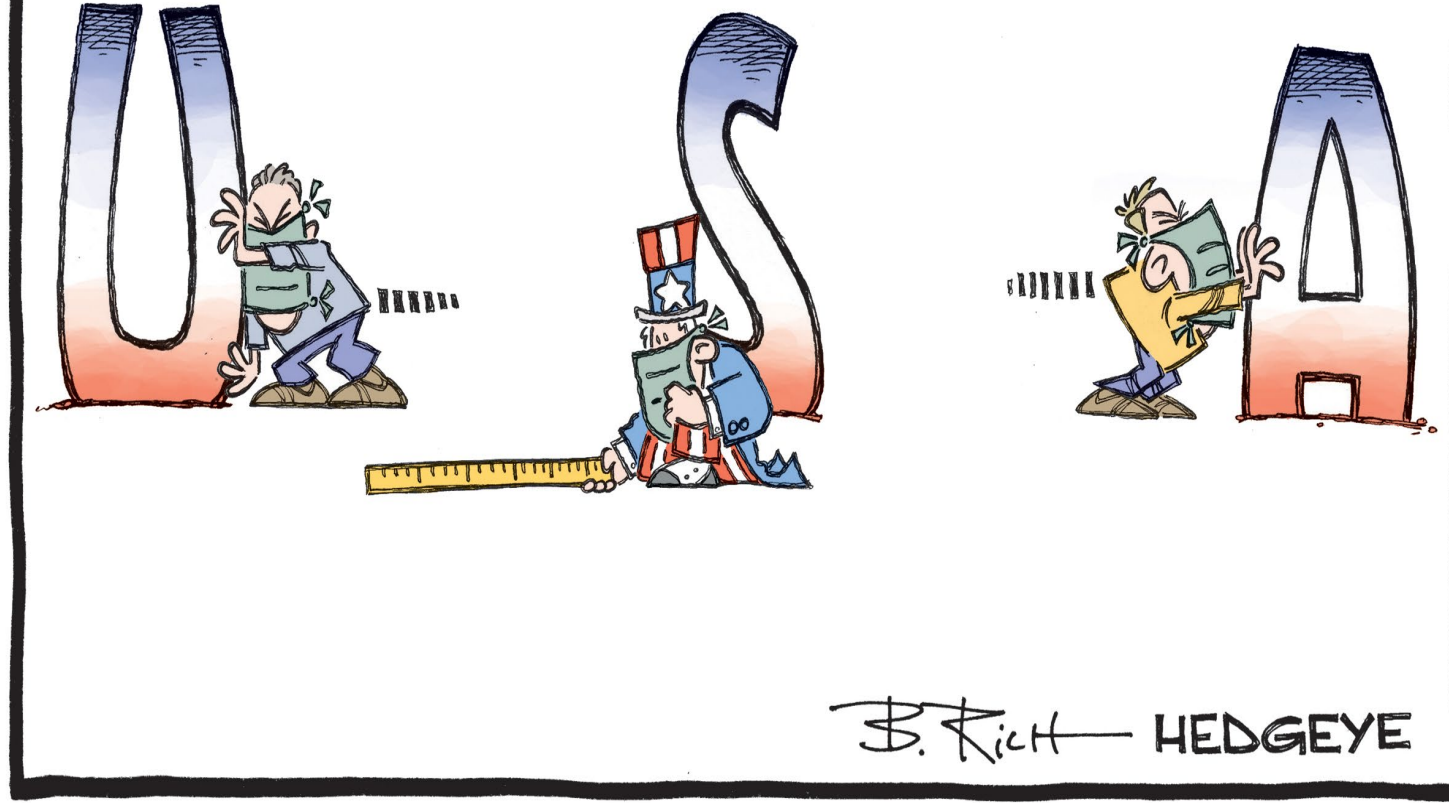


HEDGEYE

Health Care Position Monitor Update

FEQ's, Estimate Revisions, HC Labor Demand, TDOC App Downloads, Biotech VC, GH Claims, and COVID19

April 6, 2020



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Health Care Position Monitor

HEDGEYE

For Week of April 6, 2019

Best Ideas - Longs						Best Ideas - Shorts					
LONG						SHORT					
		Price	Mkt Cap (\$B)	Trend	Tail			Price	Mkt Cap (\$B)	Trend	Tail
Active Longs						Active Shorts					
TDOC	Teladoc Health, Inc.	\$ 168.84	\$12.3B	√	√	GH	Guardant Health, Inc.	\$ 68.75	\$6.5B		
AMN	AMN Healthcare Services, Inc.	\$ 49.84	\$2.3B	√		EXAS	Exact Sciences Corporation	\$ 57.87	\$8.6B	×	×
						HQY	HealthEquity Inc	\$ 50.88	\$3.6B	×	×
						NVTA	Invitae Corp.	\$ 14.28	\$1.4B	×	×
Long Bias						Short Bias					
ONEM	1Life Healthcare, Inc.	\$ 17.75	\$2.2B			HCA	HCA Healthcare Inc	\$ 88.21	\$29.9B		
						DVA	DaVita Inc.	\$ 76.35	\$9.6B		

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.

Fundamental Equity Quads

Estimate Slope and Acceleration, even in a COVID-19 and Quad 4 storm held up

		All Time		
		1	0	-1
Revenue	1	2.63	1.91	1.64
	0	1.73	1.73	1.23
	-1	1.17	0.20	0.72
EBITDA	1	2.58	1.87	1.92
	0	1.69	1.54	1.27
	-1	1.22	0.20	0.77
EPS	1	2.42	1.88	1.79
	0	1.47	1.47	1.06
	-1	1.39	0.23	(0.45)

