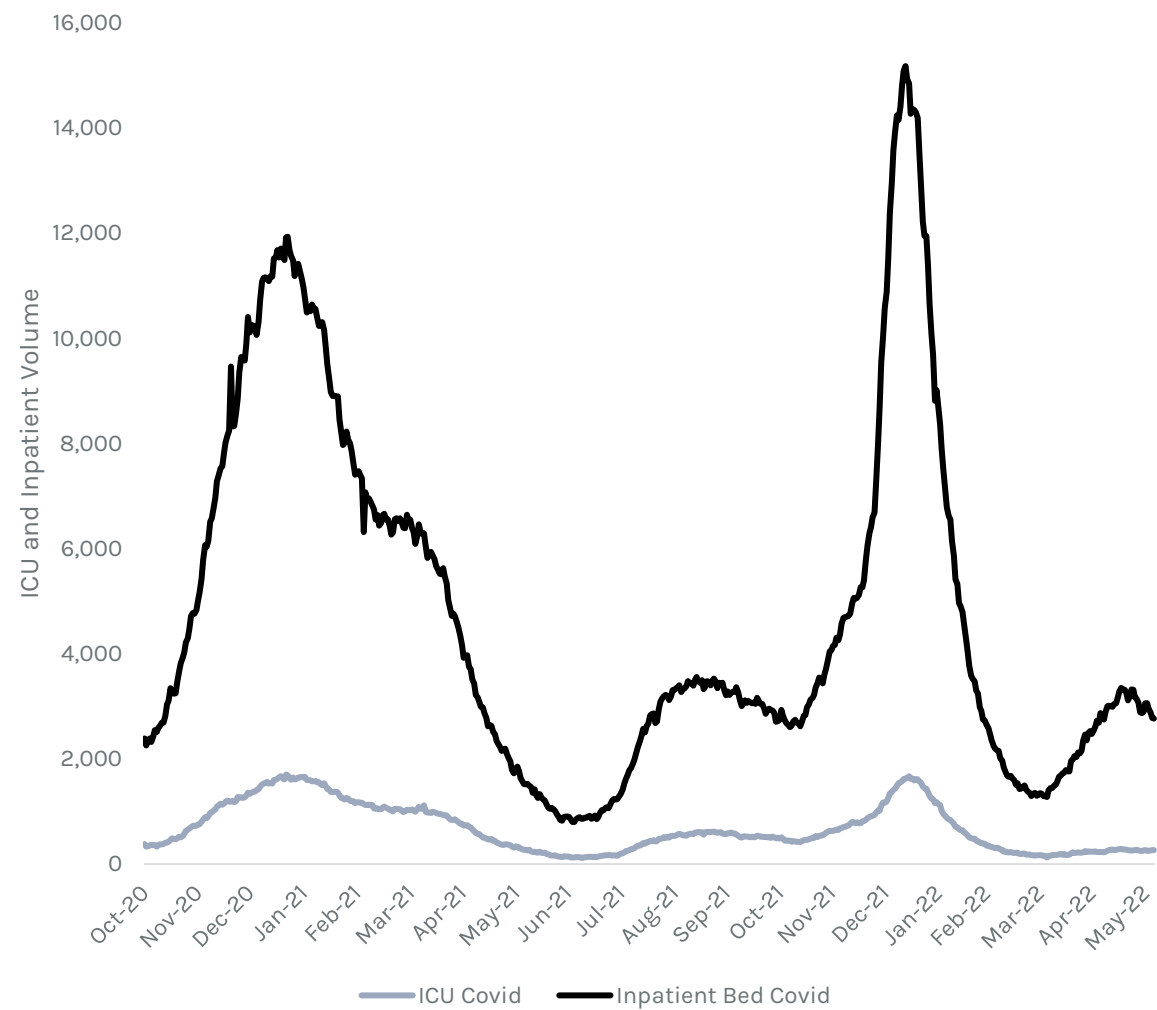
Debt to total capital suggests not that debt is a positive, but instead of correlating to low quality, it more likely reflects market cap and access to capital.

Smaller capitalization stocks tend to use equity instead of debt to fund operations particularly for unprofitable growth.

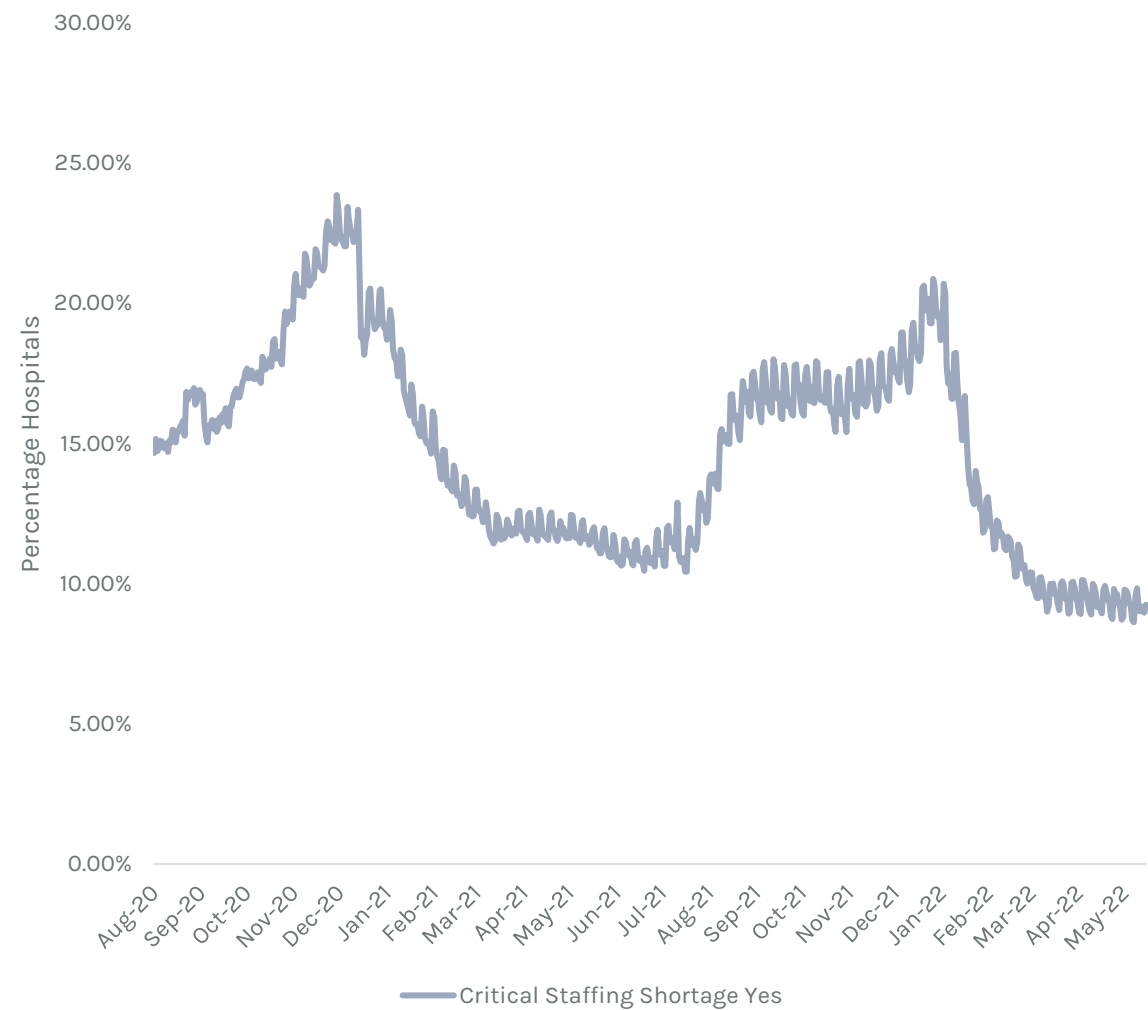


Omicron Fading While BA.2 Never Ramped

New York COVID Hospital Occupancy

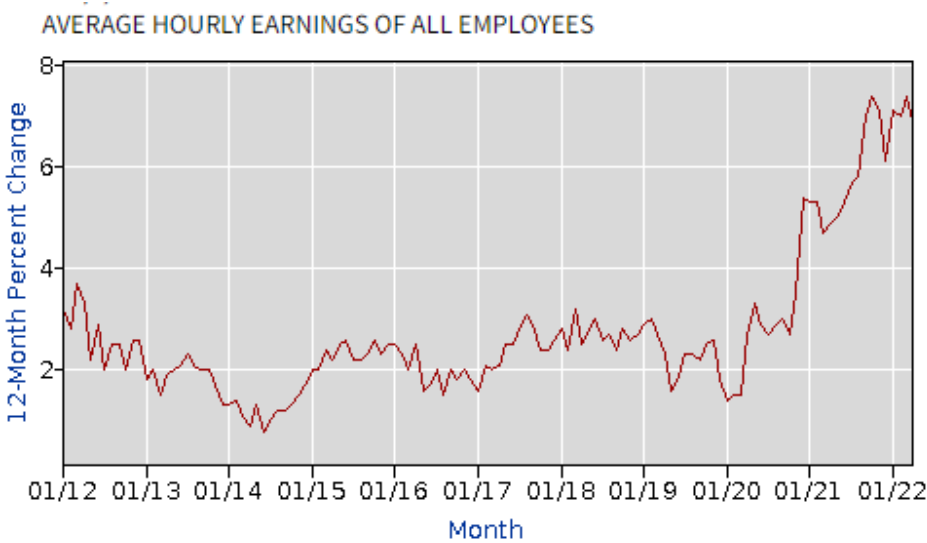
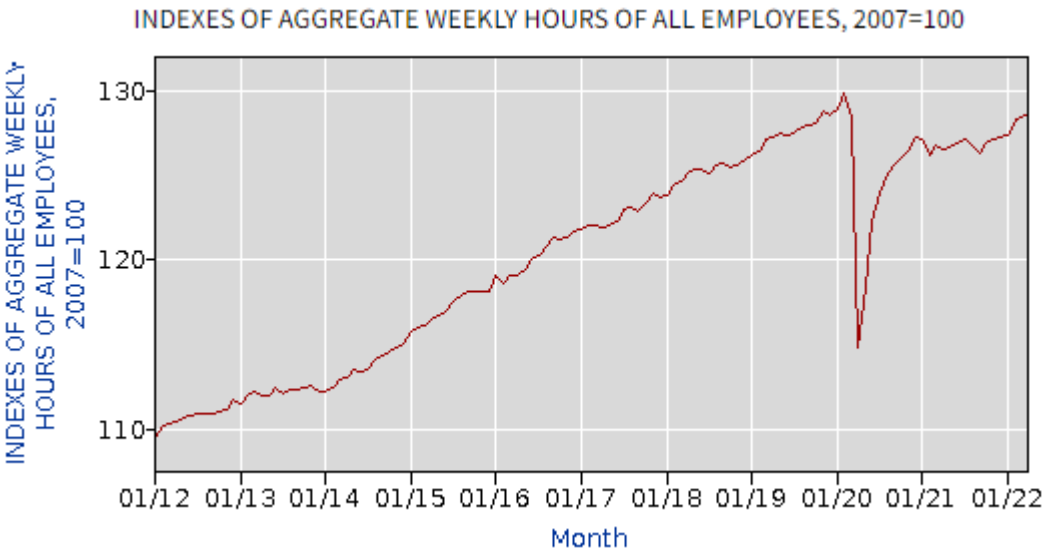
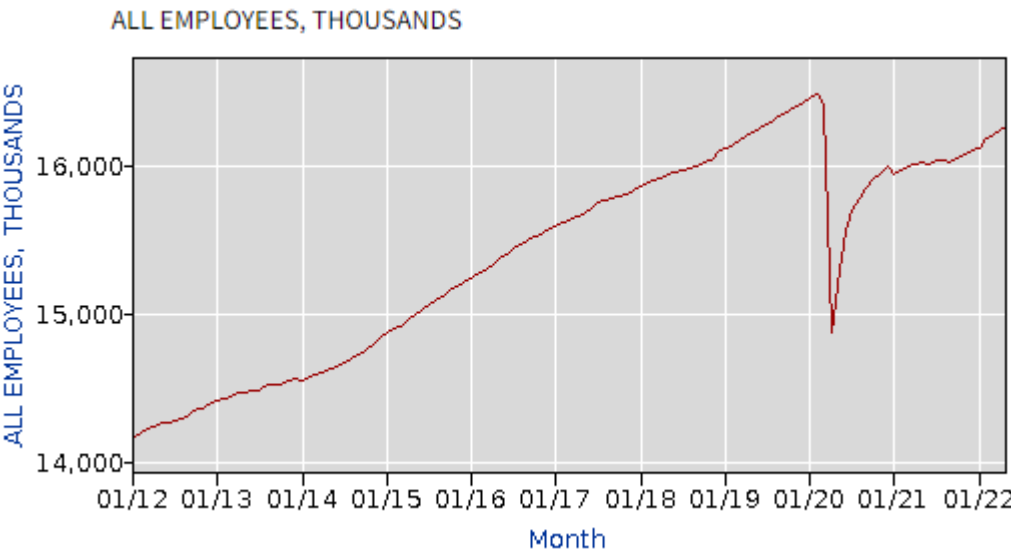


Critical Staffing Shortages



Health Care Employment Trend | May 2022

Health Care employment put up a solid gain of 28K month over month in May 2022, continuing to emerge from Delta and Omicron headwinds of 2H21. Wage growth moderated on a 1-year and 2-year basis from 7.4% to 6.9% and 6.1% to 5.9%, respectively. Index of aggregate hours suggests further strength continued in June.