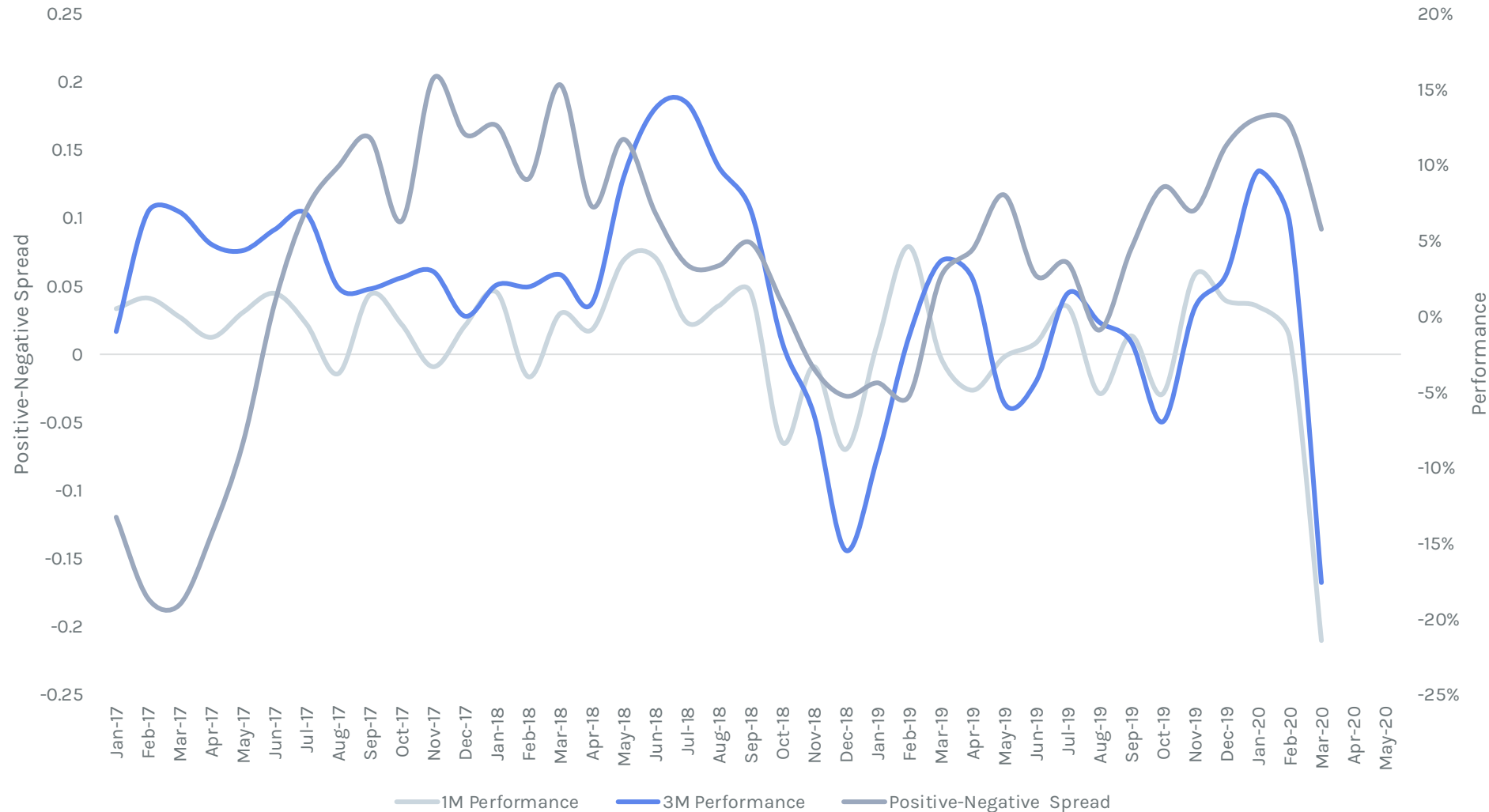
		Mar-20 Absolute		
		1	0	-1
Revenue	1	(2.39)	(12.68)	(17.96)
	0	(14.27)	(16.64)	(19.59)
	-1	(17.22)	(19.10)	(13.98)
EBITDA	1	(9.99)	(10.18)	(13.88)
	0	(14.61)	(18.20)	(19.87)
	-1	(17.83)	(19.10)	(13.98)
EPS	1	(23.20)	(18.94)	(16.40)
	0	(15.69)	(18.49)	(19.06)
	-1	(17.18)	(8.27)	(23.15)

		Mar-20 Relative		
		1	0	-1
Revenue	1	-	(10.29)	(15.57)
	0	(11.88)	(14.25)	(17.20)
	-1	(14.83)	(16.71)	(11.59)
EBITDA	1	-	(0.19)	(3.89)
	0	(4.62)	(8.21)	(9.88)
	-1	(7.84)	(9.11)	(3.99)
EPS	1	-	(4.26)	(6.79)
	0	(7.50)	(4.70)	(4.13)
	-1	(6.01)	(14.92)	(0.04)

- Comparing March 2020 to the 'All Time' analysis of monthly performance shows the relative and absolute performance of the estimate trend analysis, or the Fundamental Equity Quad.
- If estimates are at the top end of a historical growth rate (+1) and accelerating (+1) prices tend to outperform. When the estimate trend is at the low end (-1) and decelerating (-1) prices underperform.

Estimates Have Not Bottomed

Prices will front run the turn in estimates, but we're not close to the end of the revision cycle



- The Positive-Negative Spread is the spread the percentage of stocks in the upper versus lower end of the estimate trend.

ADP Employment Report | March 2020

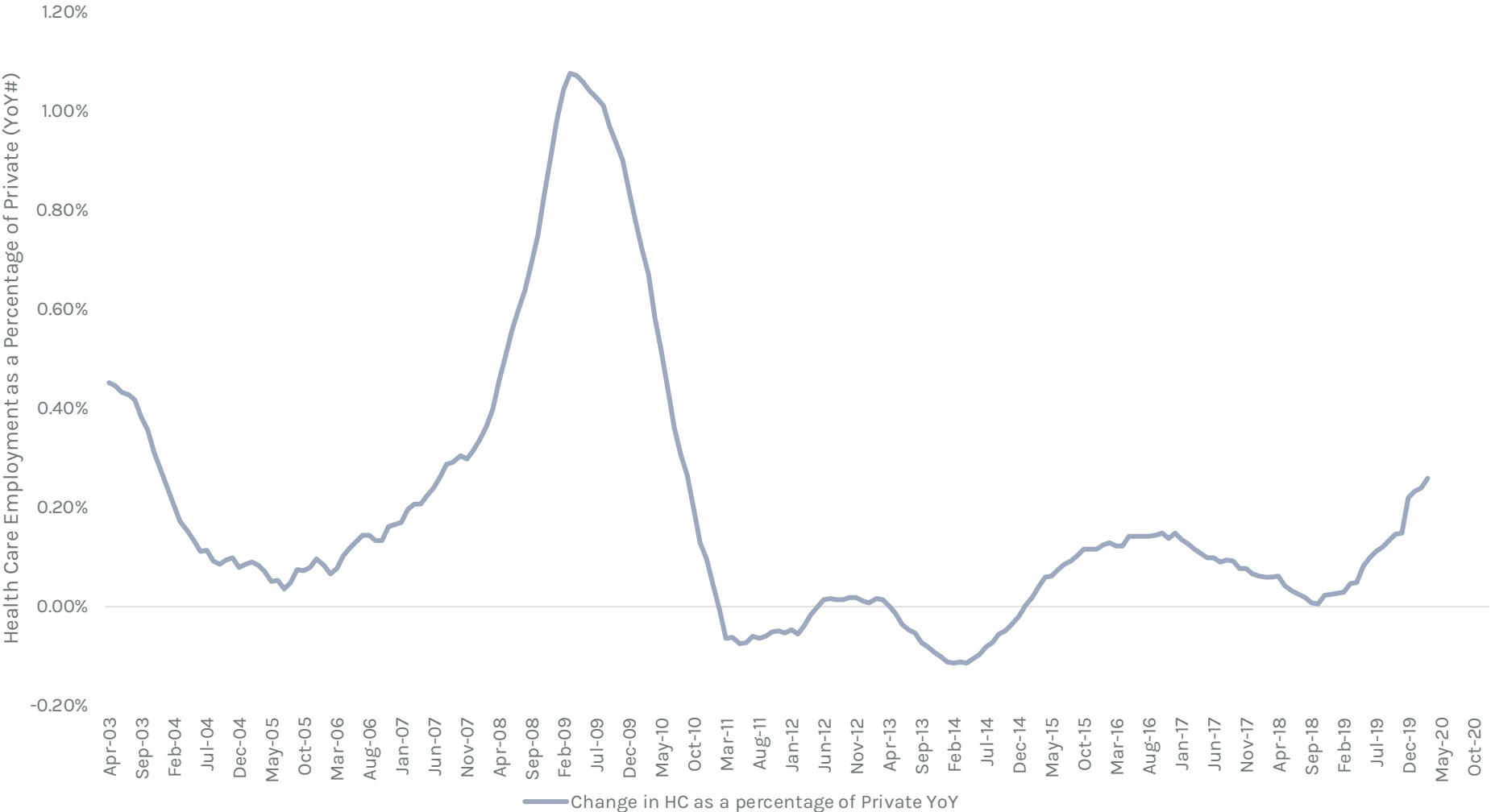
Health Care Employment YoY%



- Comparisons become more difficult as we exit 1Q20 and move into 2Q20, which is where we would target the timing of any negative fundamental read through.
- Company results across the Health Care Sector are more likely to show negative or positive divergences versus expectations depending on the slope of the growth rate.

ADP Employment Report | March 2020

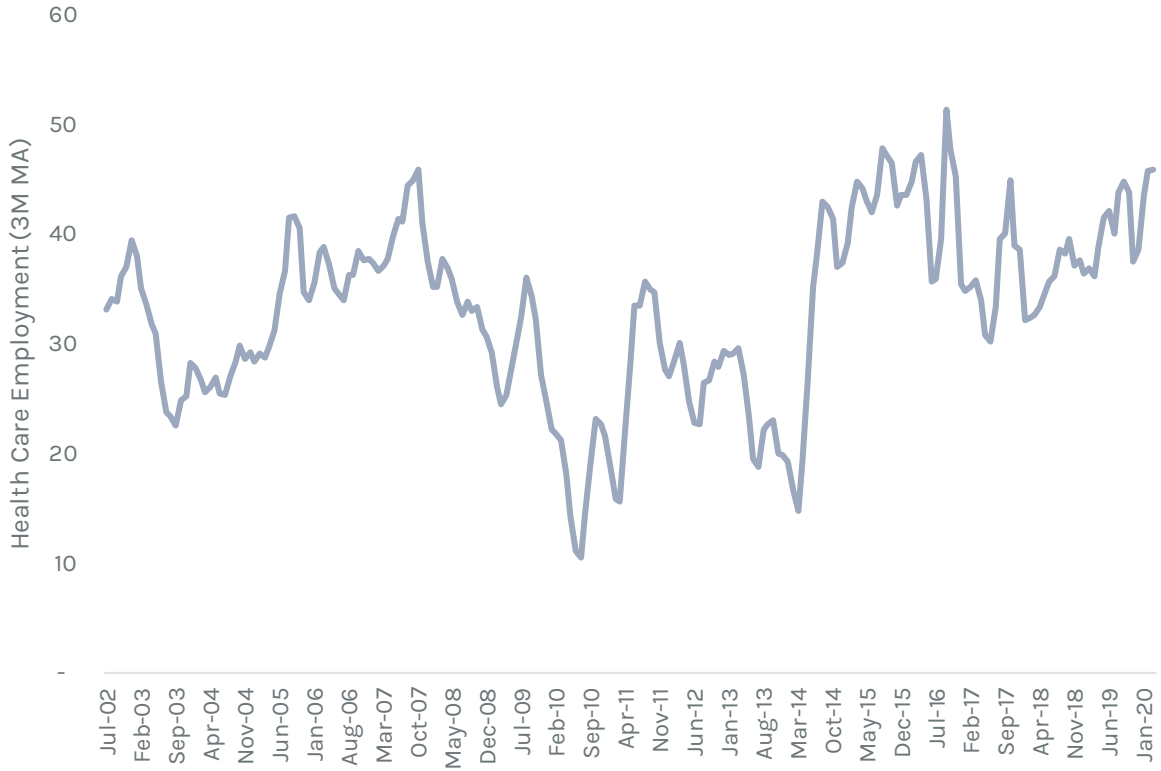
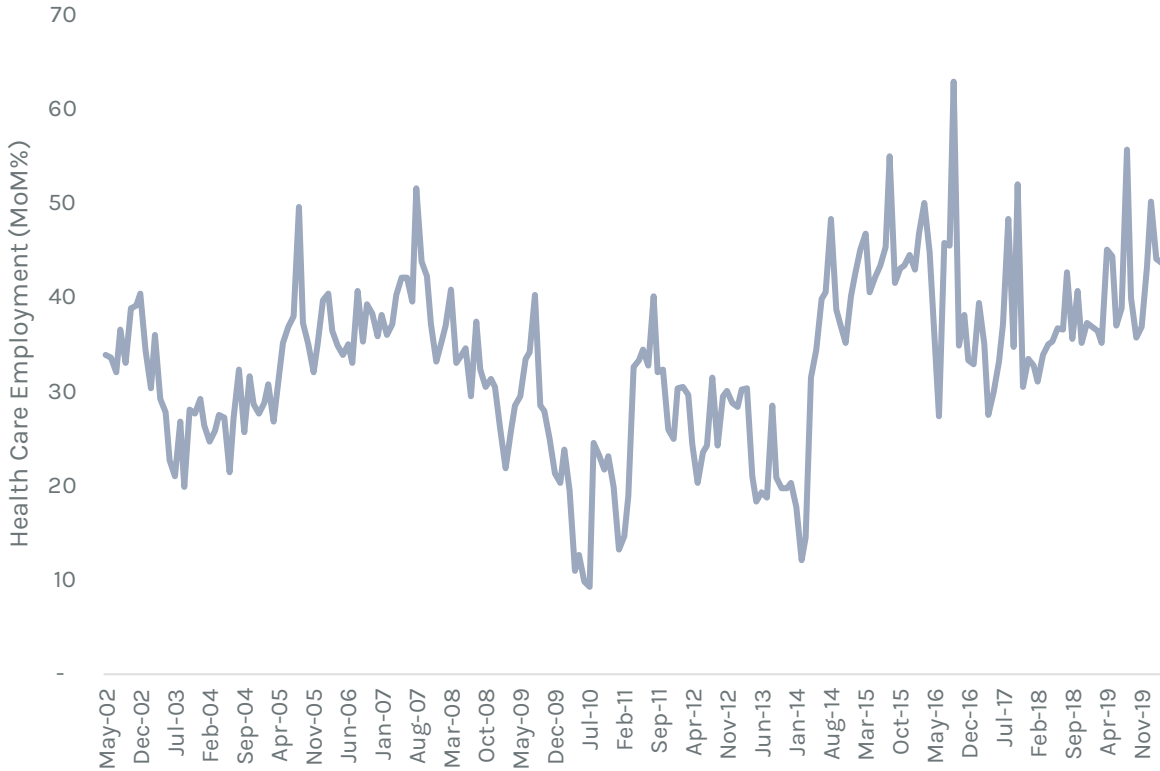
Health Care Employment as a Percentage of Private