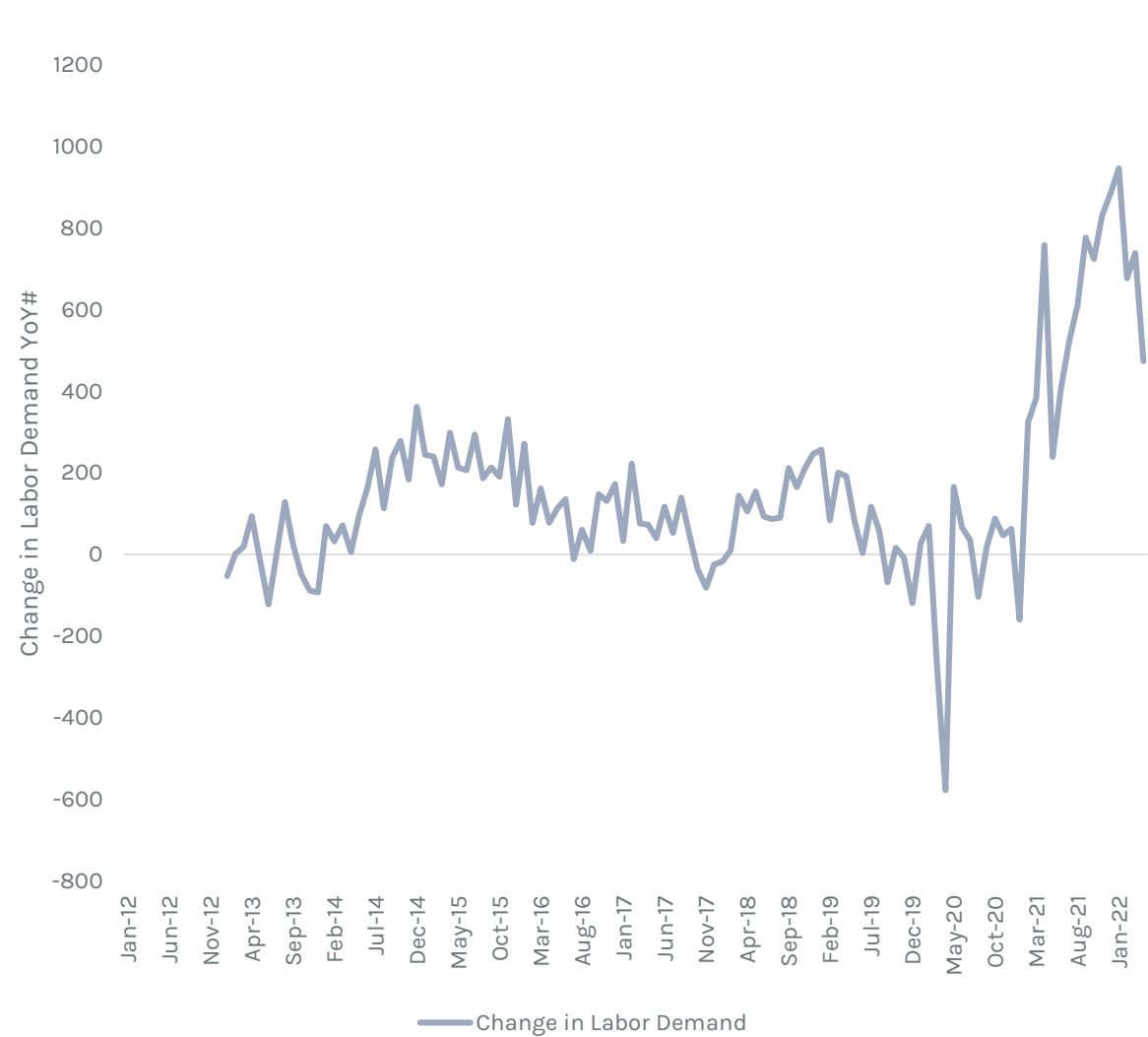


BLS Data | JOLTS Update for April 2022

JOLTS Level

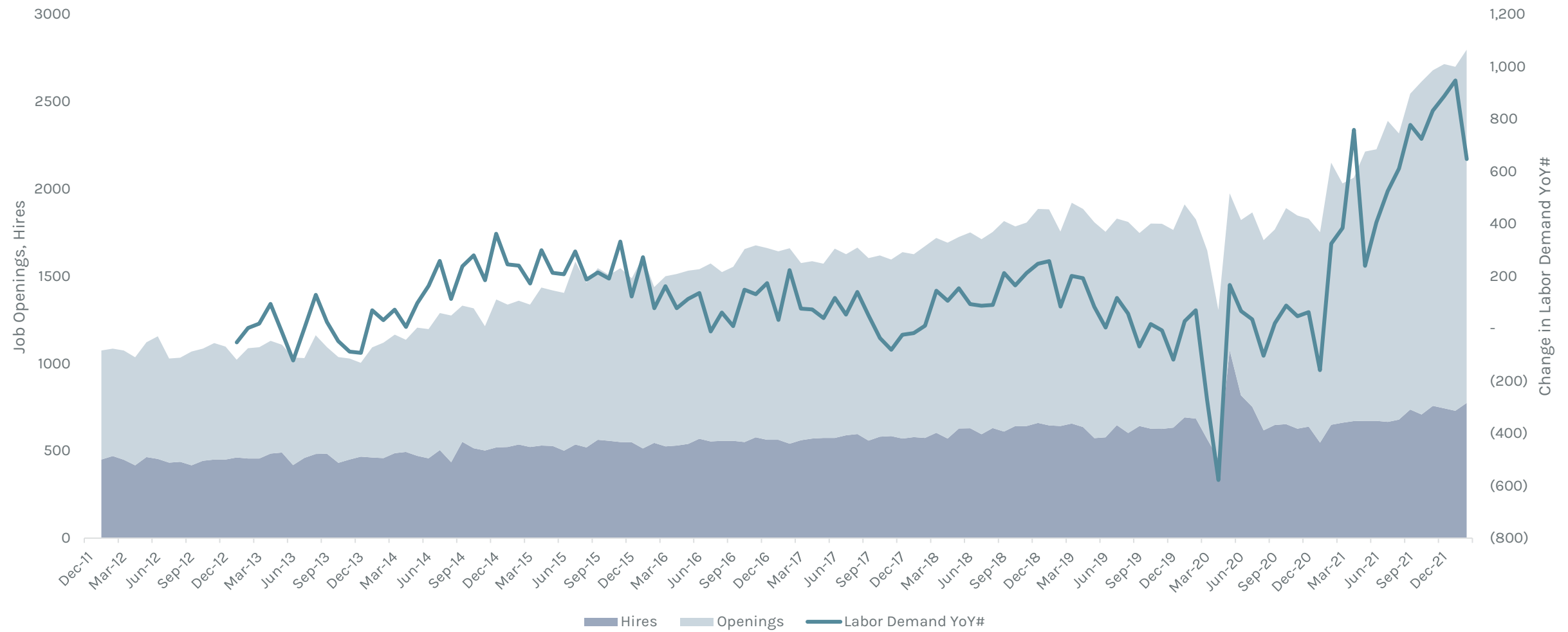


Change in Labor Demand



Health Care Labor Demand is Extremely Elevated

2.0M Job Openings hits a new high even as hiring, which should draw down on Job Openings, hits its own 20-month high.

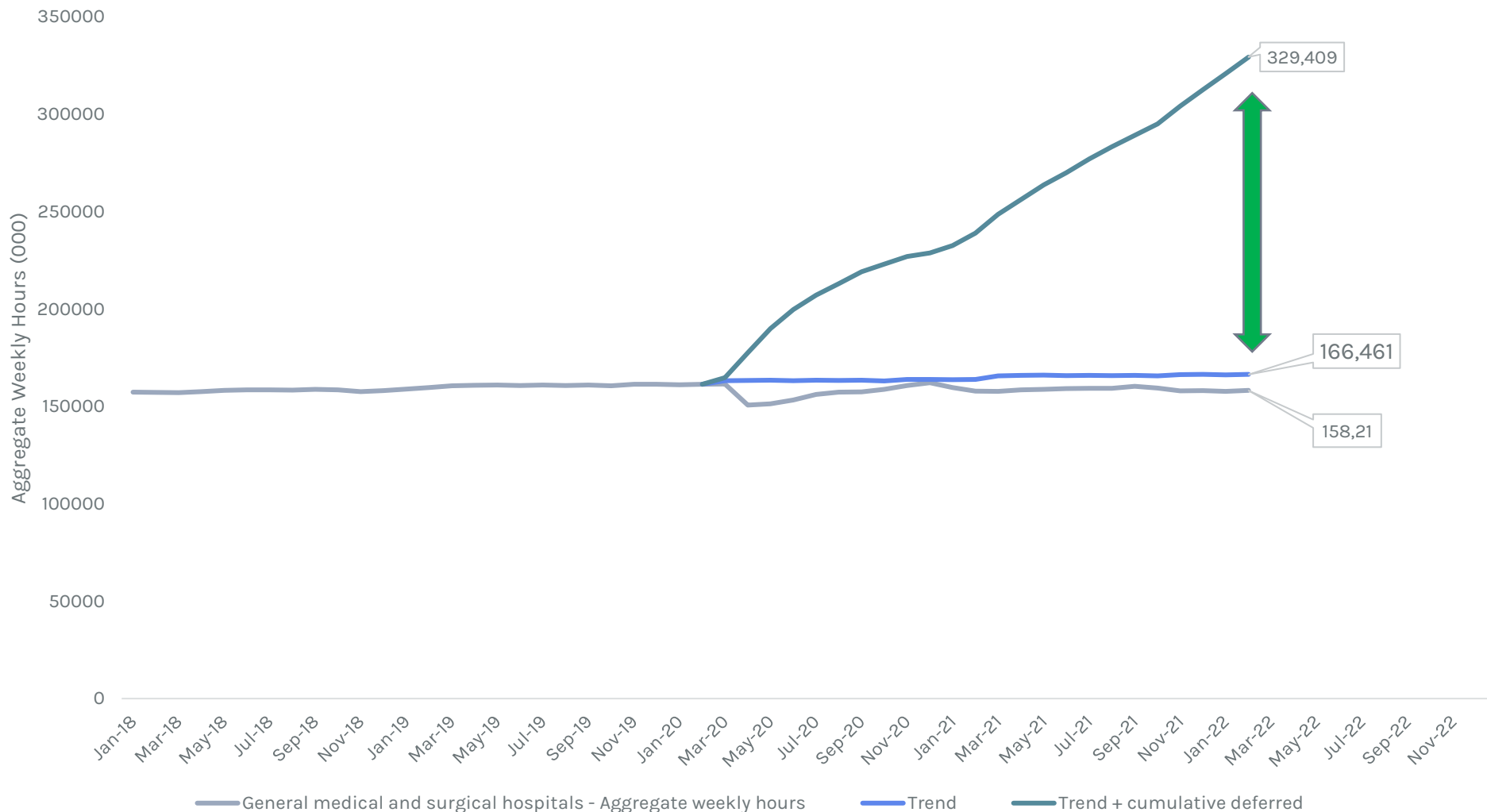


Deferred Care – General Medical and Surgical Hospitals

Hospital care has never recovered to trend and continues to build the deferral pool

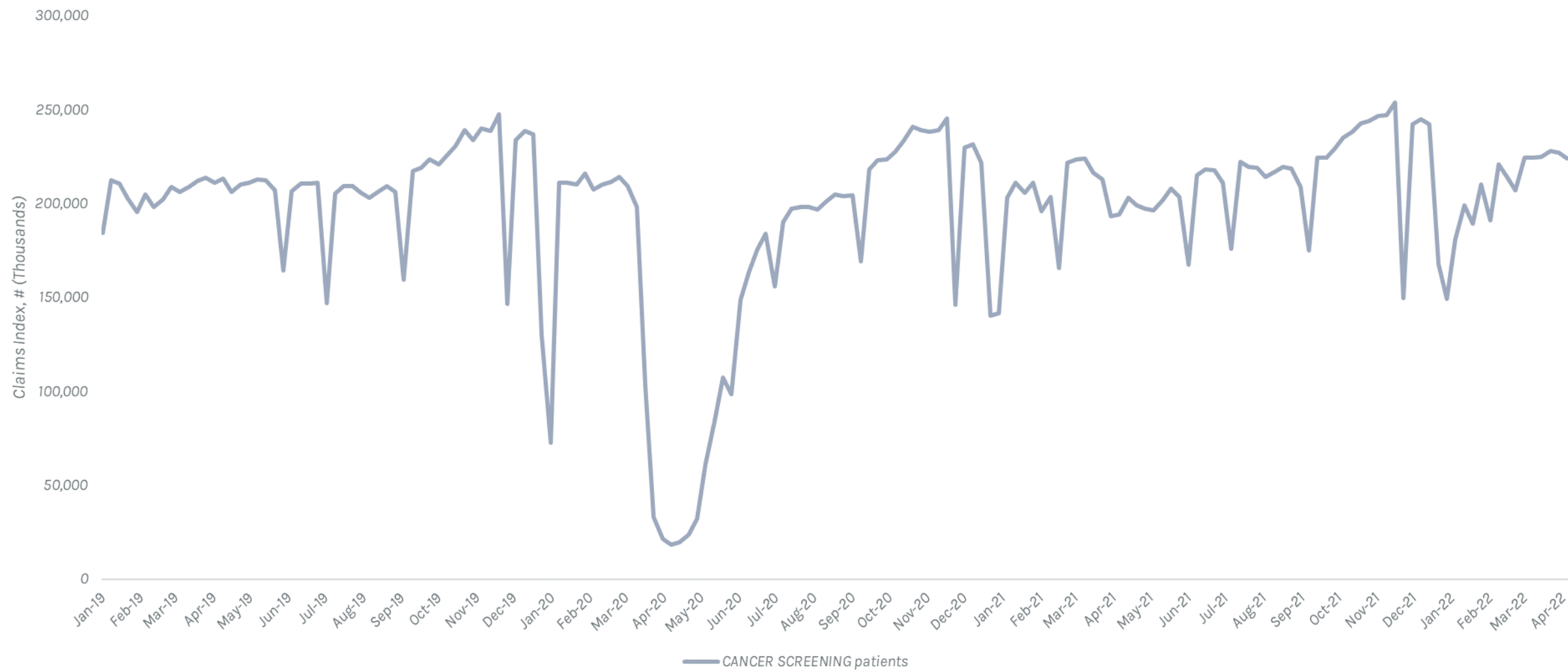
Compared to the pre-pandemic trend, the US General and Medical Surgical Hospitals have built up 329,000 Aggregate Weekly Hours among Production and Nonsupervisory Workers, greater than twice the current Aggregate Weekly Hours reading as of February 2022.

It takes staff to deliver care and the gap in aggregate hours is proportional to the amount of care that was deferred and will return either as incremental patient volume or sicker patients with higher acuity. In either scenario, we should expect above trend volume for an extended period.



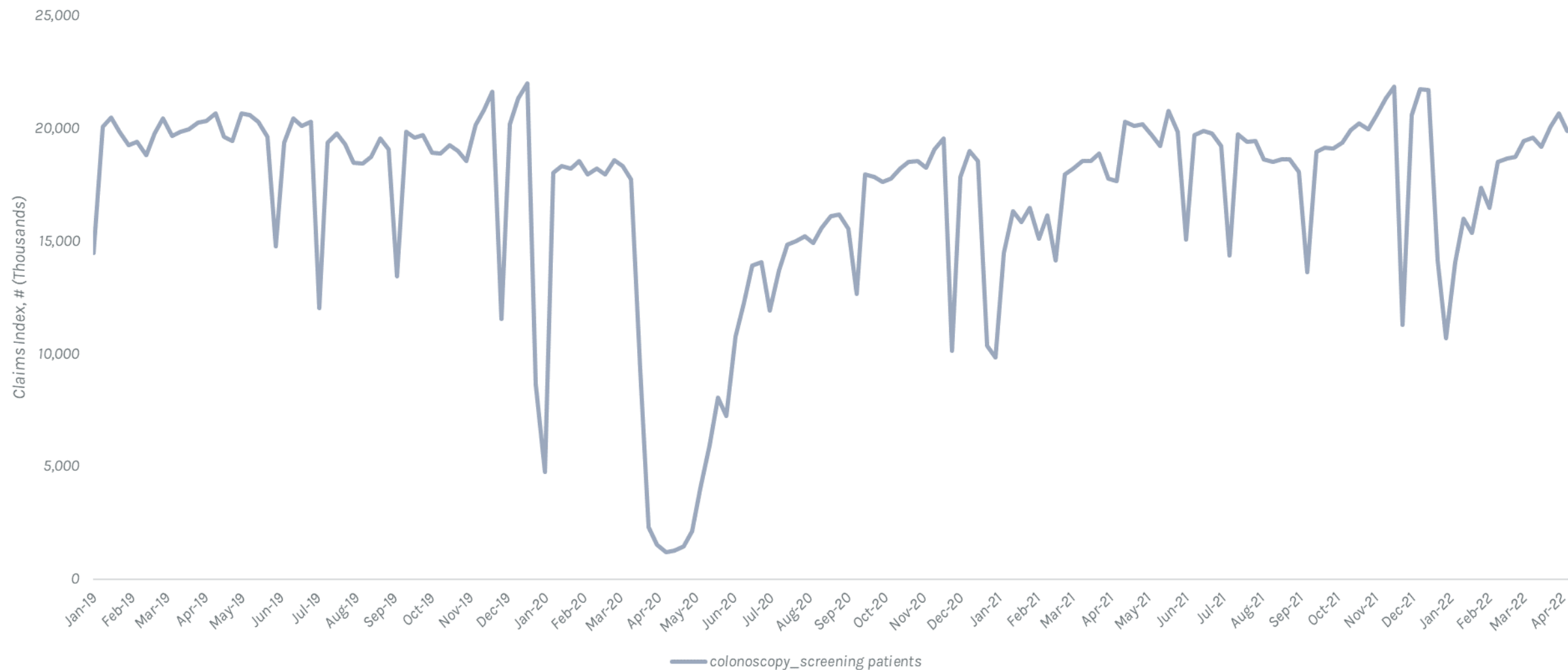
Cancer Screening Above 2021 Levels

Requires office visits and biopsies, follow for advanced diagnostics such as imaging



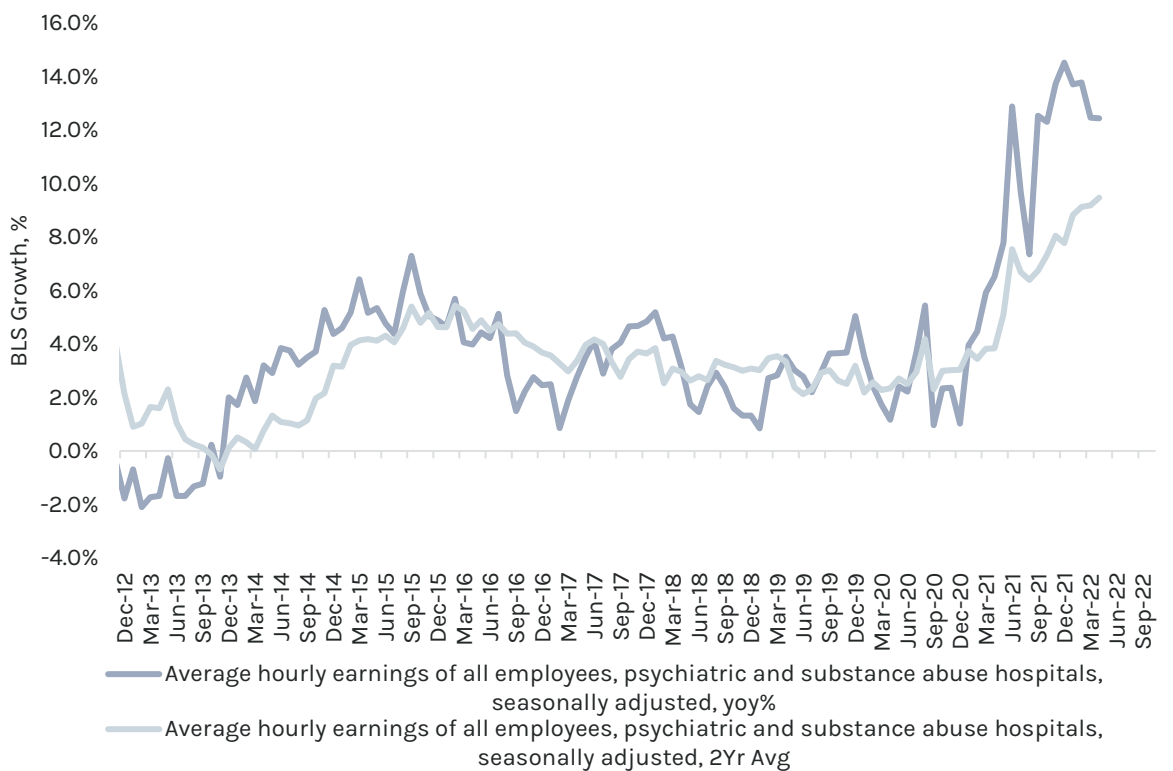
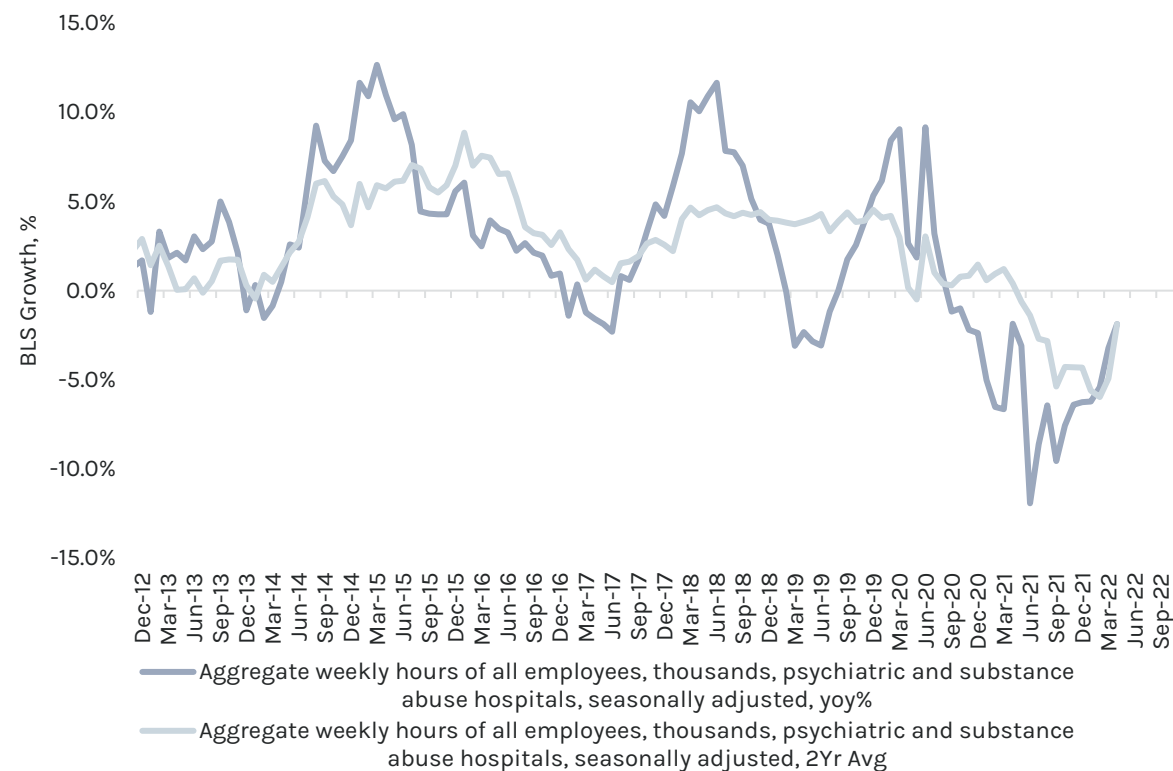
Screening Colonoscopy

Requires office visits and in person imaging



Psych Hospital Wages and Volume Appear to be Turning

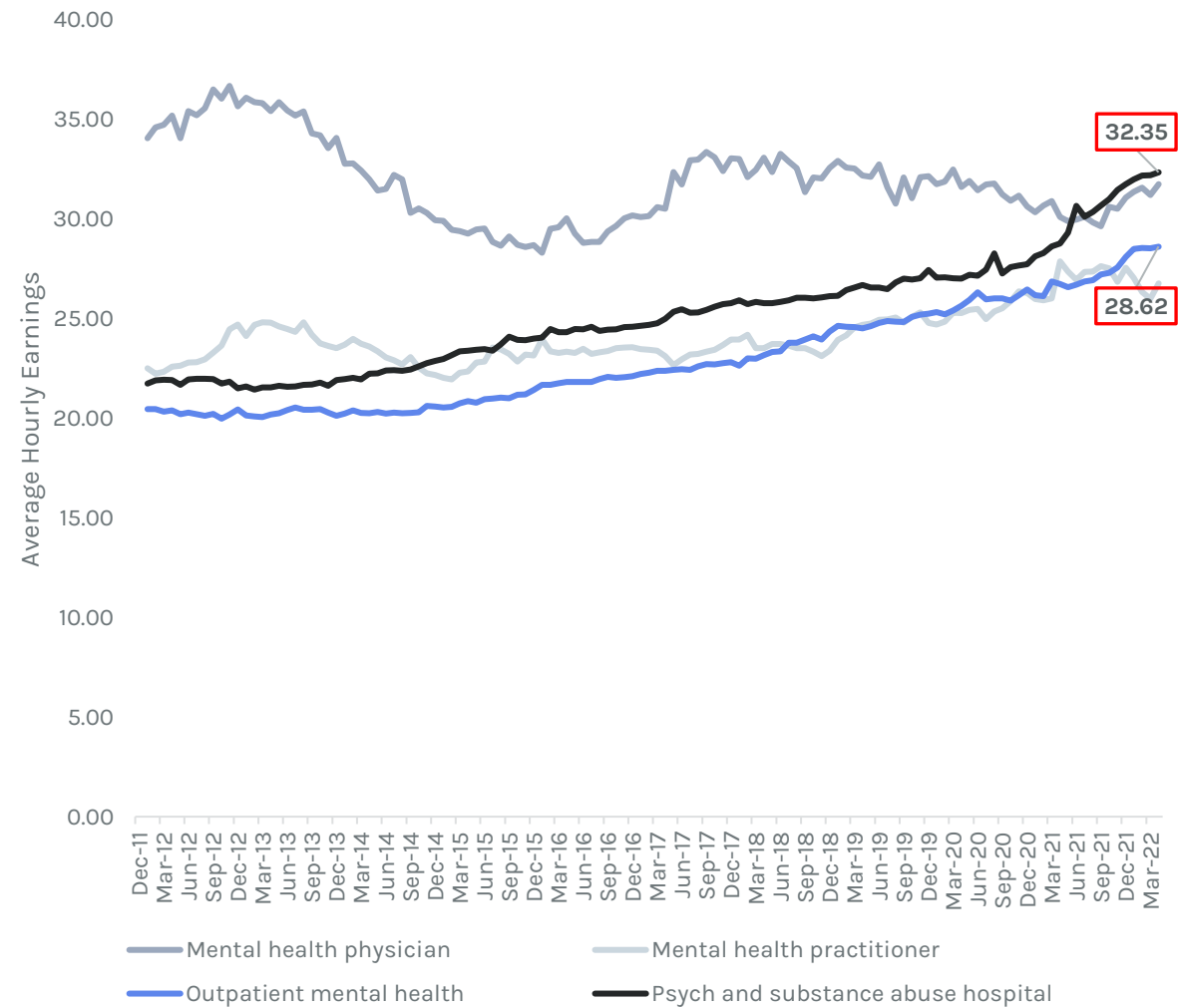
The BLS's April 2022 Update includes a turnaround in YoY metrics for both key series



From what we can see in the BLS's April 2022 Update, aggregate weekly hours for employees of psychiatric and substance abuse hospitals appears to have bottomed in June and improved since, with the largest improvement coming in April. At the same time, average hourly earnings for these employees looks to have rolled over in December 2021.