- As economic data slows, Health Care Employment typically accelerates relative to private payrolls.
- Before and during the Great Recession, and during the mid-cycle slowdown of 2015-2016, and current through 2019, Health Care employment has accelerated as economic data has decelerated.

ADP Employment Report | March 2020

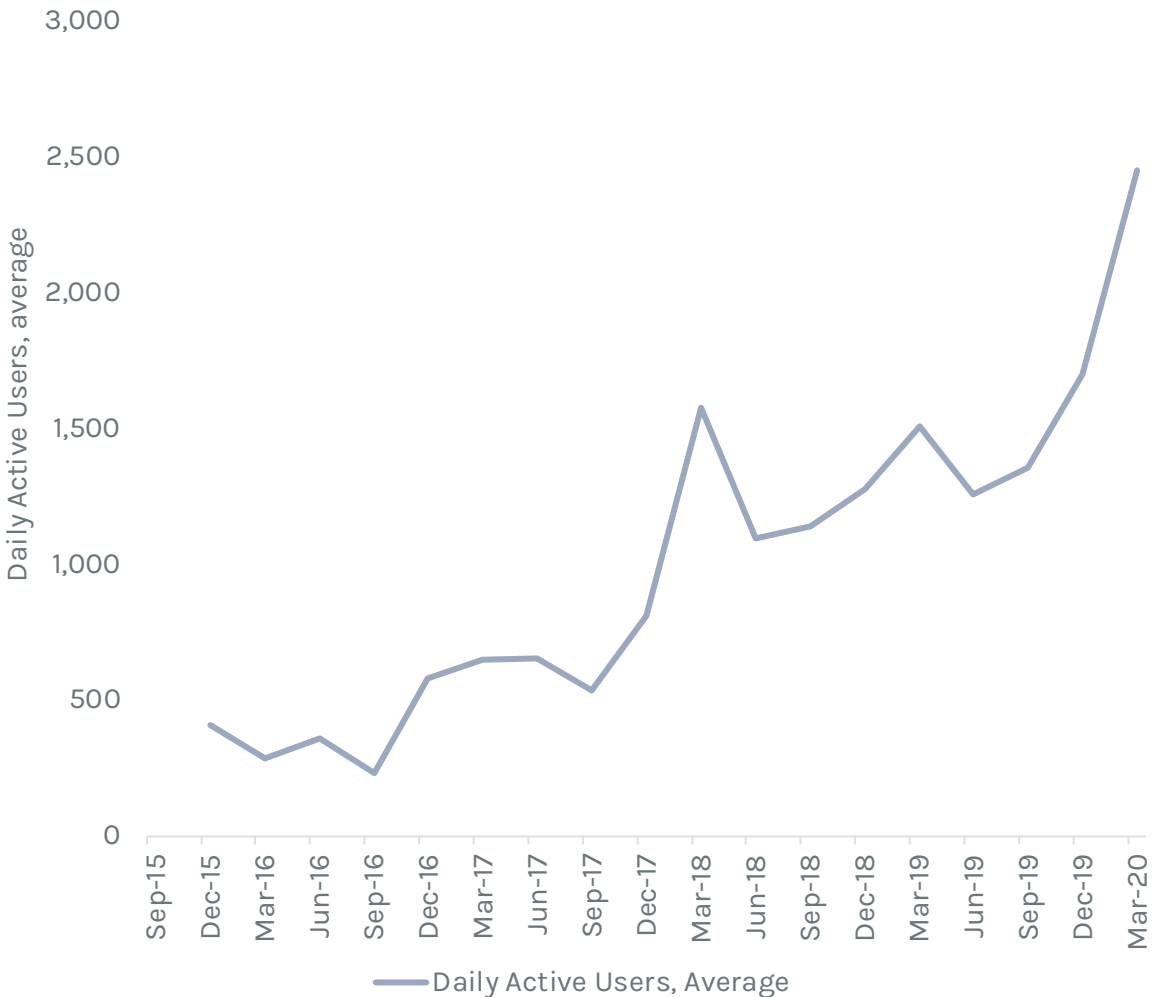
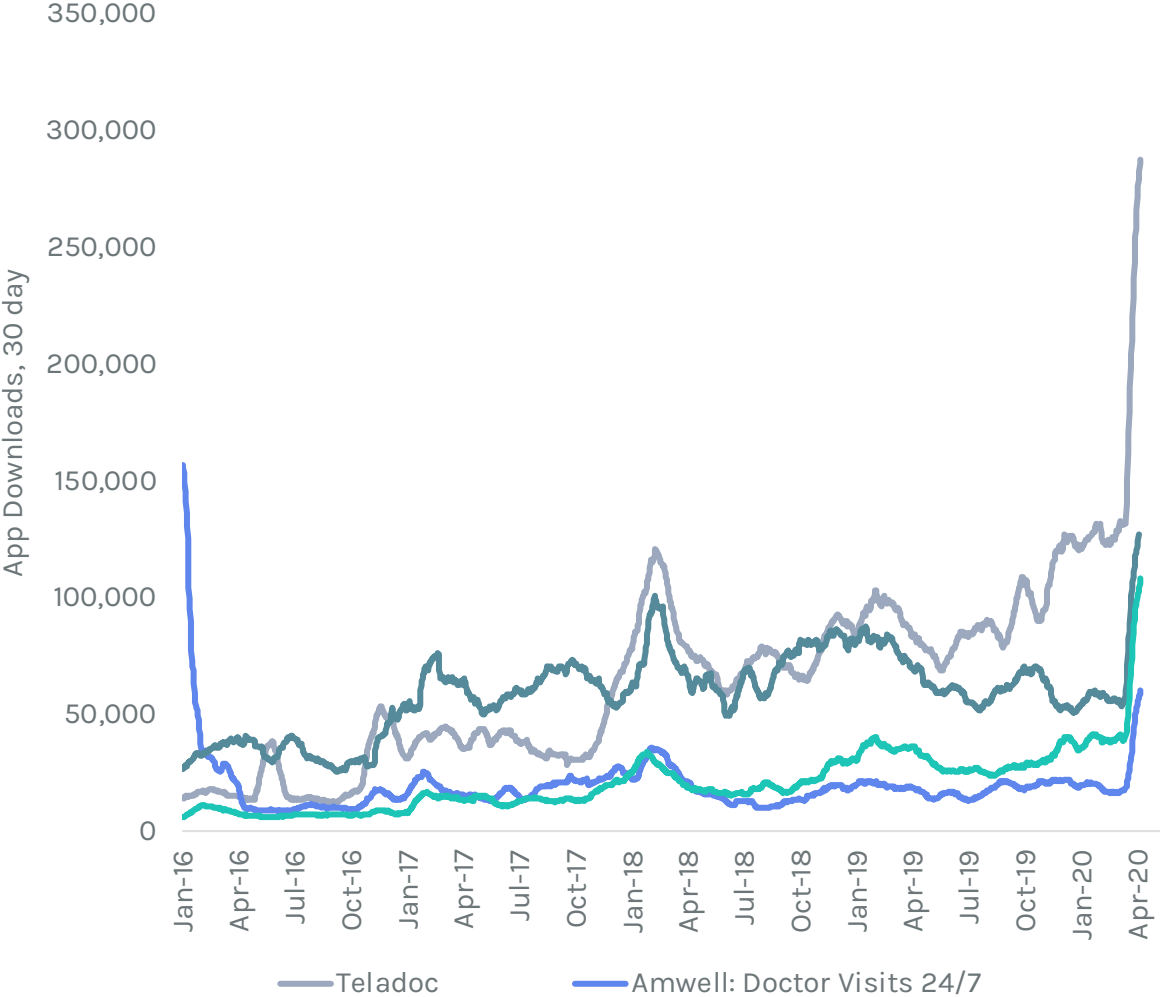
Health Care Employment MoM%