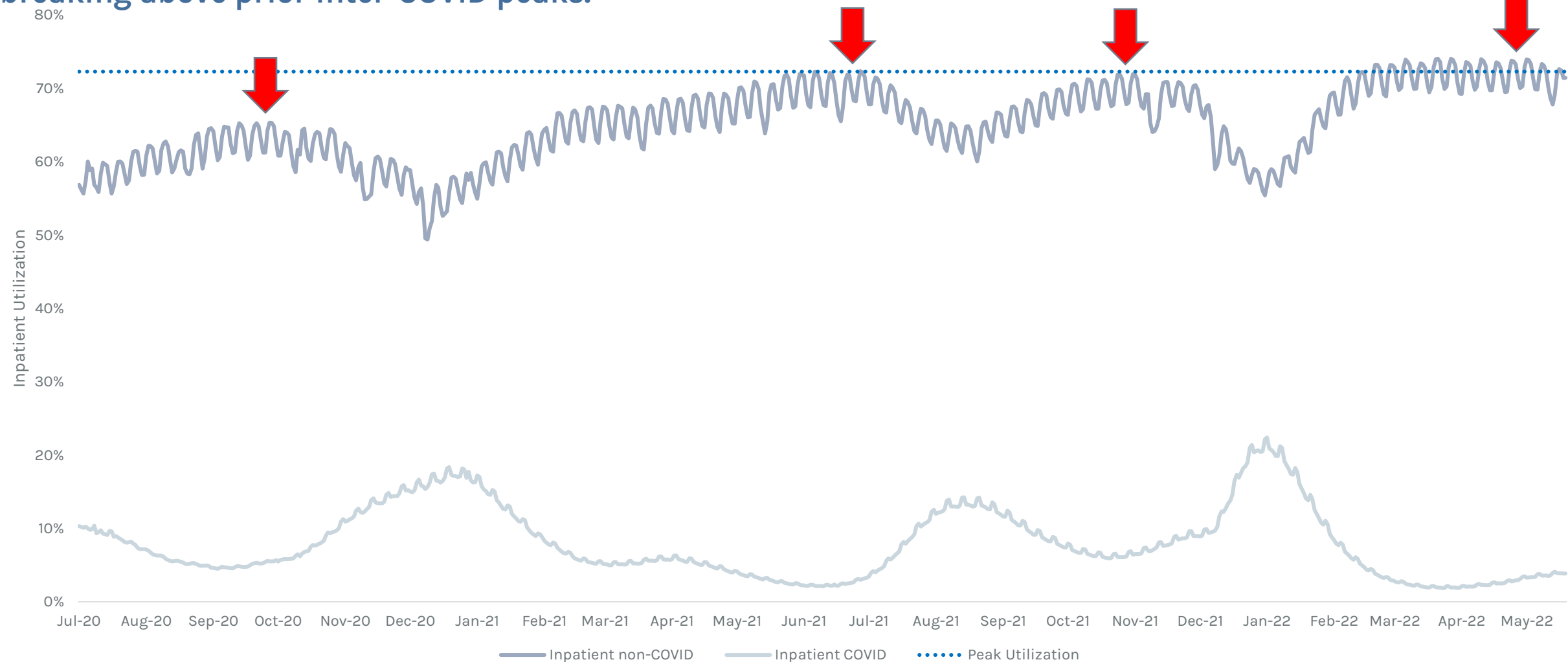
HEDGEYE

Wages Continue to Climb for Inpatient



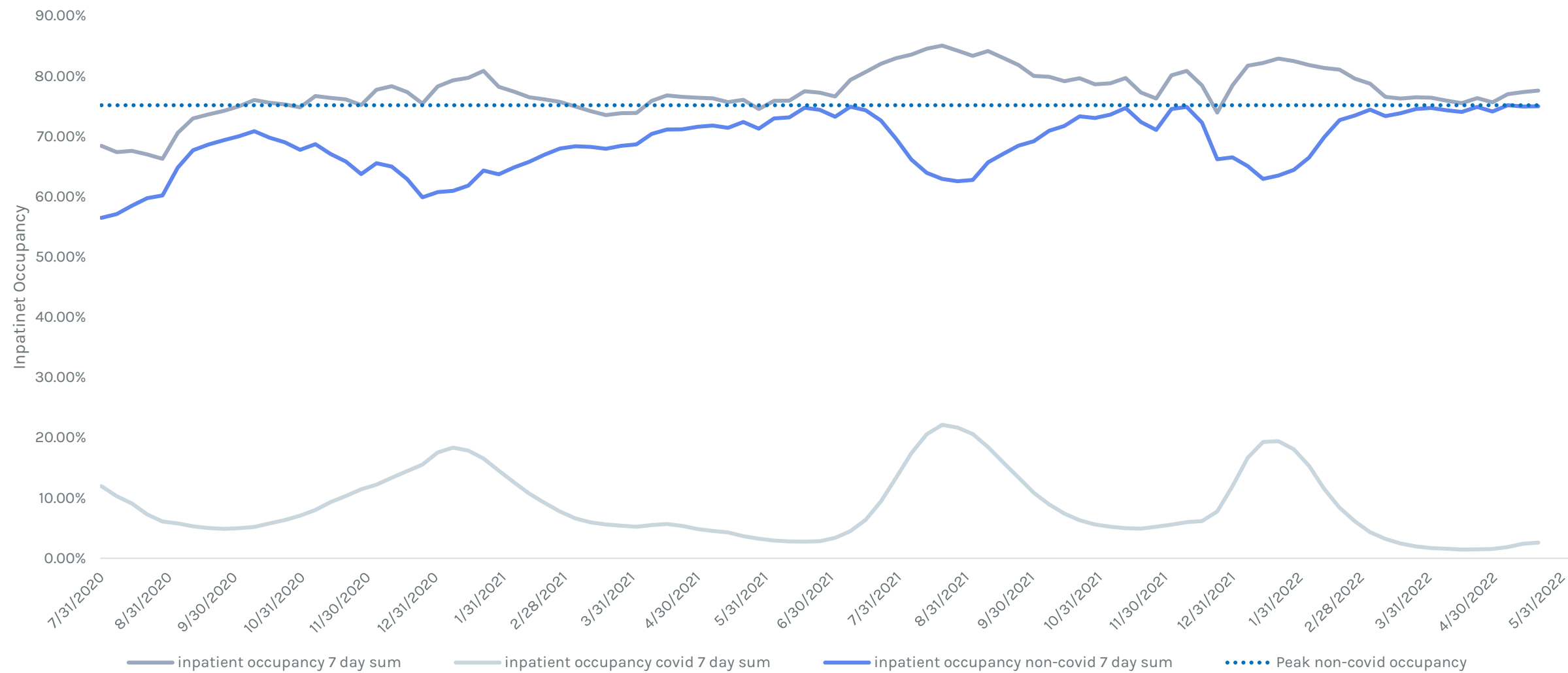
Hospital Non-COVID Occupancy 72.4%

Non-COVID Hospital Occupancy is up +8% year over year, hitting new post pandemic highs, and breaking above prior inter-COVID peaks.



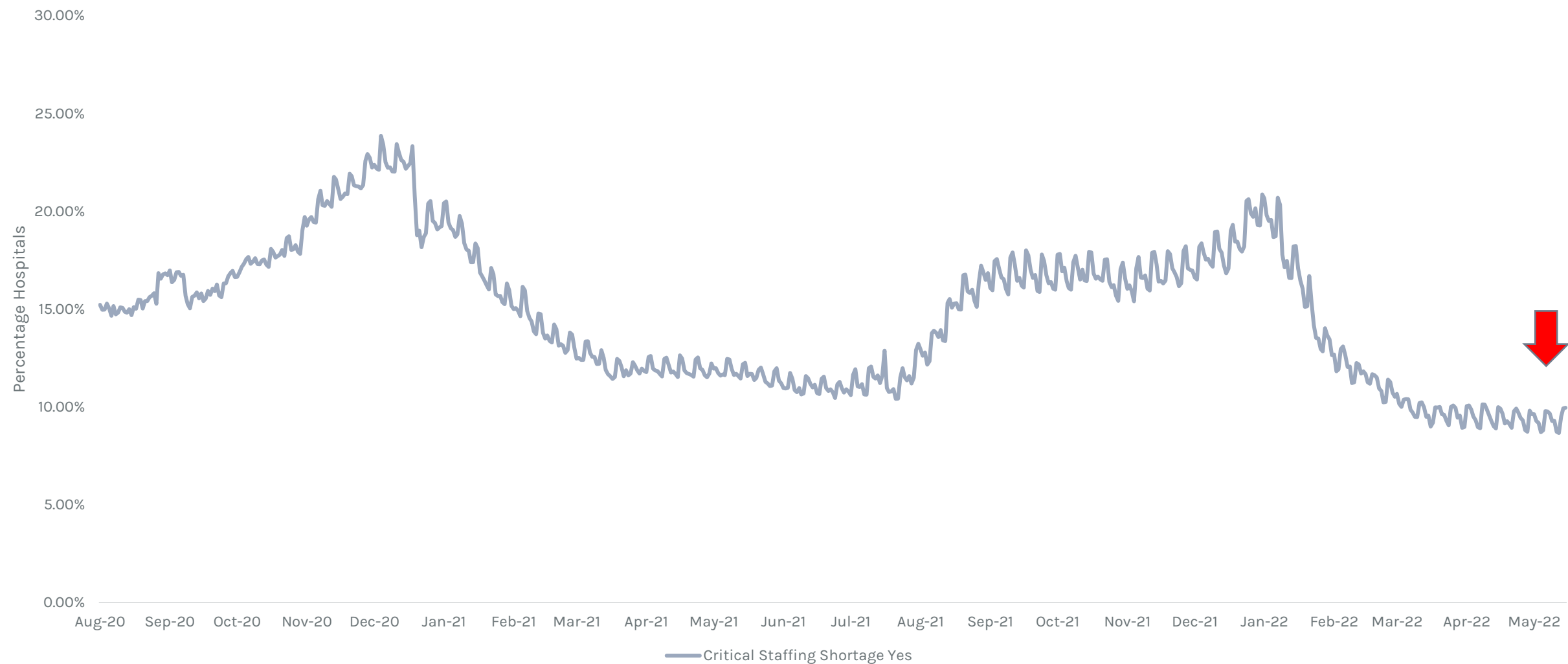
Non-COVID Occupancy Making a New High

Occupancy for non-COVID hit 75.15% for the week of 5/6/2022



Fewer Critical Labor Shortages

HHS has been surveying hospital capacity and labor availability since July 2020



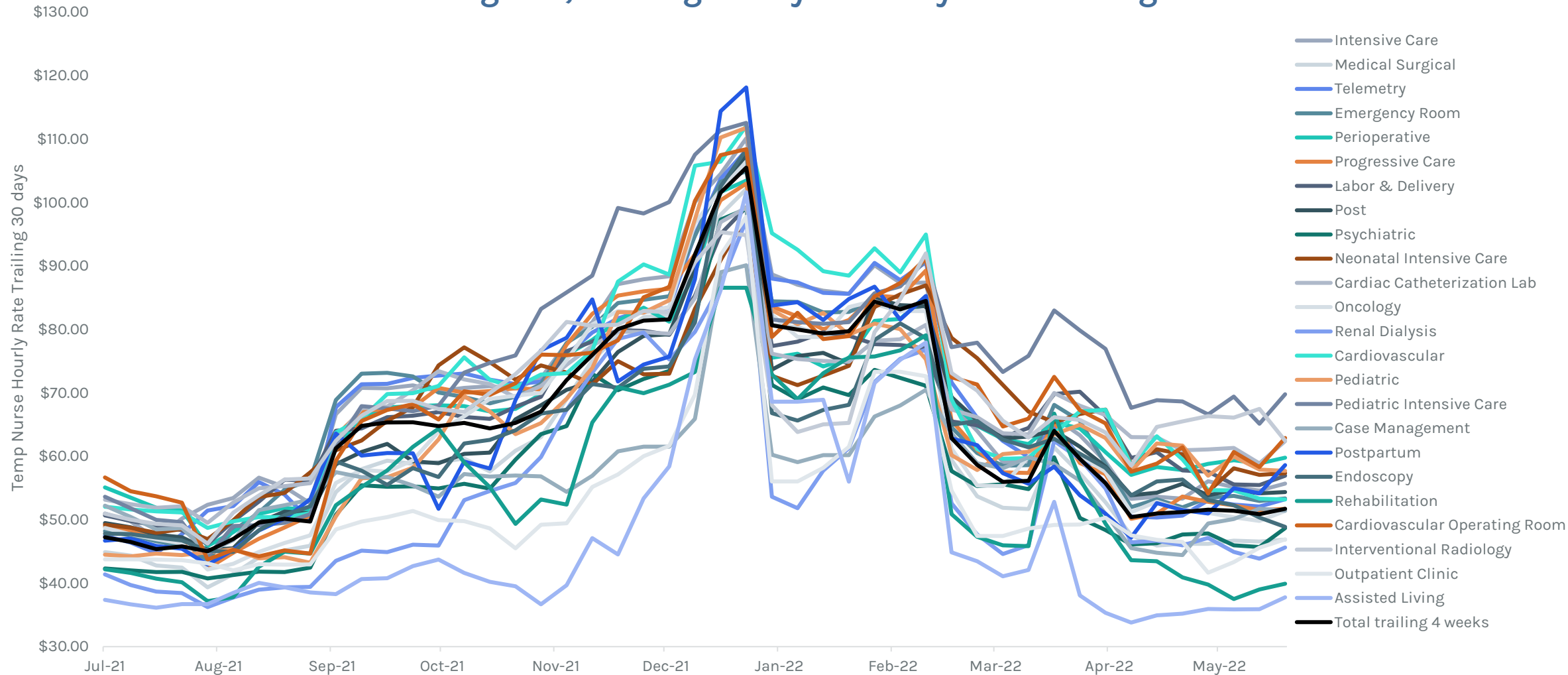
Registered Nurse Employment Status

Omicron, and prior COVID waves, both suppress supply and create demand. Labor supply is shaking loose post Omicron.



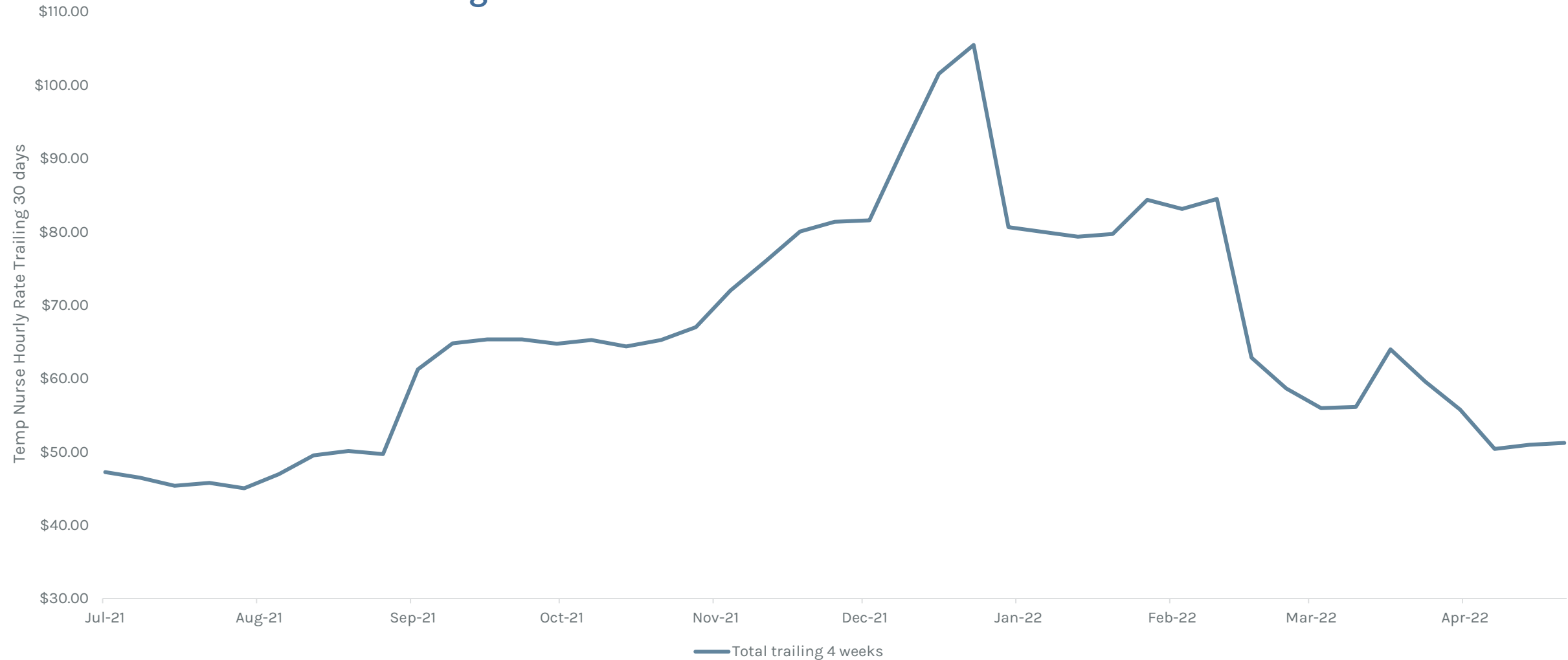
Extremes in Wage Inflation Easing

As of June 2022, our tracker data for spot labor pricing peaked in January and has retraced much of the Delta and Omicron gains, running +10% year over year on average.



Extremes in Wage Inflation Easing

As of May 2022, our tracker data for spot labor pricing peaked in January and has retraced much of the Delta and Omicron gains.



Field Notes | Hospital CFO Call – COVID-19 & Margins

80% drop through on the incremental surgical case for the non-COVID volume recovery

On April 13, we spoke with a hospital CFO within a 30+ hospital system about COVID-19 testing, staffing/labor, and general business trends. We last spoke with this contact in January, and **his opinions and feedback help explain how an operator like HCA can navigate COVID waves and “win” in a post-COVID environment.**

Key points:

1. Our contact saw COVID testing drop from ~\$200k estimated cost in January to ~\$50k in March.
2. The average rate for temp staffing (ICU, ER) has dropped from a peak of ~200/hr. to \$140-\$150/hr. but reducing the % of temp staff has not been possible, despite best efforts: “It’s still a really tight market.”
3. While there’s been a decrease in inpatient surgeries, there’s been a “leap forward” in outpatient.
4. Through 1Q22, outpatient visits were up nearly 5% y/y, and our contact thinks that can trend toward +6% to 8%- maybe 10% - over the course of this year.
5. Most systems should be able to handle a 5% uptick in volume with current staff.
6. On incremental case volume, up to 70%-80% of revenue can fall to the bottom line, on average (50% is a good, “appropriately conservative” estimate).