Month-over-month Health Care employment continues to run at or near the highs of the last 20 years, including during the Affordable Care Act, the largest expansion of the insured population of the last 30 years.

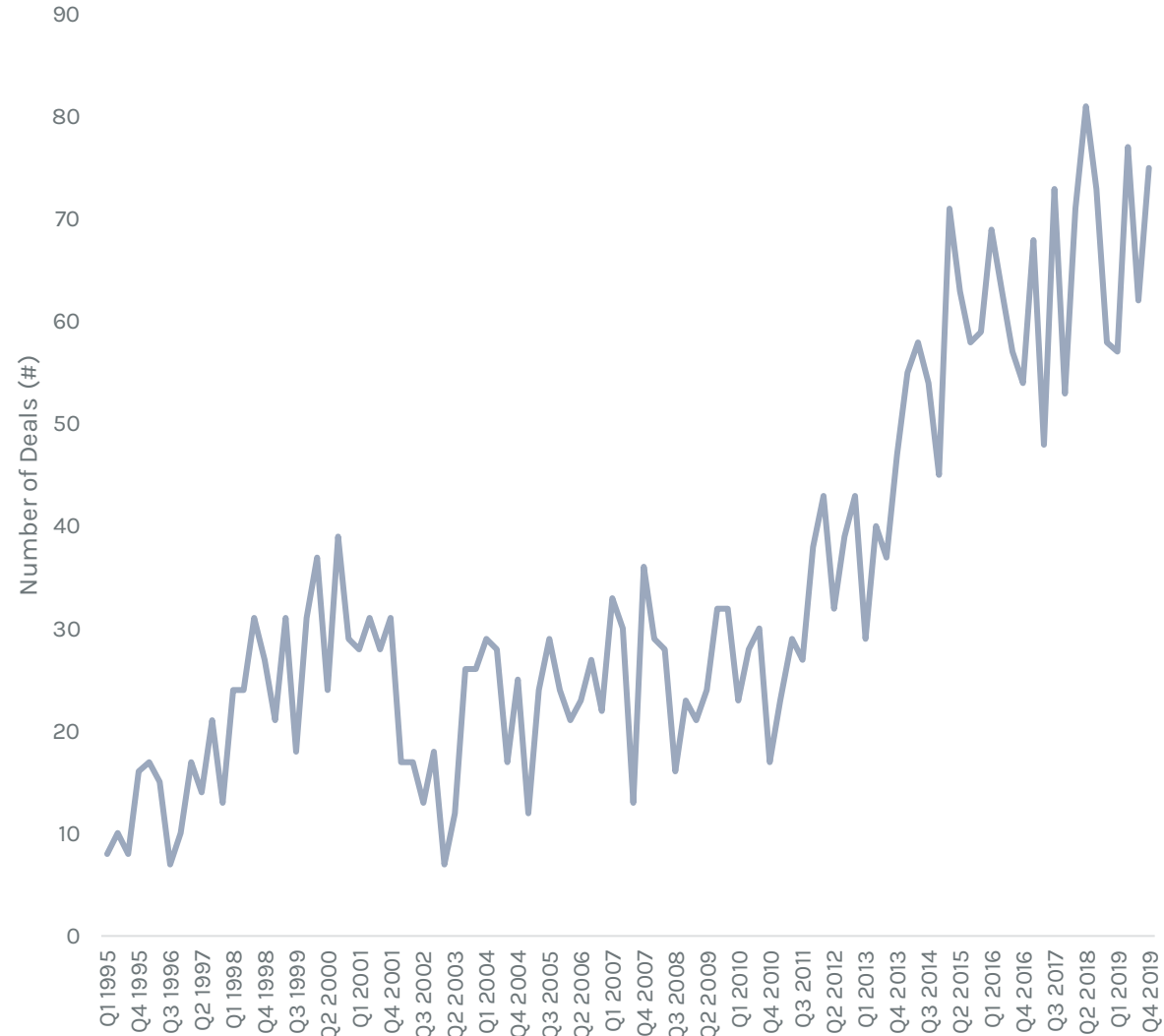
App Downloads and Active Users

Downloads are up 2x-3x in March 2020 versus January 2020

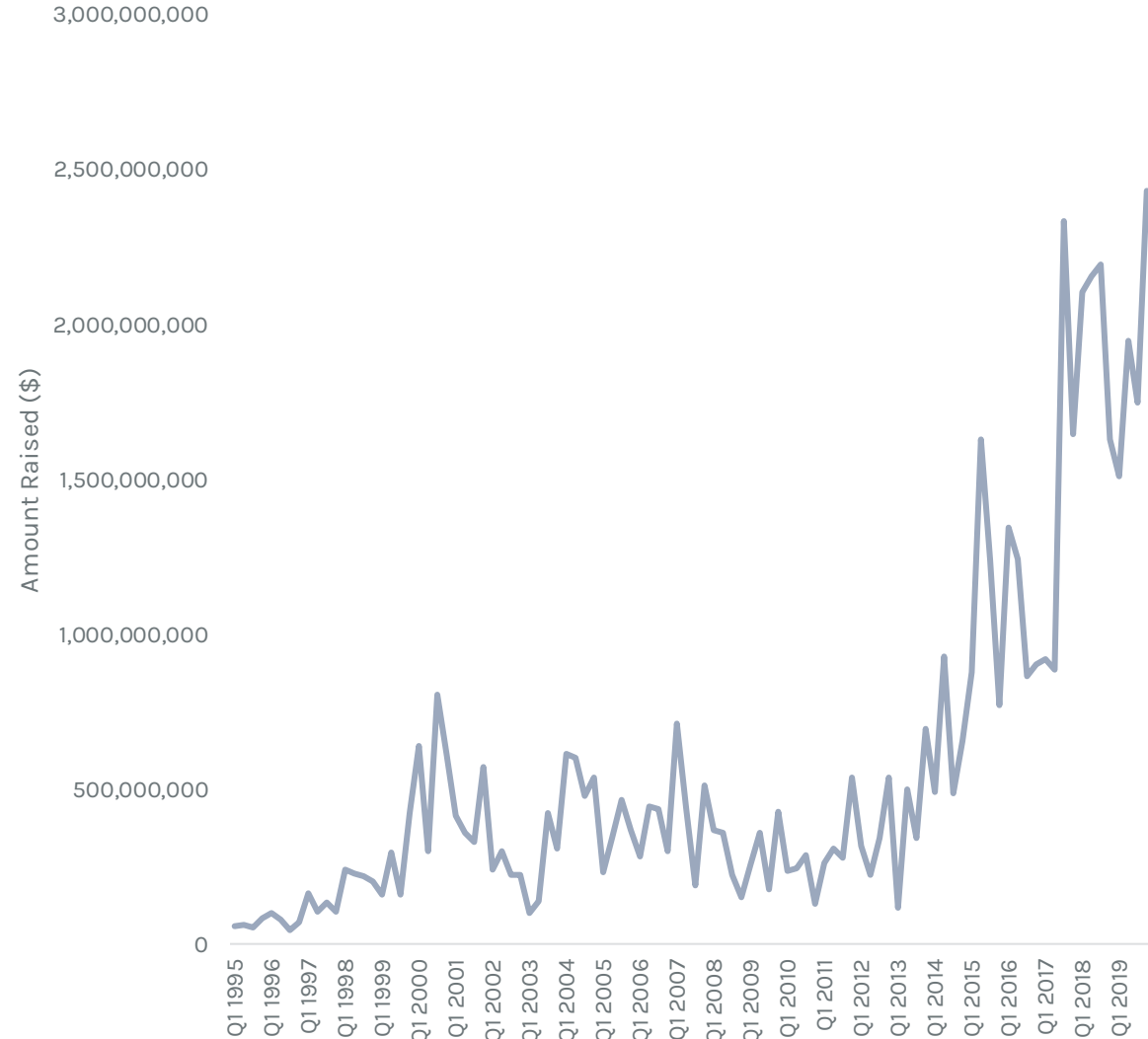


Venture Capital Spending on Biotech at an All-Time High

Number of Deals per Quarter - Biotech



Amount Raised per Quarter - Biotech



GH | Claims Forecast

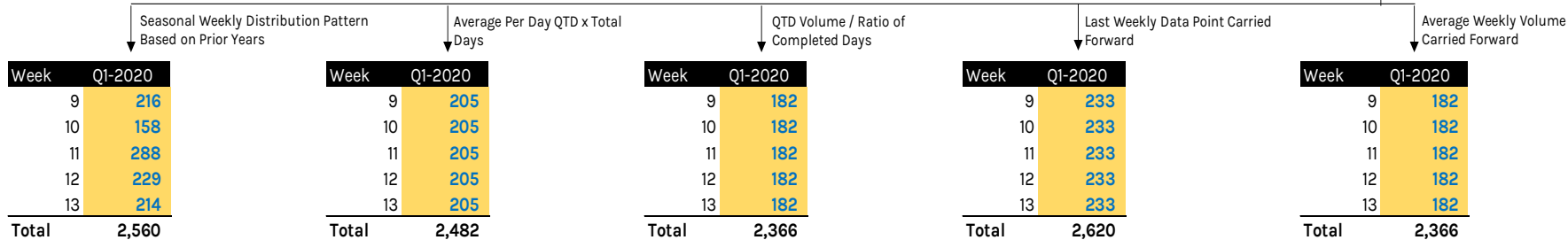
Claims Index Forecast

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	38	84	52	89	263	90	88	109	74	361	148	153	183	282	766	43
2	70	74	64	93	302	115	137	99	116	467	99	184	162	127	572	126
3	45	105	99	69	318	73	113	77	92	354	127	112	170	170	578	179
4	73	87	84	62	306	135	130	106	120	489	88	147	217	155	607	203
5	91	66	58	74	290	85	111	116	134	446	108	194	129	182	613	187
6	47	72	124	99	342	102	116	92	85	394	119	121	152	192	583	282
7	65	72	94	91	322	122	106	77	102	407	146	139	138	239	663	203
8	82	88	86	51	308	91	99	85	92	366	111	124	206	171	612	233