Q&A Highlights

How are your surgeons doing on volume?

- When I speak to surgeons, there’s no “I’m slowing down.” Surgeons do 500-600 cases per mo., and we’ve already got ~350 on the schedule for May.

How’s acuity trending?

- It was ~1.45 to start the year, then it ticked up to 1.47, now its 1.50. Back of the envelope, if that’s \$150/\$200 per admit – 1600 admits, it’s another \$320k through the door just due to sicker patients.

With the consumer – do you have any worries about bad debt? How might this year compare to prior recessions?

- We try to work w/ patients. If someone owes \$2k, can they give us \$500 (for a colonoscopy, can we get about same as Medicare?). Thinking back to 2015, the hospital I was at crushed it. I recall having good years in ‘08-’09 as well. Overall, I’m optimistic – April is going well, 1Q was pretty good. **It’s a good demand environment.**

How important are relationships with independent physician groups?

- It’s super important – you don’t have to pay them; goals may be more aligned. Some of the employed docs don’t care as much. The independents are hard working, and we want to get as many of their patients in, let them know we appreciate it, etc. **If you need to employ them, you’re likely doing it as a defensive move.**

How are labor/temp rates trending?

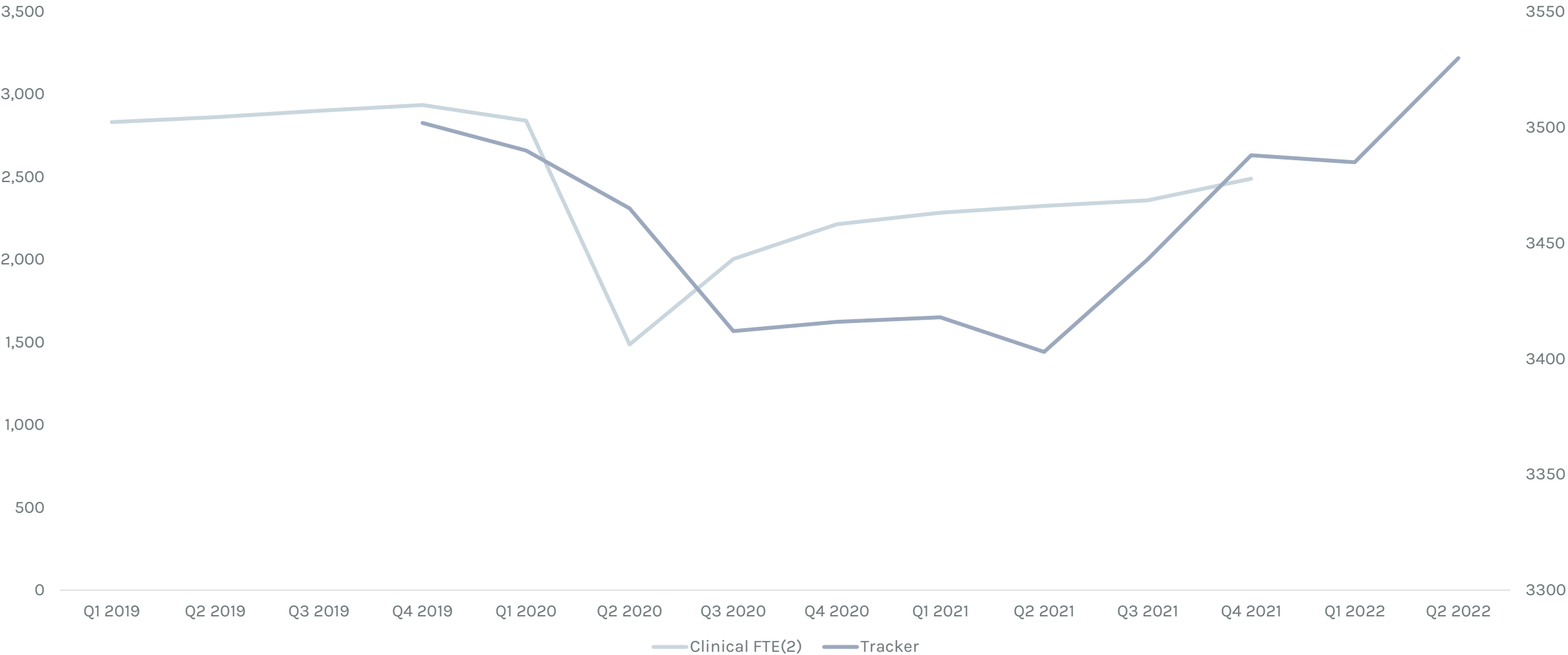
- In surgical and GI suites, the rates are much lower than Med-Surg and ICU/ER; there’s not as much demand.
- \$138-\$145 recently – the rates have really compressed – Med surge was \$160, and the others were near \$200.

If you can add procedures because COVID is falling off or otherwise, how much of that falls to the bottom line?

- On incremental cases – up to 70%-80% can fall to the bottom line.

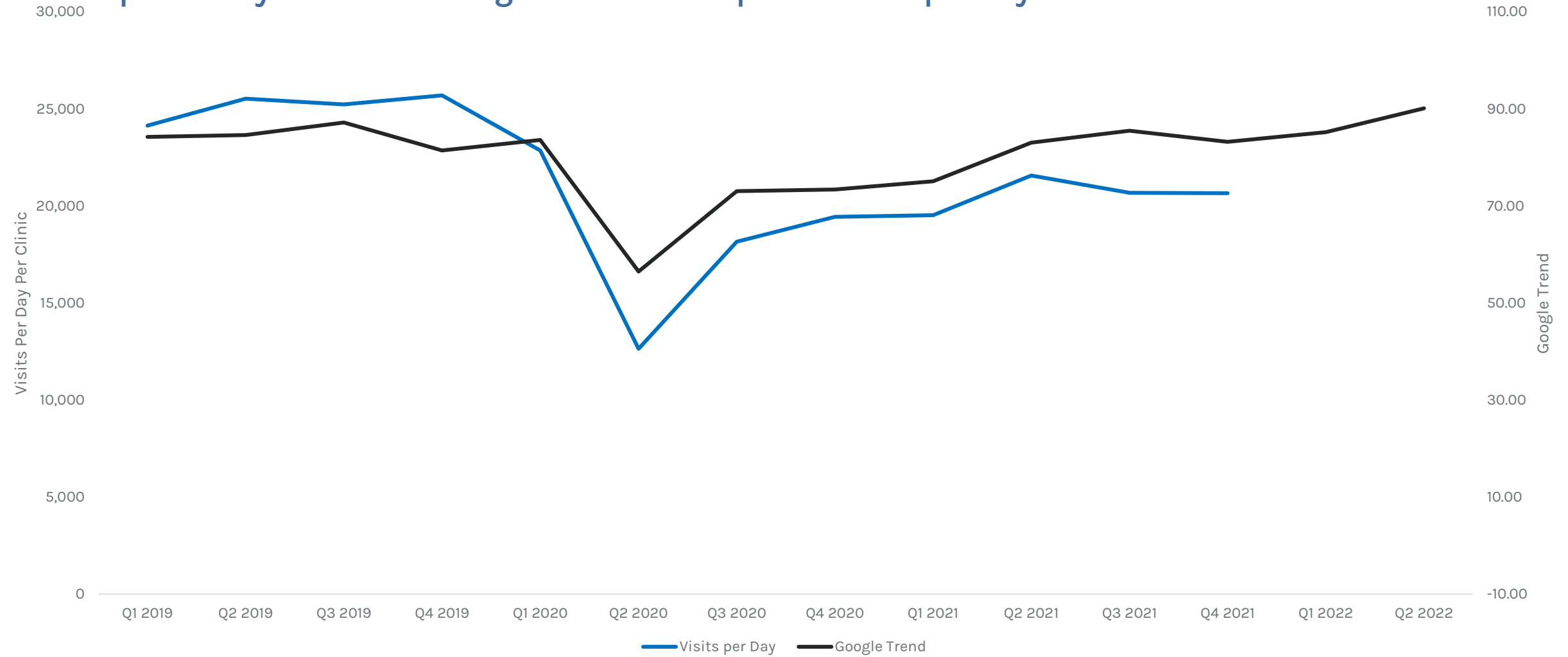
ATIP | Clinical FTE vs Tracker

ATI reported Clinical FTE vs our Tracker based on clinic listed locations through April 2022



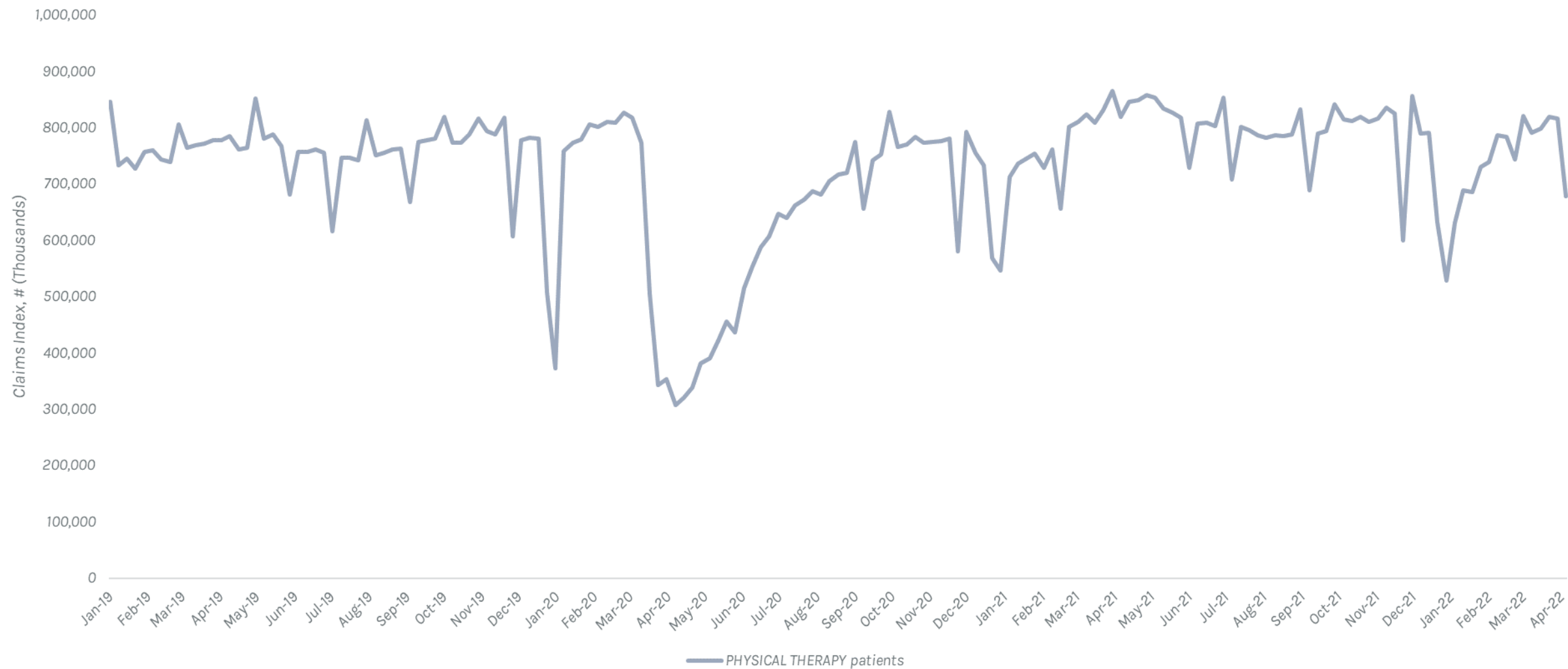
ATIP | Visits Per Day vs Google Trend

Google Trend “Physical Therapy” vs Visits per day or patient visits divided by operating days.
We had previously shown our Google Trend lines up with visits per day.



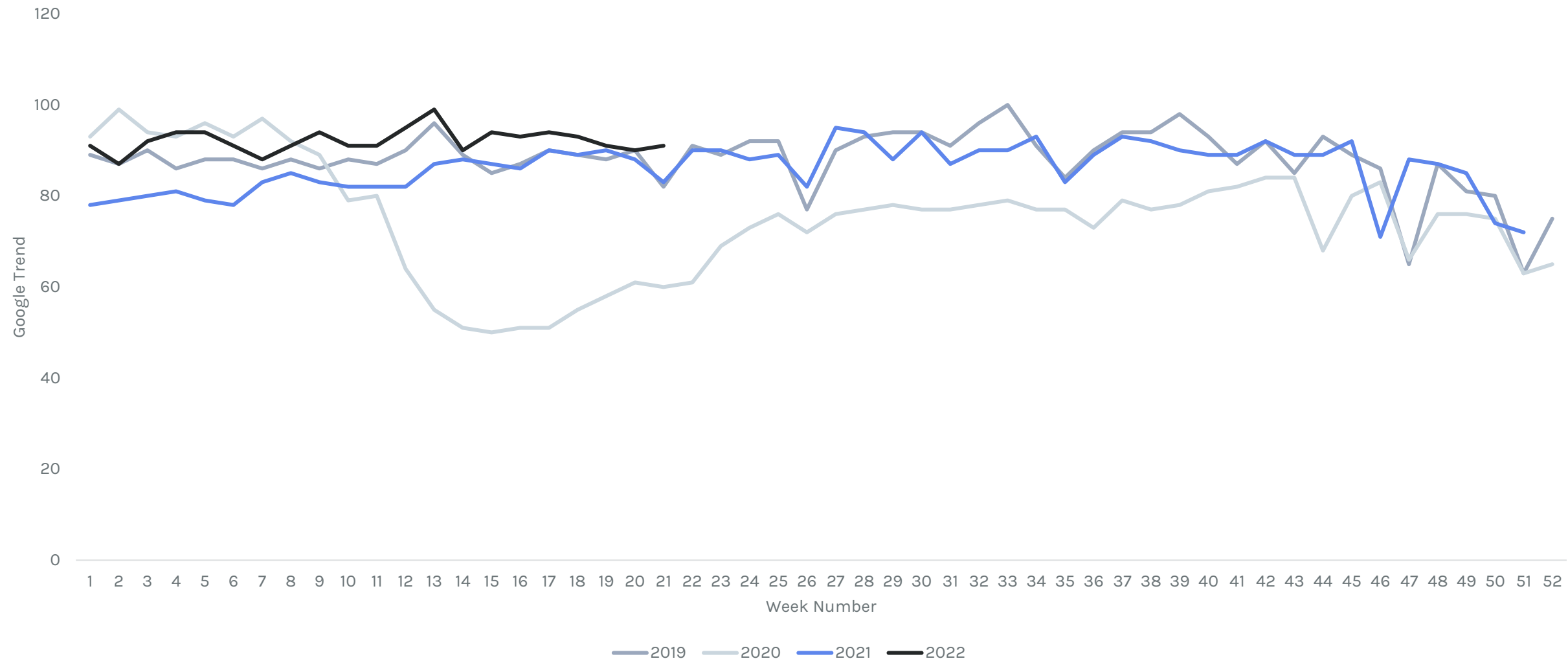
Physical Therapy | Claims Trend

Omicron impact looks modest compared to normal seasonality



Physical Therapy | Demand Accelerating

Google Trend for 'Physical Therapy'

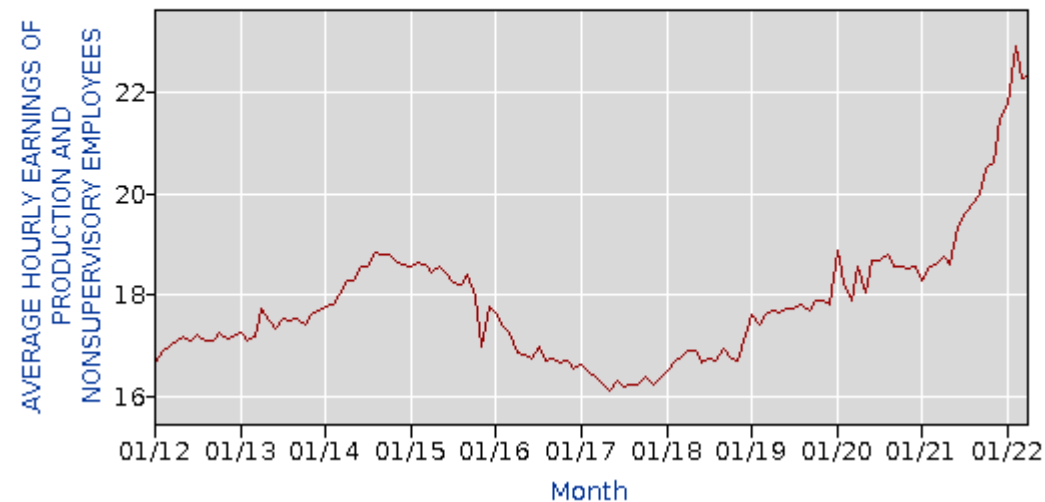


EYE | Unfavorable Optical Goods Operating Trends

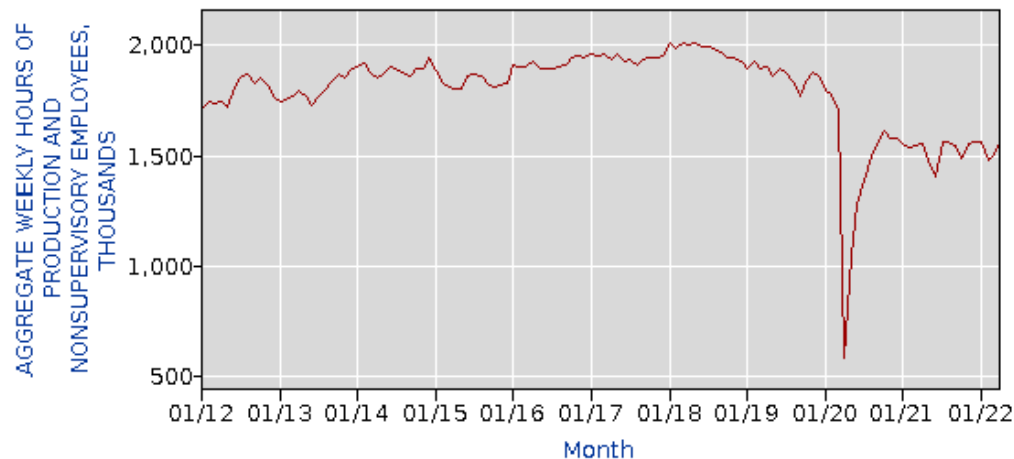
Average Hourly Earnings +20%

Aggregate Weekly Hours -1%

Industry: Optical goods stores
NAICS Code: 44613
Data Type: AVERAGE HOURLY EARNINGS OF PRODUCTION AND NONSUPERVISORY EMPLOYEES



Industry: Optical goods stores
NAICS Code: 44613
Data Type: AGGREGATE WEEKLY HOURS OF PRODUCTION AND NONSUPERVISORY EMPLOYEES, THOUSANDS



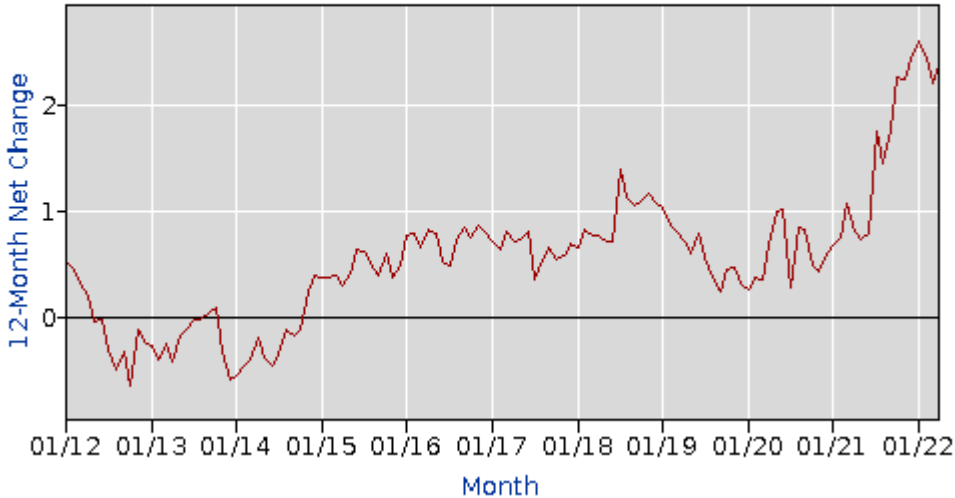
April 2022

LFST | High Attrition Risk

Tracker and anecdotes have been negative

	12/13/2021	1/11/2022	2/2/2022	3/3/2022	3/31/2022	5/5/2022	6/2/2022
Date of Addition	5036.00	124.00	81.00	381.00	180.00	280.00	214.00
Inactive		43.00	98.00	225.00	523.00	111.00	113.00
Total	5036.00	5117.00	5100.00	5256.00	4913.00	5082.00	5183.00

Industry: Outpatient mental health centers
NAICS Code: 62142
Data Type: AVERAGE HOURLY EARNINGS OF PRODUCTION AND NONSUPERVISORY EMPLOYEES



Tracker Comments

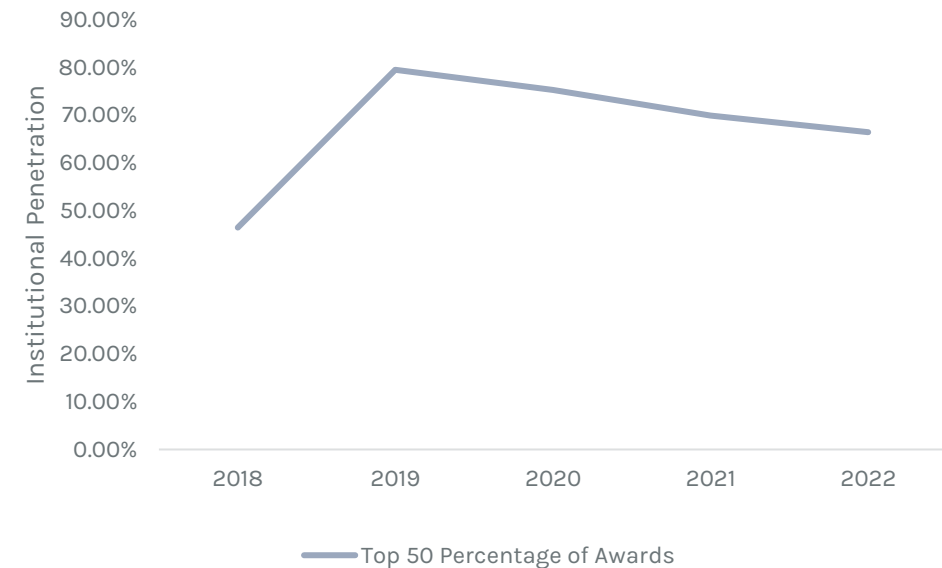
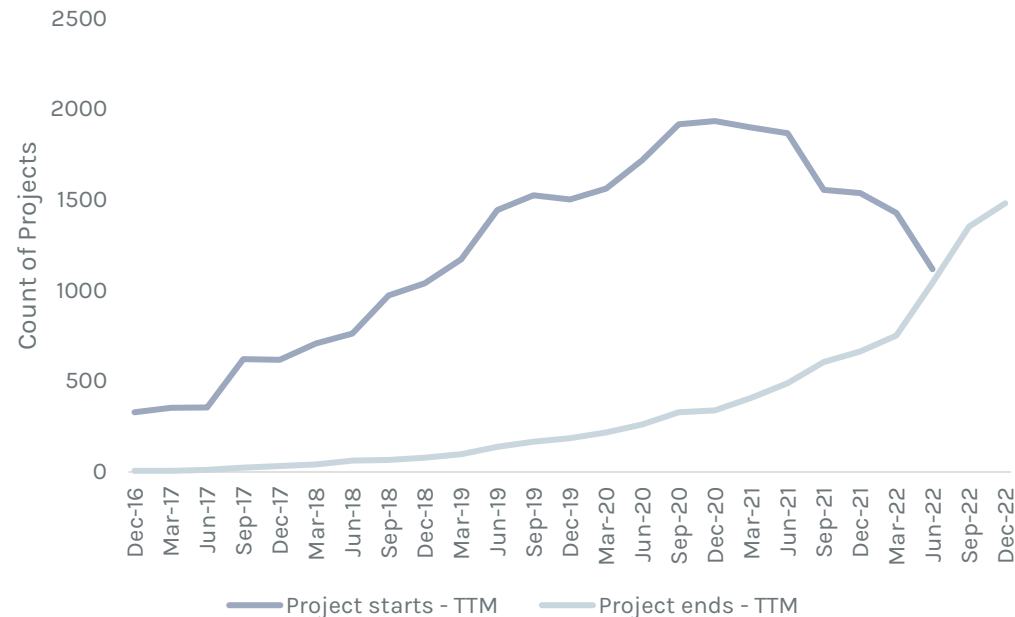
- LFST lost 113 professionals versus a gain of 214, netting 101 month over month.
- Net hiring has essentially churned to a flat headcount since the start of the year.
- We’ve spoken with several former employees, some of which were at a practice at the time of a Lifestance acquisition.
- Reports of management problems and retention are consistently negative
- In the current high demand and accelerating wage environment, we expect continued topline and margin pressure.

Update through May 2022

HEDGEYE

The pace of new awards continue to lag the number of Project Ends while Institutional funding remains highly concentrated among Top 50 institutions.

										Max Award Notice Date	6/3/2022						
										Pct Qtr Complete	70%						
										New Funded PIs QTD	124						
										Remaining/Adjustment	52.31						
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	
Funded PI - Count Actual	1396	1639	2063	2140	2360	2628	3064	3137	3354	3530.31	4065	4129	4338	4418	5046	5096	
Funded PI - Count Forecast									3354	3530	4065	4129	4338	4418	5046	5096	
Funded PI - Count YoY#	608	733	922	955	964	989	1001	997	994	902	1001	992	984	887	981	967	
Funded PI - Count ROC	155	252	414	438	356	256	79	42	30	-87	0	-5	-10	-15	-20	-25	
Funded PI - Count Slope	151.4	170.5	287.7	265.6	224.0	191.5	304.0	276.7	225.1	161.6	296.0	286.0	248.7	126.7	283.1	290.2	
YoY% change in Slope	34.7%	81.6%	87.2%	86.3%	48.0%	12.3%	5.7%	4.2%	0.5%	-15.6%	-2.6%	3.3%	10.5%	-21.6%	-4.4%	1.5%	



UroLift is a Key Driver for Top- Line Growth

Management guided to 15% YoY growth for the high growth portion of the portfolio



UroLift® 2 System



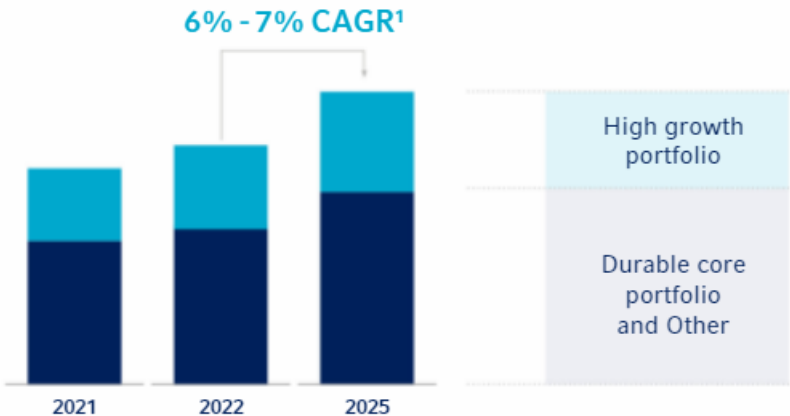
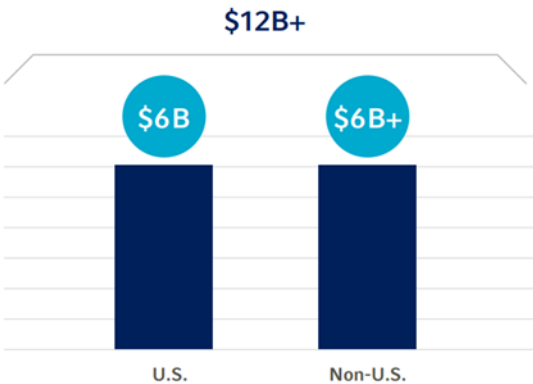
UroLift ATC® Advanced Tissue Control System

UroLift 2 System

- UroLift is the sole product in TFX’s interventional urology segment and a key driver to the high growth portfolio.
- UroLift is a small implant that treats benign prostatic hyperplasia (BPH) in men. The implantation is an outpatient, short- term procedure which is completed in less than an hour at a physician’s office or ASC.

High Growth Portfolio
~\$700M in 2021 Revenue

5% Penetration of Global
Addressable Market¹



UroLift Geographic Expansion

- Brazil
- China
- France
- Germany
- India
- Italy
- Japan
- Spain
- Taiwan

International Expansion (UroLift)

- The focus in FY22 is to transition physicians in the US that are using the UroLift 1 System to the UroLift 2 System by the end of the year and continuing to grow in the US.
- For FY23, management intends to turn their focus to the launch and market penetration in China.
- After which, Italy and Spain will be countries of focus within Europe and Japan will be in Asia.