9	82	86	75	88	332	91	60	130	95	377	138	163	135	169	606	-
10	120	90	56	111	377	60	67	95	94	316	115	141	200	143	598	-
11	85	70	73	88	316	136	91	84	91	403	157	121	139	183	600	-
12	84	104	115	77	381	106	120	95	194	514	134	199	155	224	713	-
13	99	97	90	40	327	88	177	109	144	519	140	196	168	283	786	-
Total	982	1,097	1,071	1,033	4,183	1,294	1,414	1,273	1,431	5,412	1,630	1,995	2,153	2,519	8,297	1,456

Correlation	
Claims Data & Reported Claims	98.0%

Forecast	Q1-2020	FY2020
Company Guidance		
Clinical Sample Volume		65,000-67,000

Hedgeye		
Method 1: Seasonal Wkly Distr.	15,521	-
Method 2: Avg Per Day x Total	15,043	-
Method 3: QTD Vol / Ratio Days	14,341	-
Method 4: Last Wkly Data Pt	15,881	-
Method 5: Avg Wkly Vol Carry	14,341	-
Average	15,025	-



Our claims index, which correctly forecasted upside in the last 3 quarters, is now indicating clinical sample volume will be lower sequentially based on data through the first 2 months of the quarter and before COVID-19.

The impact of COVID-19 anecdotally is impacting cancer treatments, including biopsies and blood draws, that will have a material impact on sample volume.