Assumptions

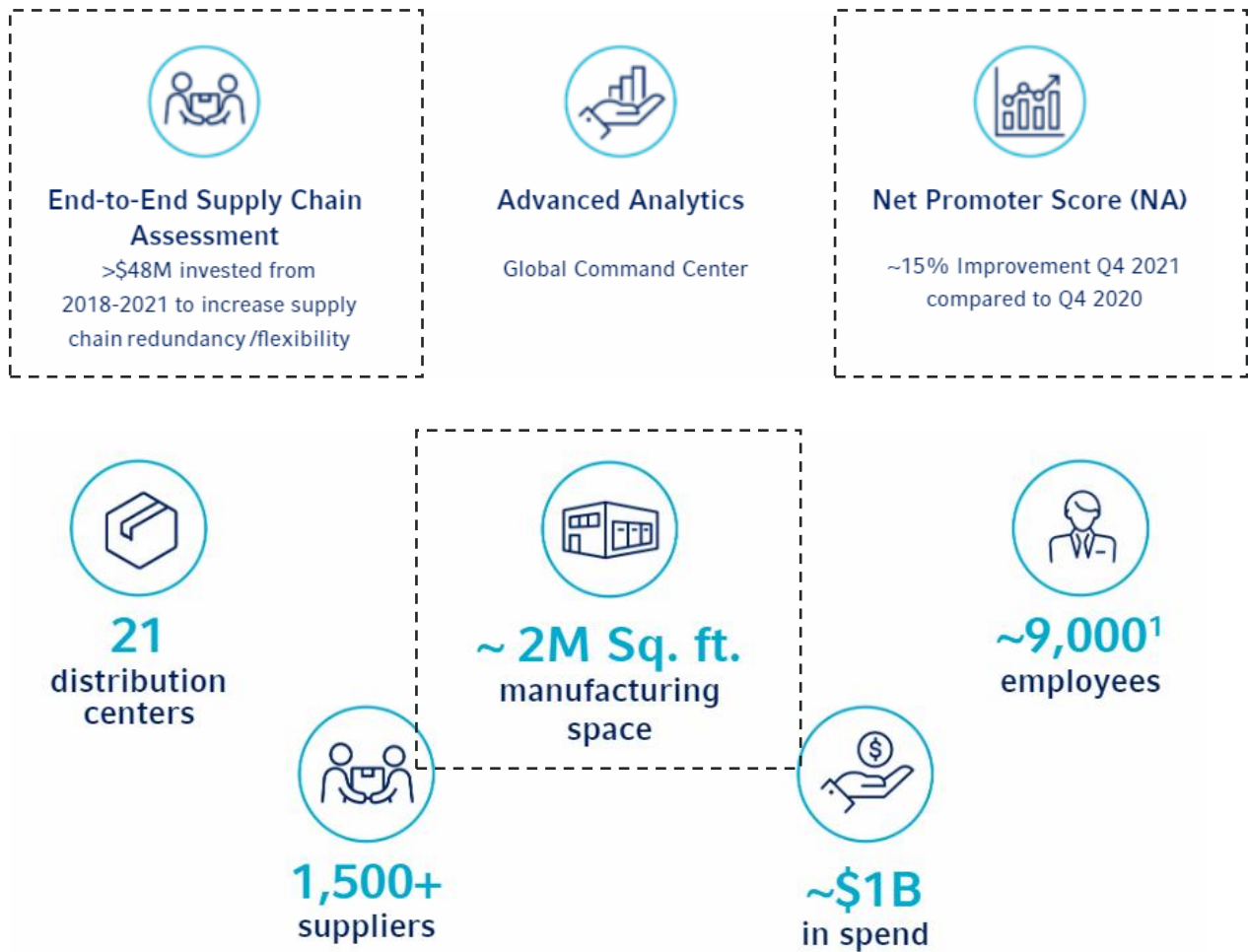
- High growth portfolio: 14-15% CAGR¹
- Durable core portfolio: 4-5% CAGR¹
- Other²: (6-7%) CAGR¹

LT Guidance for Portfolios

- As shown on the previous slide, the high growth portfolio, which contains UroLift, makes up roughly 25% of the total product portfolio.
- Management has commented that their outlooks of 15% growth in FY22 will be multi- faceted and not relying on one product.
- However, UroLift is expected to be a large percentage of this growth and is “playing out as expected, slightly above internal estimate.”

Proactive Approach Should Fend Off Headwinds

TFX invested \$48MM to reinforce their supply chain beginning before the pandemic



Early Results from Investment

- 1. TFX began proactively making adjustments prior to the pandemic. **These investments yielded a 15% improvement in NPS in 2021.**
- 2. Key moves include management's \$48MM investment to build TFX's current supply chain resilience and develop a global command center to track inventory by product line.

Additional Takeaways

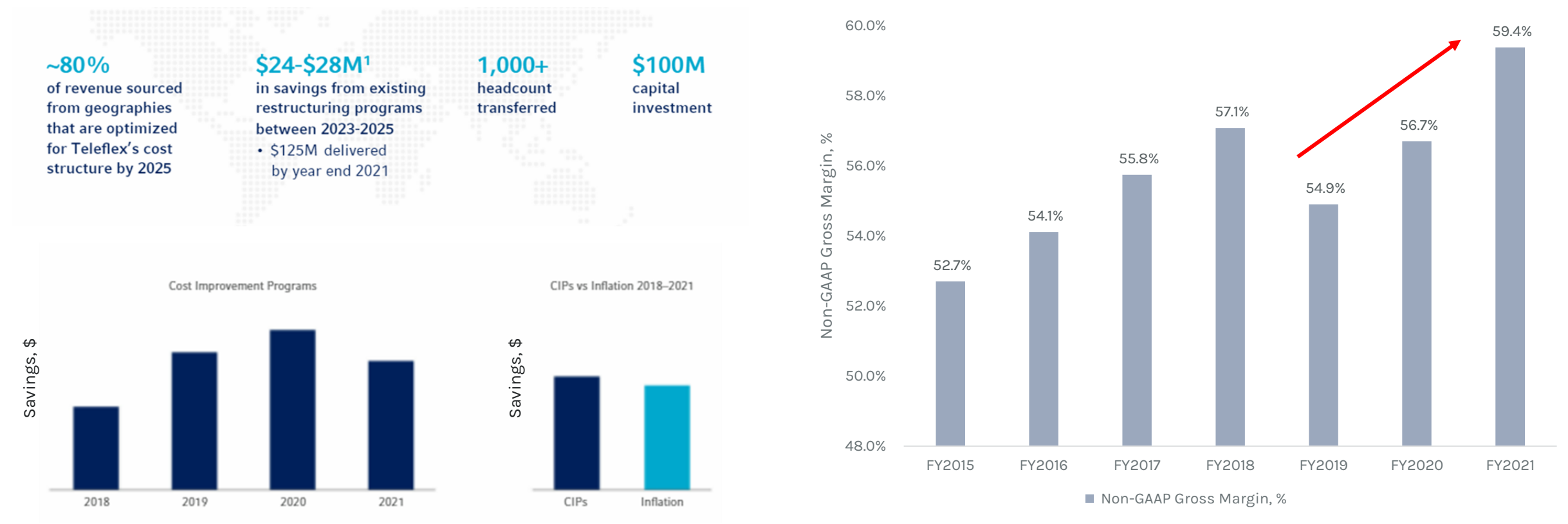
- 1. TFX has very limited exposure to the chip shortage, as **only 2 products require a chip.**
- 2. TFX **does not manufacture in China.** On the call, they explained that it isn't an issue of getting product out of the country but getting product into the country.

Investor Day Comments on Supply Chain Disruptions

“The challenges that we see are predominantly freight costs and the time to move product, in particular, from Asia to Europe and the United States. The time lag to bring product on the ocean has grown quite considerably. That has a knock-on effect with some of your resin suppliers, are also moving product through sea lanes, and they're actually raising some price pressure there.”

Cost Improvement Program Exceeded Inflation

TFX has successfully offset previous inflation through their cost improvement programs.



Laid out during the Investor day, the company expects that margins will be positively affected by a 200 bps tailwind from the shift in mix to higher margin products and an additional 70 bps from current restructuring plans. They expect to nullify all remaining inflation through additional improvements in top- line sales and product mix.

Relative Analysis | EV/NTM Sales

Despite similar multiples, TFX offers greater sales growth opportunity than peers



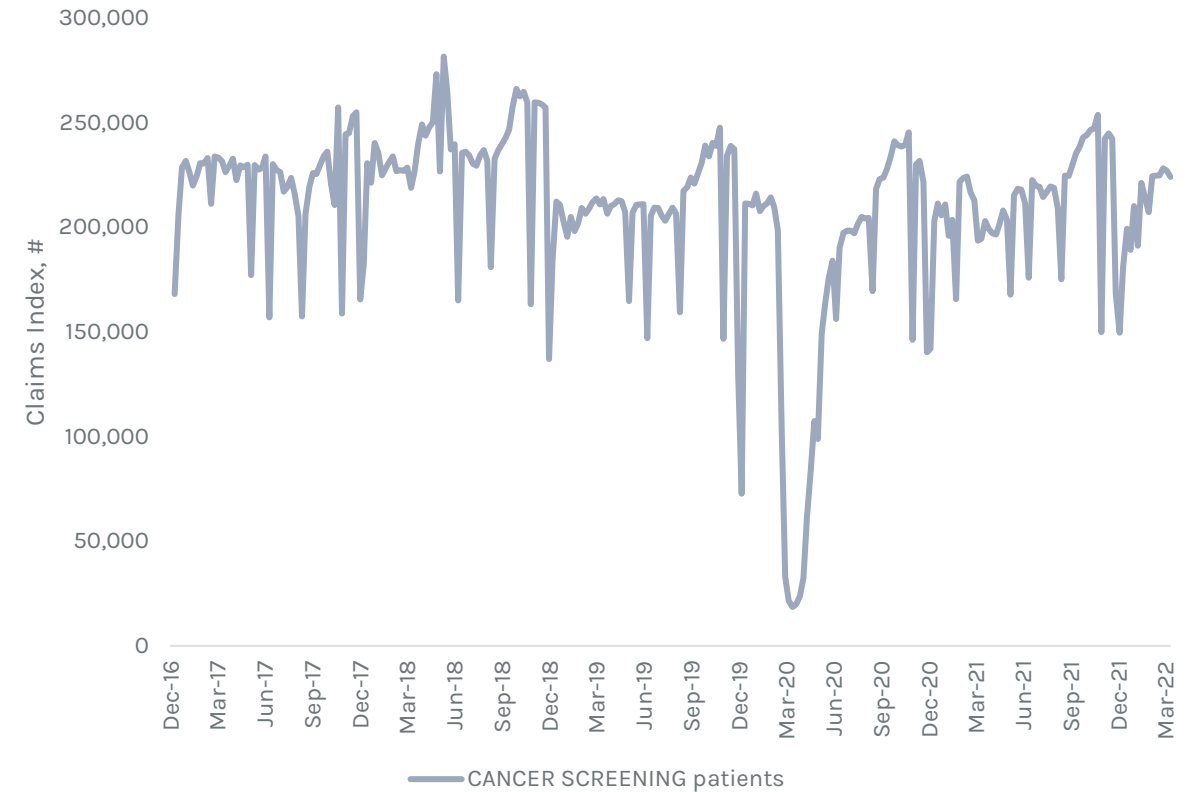
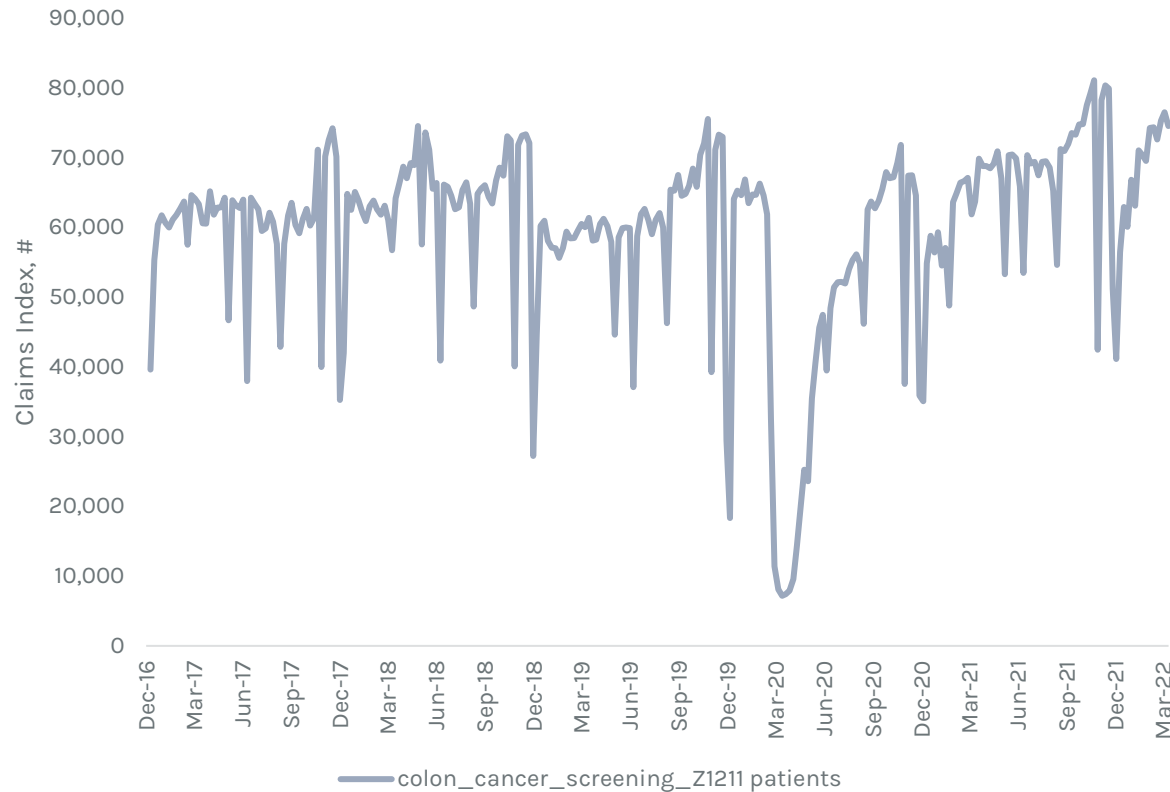
Ticker	Company Name	Mkt Cap	Consensus 3 Year Sales CAGR	Current EV/NTM Sales
TFX	Teleflex Incorporated	13,371.7	5.3%	5.06x
ABT	Abbott Laboratories	199,204.7	0.7%	5.12x
MDT	Medtronic Plc	141,653.1	7.1%	4.72x
BDX	Becton, Dickinson and Company	73,389.9	0.4%	4.67x
EW	Edwards Lifesciences Corporation	58,780.4	10.8%	9.8x
BAX	Baxter International Inc.	37,210.8	10.6%	3.29x
MMSI	Merit Medical Systems, Inc.	3,345.3	5.0%	3.17x
NARI	Inari Medical, Inc.	3,231.6	22.6%	7.4x
AVNS	Avanos Medical, Inc.	1,296.2	8.3%	1.77x
ANGO	AngioDynamics, Inc.	731.0	10.9%	2.17x

While TFX has moved to the bottom of its historical EV/NTM Sales range, it offers a better top- line growth profile than other large cap, medical technologies names like Abbott (ABT) and Beckton, Dickinson and Company (BDX).