GH | Claims Forecast

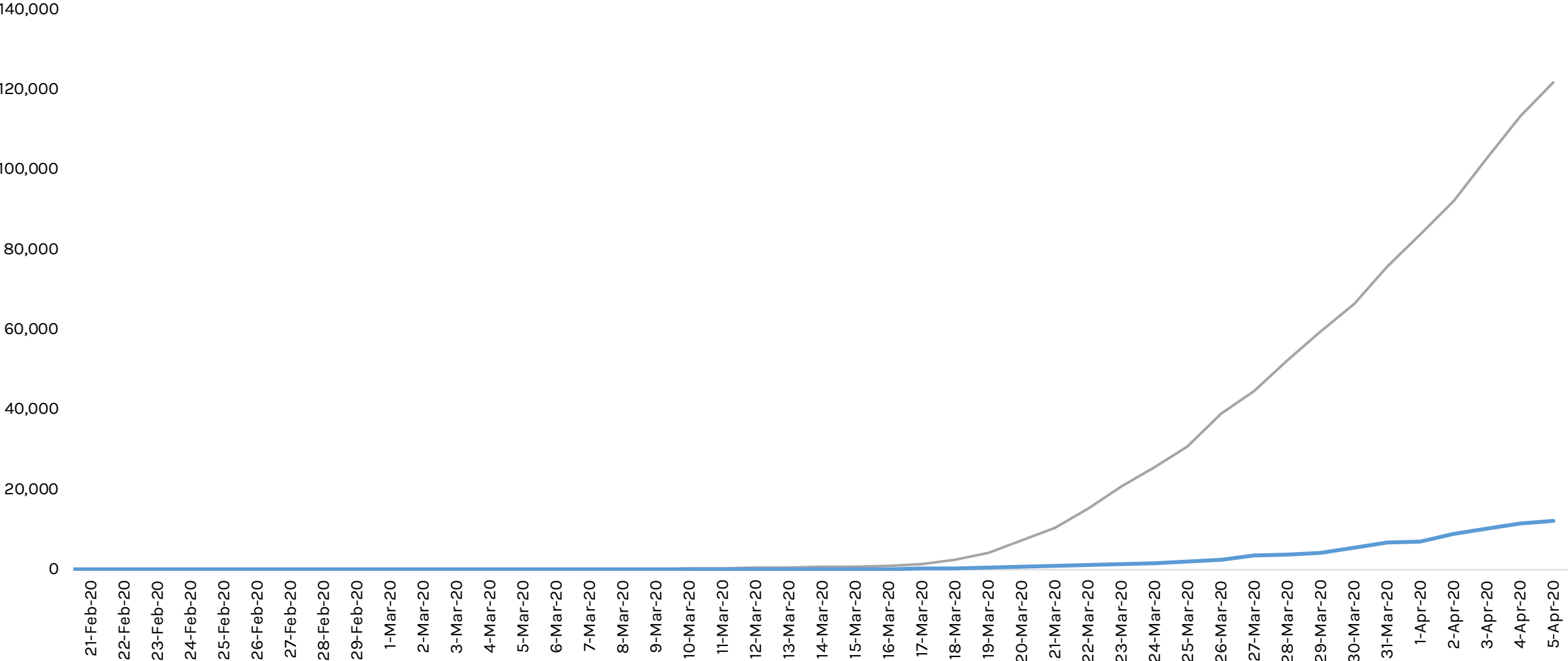
Quarterly Average of Forecast Methods



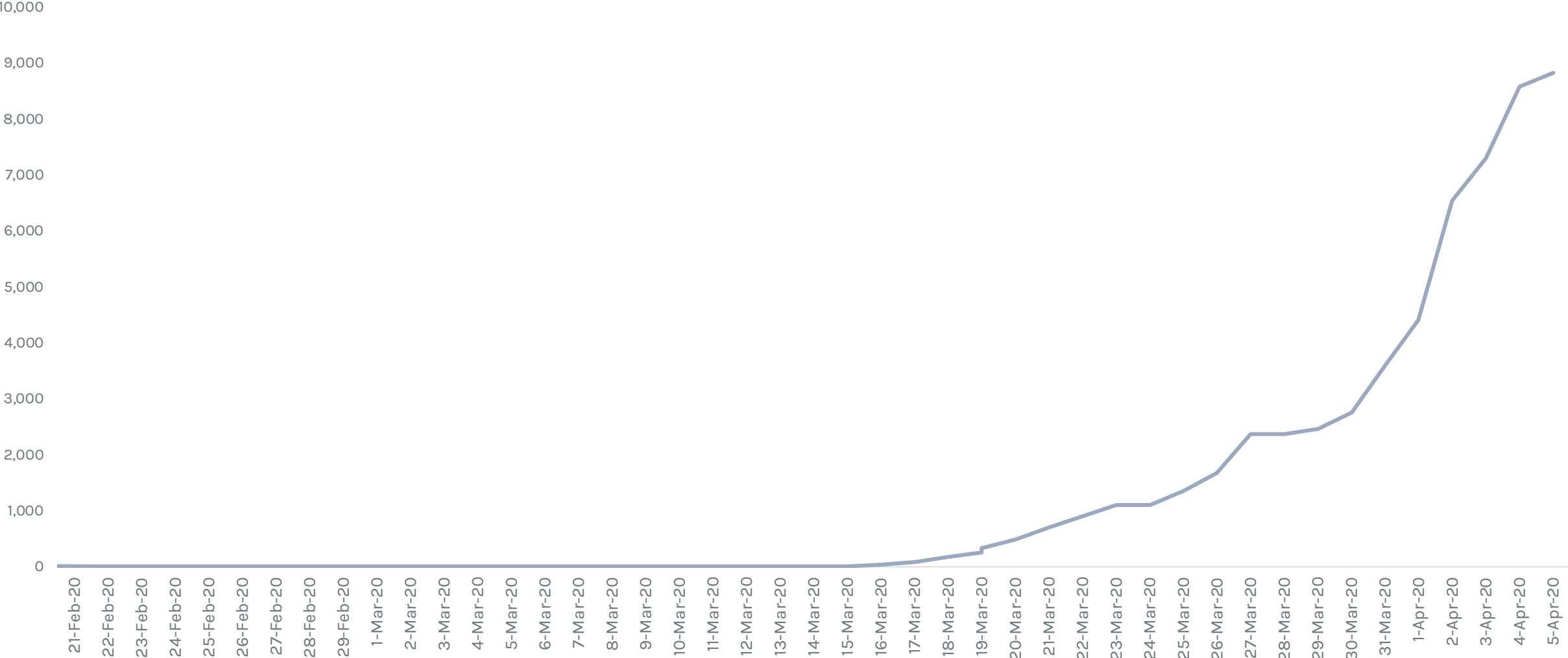
Thesis Points

- Volume is trending sequentially lower 1Q20 versus 4Q19, even before the impact of COVID-19 late in the quarter, setting up a disappointing revenue print and calling into question 2020 guidance.
- COVID-19's impact on Guardant centers on the routine care for patients' elective procedures. Delays, including cancer biopsies, are a negative for their business.