Claims Data | Volume Recovery + for High Growth Portfolio

HEDGEYE

After Omicron- related halt, regular cancer screening looks to have returned to pre- COVID levels

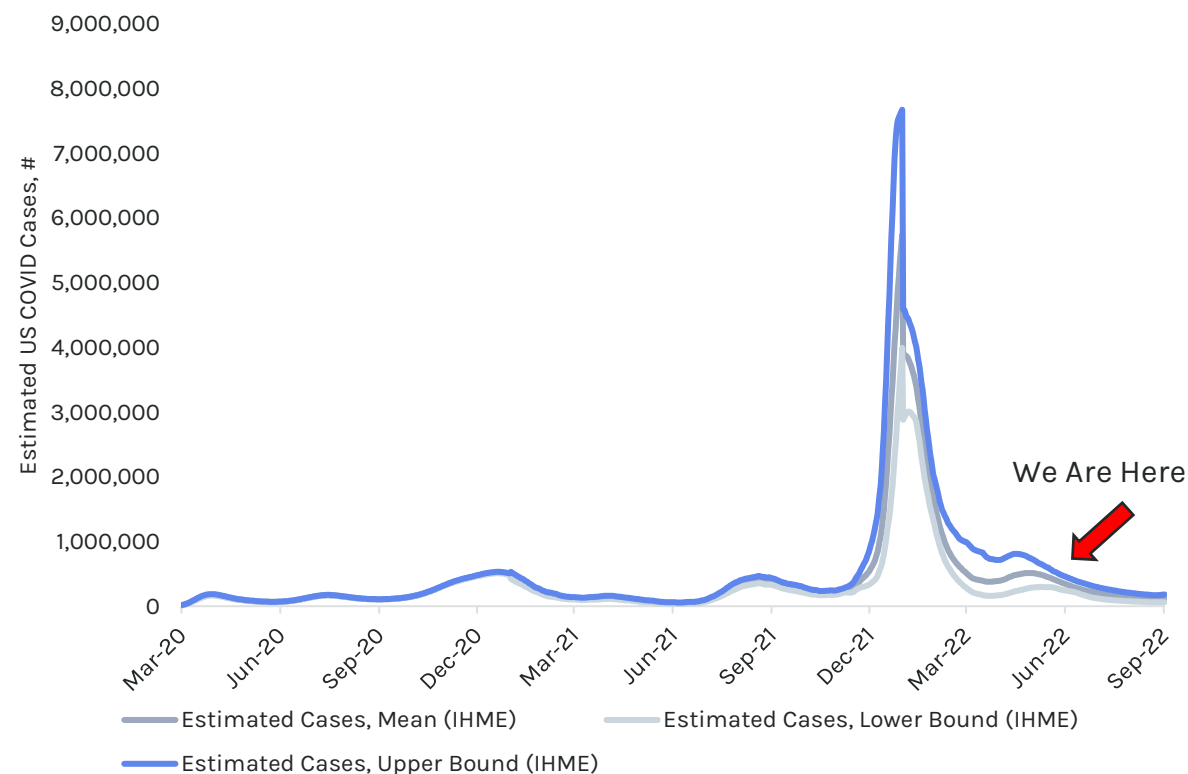
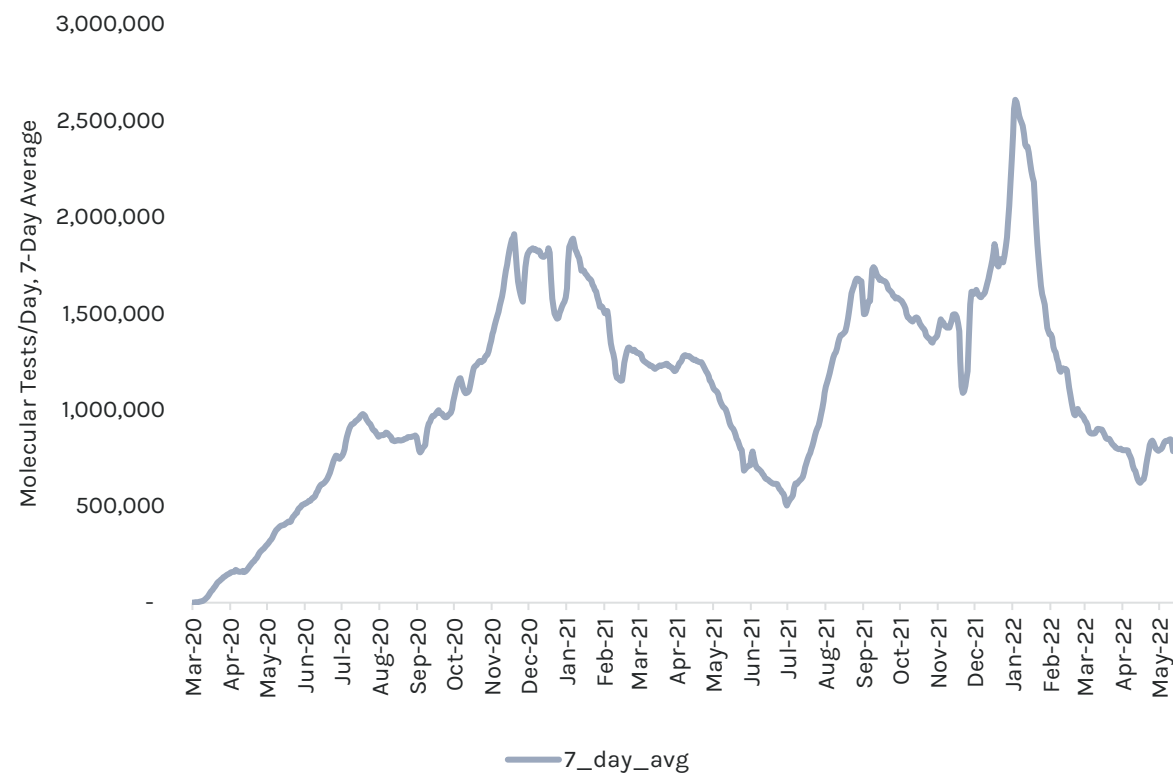


The claims data shows that cancer screening dropped off in mid- December as a result of the latest COVID breakout. Following this surge, volumes trended positively and look to be at or above pre- COVID levels.

Claims data for cancer screening is relevant as the pattern of behavior for a screening visit leading to surgery is aligned with the majority of TFX's products. TFX does have a minority of oncology- related devices in their portfolio.

Forecasting the Impact

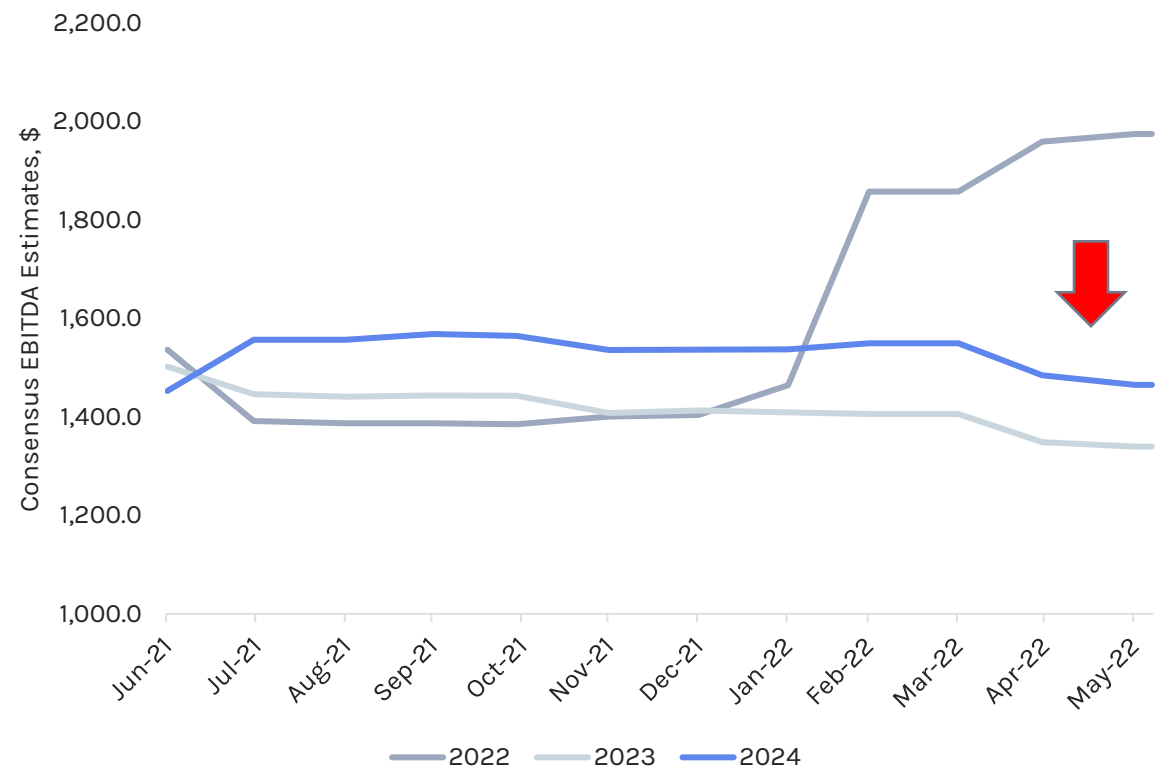
Based on the information we have, we expect HOLX COVID assay revenue to be \$150MM – \$220MM for FY23



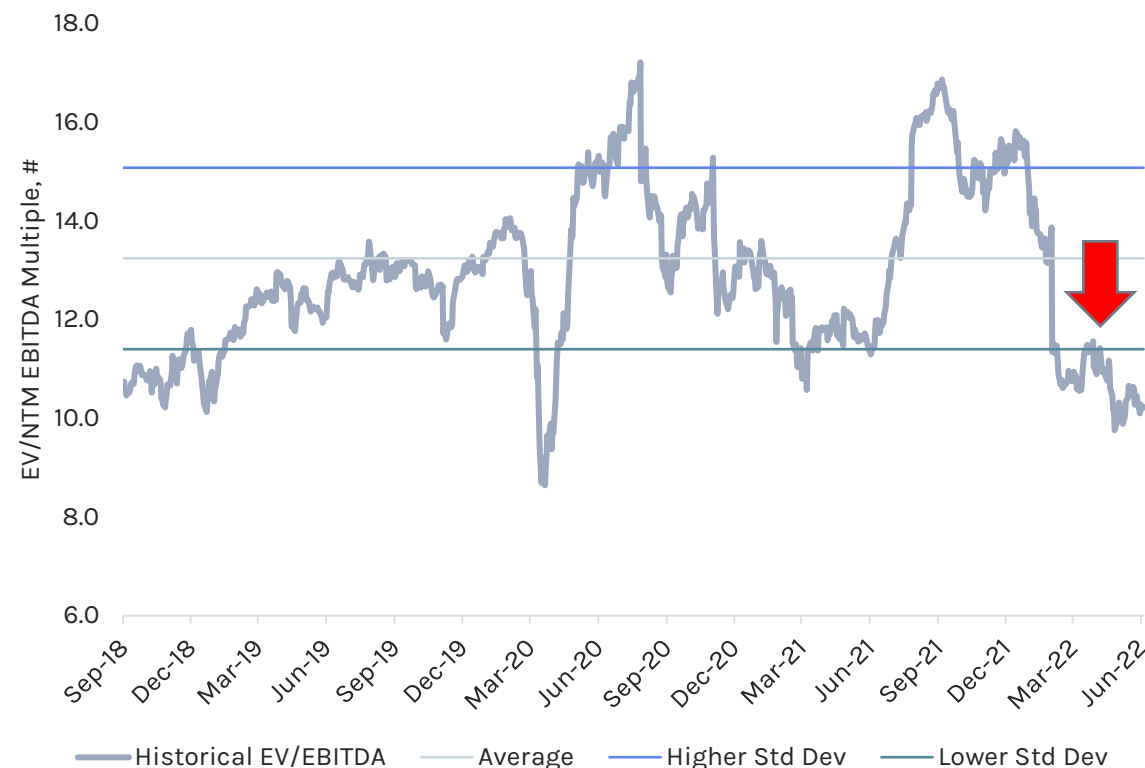
At the time of publishing, there are currently no standard CDC guidelines for ongoing COVID testing for schools or employers in FY23. EU countries have already discontinued emergency reimbursement for testing in order to signal the end of the pandemic, and the US is likely to follow. As a result, we expect that COVID will be treated like the flu going forward. At an average of 150k to 225k tests per day, HOLX COVID assay revenue opportunity for FY23 would be \$150MM-\$220MM given their current share.

Multiples Struggle Alongside Falling Estimates

Consensus EBITDA Estimates



EV/NTM EBITDA



Despite a significant uptick in both sales and EBITDA estimates for FY22 due to the lingering nature of COVID, HOLX’s out year estimates have declined throughout 2Q22. Accordingly, all of the company’s multiples have declined significantly to the bottom of their historical ranges since the beginning of the year. Recovery in base business is key from here.

Valuation

EV/Sales

2022 EV/Sales	2022 Sales					
		\$4,216	\$4,438	\$4,672	\$4,905	\$5,151
	3.5x	54.23	57.24	60.42	63.60	66.93
	4.0x	62.42	65.87	69.50	73.13	76.94
	4.5x	70.61	74.49	78.57	82.66	86.95
	5.0x	78.80	83.11	87.65	92.19	96.96
	5.5x	86.99	91.74	96.73	101.72	106.96
	6.0x	95.19	100.36	105.81	111.25	116.97

2023 EV/Sales	2023 Sales					
		\$3,491	\$3,675	\$3,868	\$4,062	\$4,265
	3.5x	44.36	46.86	49.49	52.12	54.89
	4.0x	51.15	54.00	57.01	60.01	63.17
	4.5x	57.93	61.14	64.52	67.91	71.46
	5.0x	64.71	68.28	72.04	75.80	79.74
	5.5x	71.50	75.42	79.56	83.69	88.03
	6.0x	78.28	82.56	87.07	91.58	96.32

EV/EBITDA

2022 EV/EBITDA	2022 EBITDA					
		\$1,956	\$1,966	\$1,975	\$1,985	\$1,995
	11.0x	80.48	80.90	81.32	81.74	82.17
	12.0x	88.08	88.54	89.00	89.46	89.92
	13.0x	95.68	96.17	96.67	97.17	97.67
	14.0x	103.28	103.81	104.35	104.89	105.43
	15.0x	110.88	111.45	112.03	112.60	113.18
	16.0x	118.48	119.09	119.70	120.32	120.93

2023 EV/EBITDA	2023 EBITDA					
		\$1,326	\$1,333	\$1,340	\$1,347	\$1,353
	11.0x	53.58	53.87	54.15	54.44	54.73
	12.0x	58.73	59.05	59.36	59.67	59.98
	13.0x	63.89	64.23	64.56	64.90	65.24
	14.0x	69.04	69.41	69.77	70.13	70.50
	15.0x	74.20	74.59	74.98	75.37	75.76
	16.0x	79.35	79.77	80.18	80.60	81.02

Despite the #Quad4 landscape, med tech looks to be “set up” in back half alongside the recovery of surgery volume and steady unleashing of pent- up demand. We will update our base business trackers when we receive the data internally later this week.

For more information, contact us at:

HealthCareTeam@Hedgeye.com