- Rebalancing risk is clearly moving away from the development stage. Even with a resolution of COVID-19 in the near term, we'd expect the appetite for speculative assets to be significantly lower for several years, similar to prior downturns.
- Solid tumor volume does not seem to be responding to the National Coverage Decision. We do not see evidence that patient testing outside of lung cancer has changed significantly.
- Colon Cancer results are a distant and speculative hope relative to the near-term risks.

Florida and New York

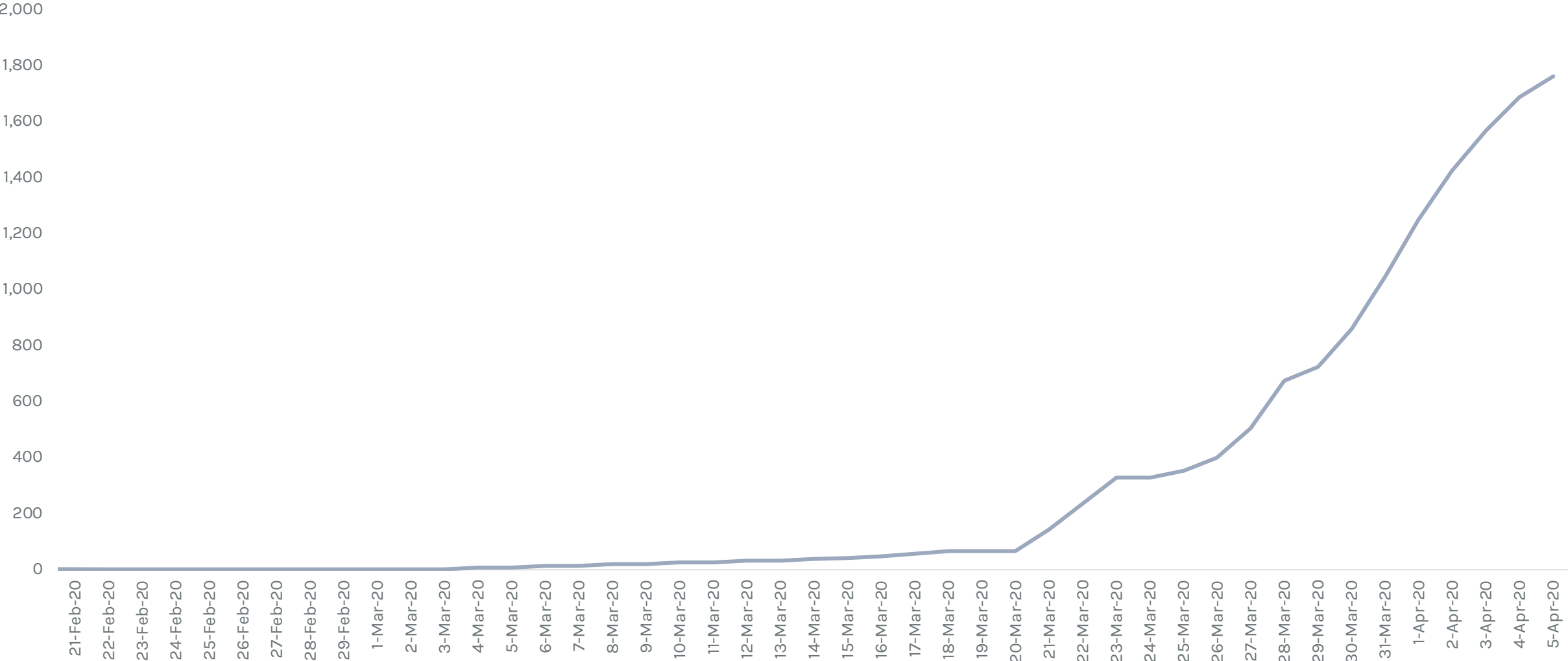


New Orleans Metro



Nashville Metro

Another Late Start



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