

HEDGEYE



Health Care Position Monitor Update

TXG Grant Tracker, EXAS Volumes, TDOC Beat & Raise, Post-COVID

August 3, 2020



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Health Care Position Monitor

For Week of August 3, 2020

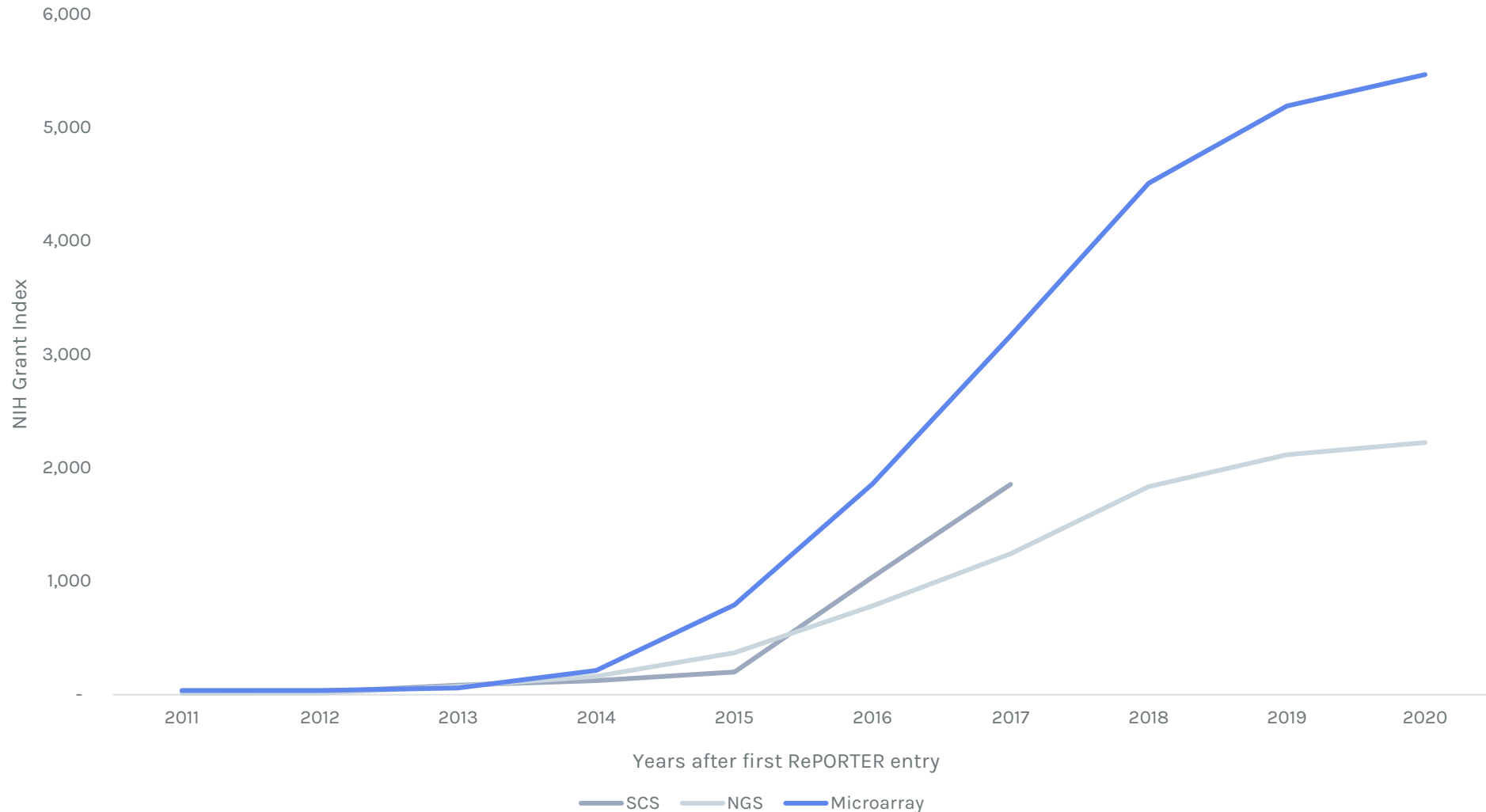
Best Ideas - Longs					Best Ideas - Shorts						
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs					Active Shorts						
ONEM	1Life Healthcare, Inc.	\$ 29.61	\$3.7B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 54.94	\$2.6B	×	×
TXG	10x Genomics Inc Class A	\$ 98.37	\$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		

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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.

TXG | Technology Adoption, Aligned for First Grant

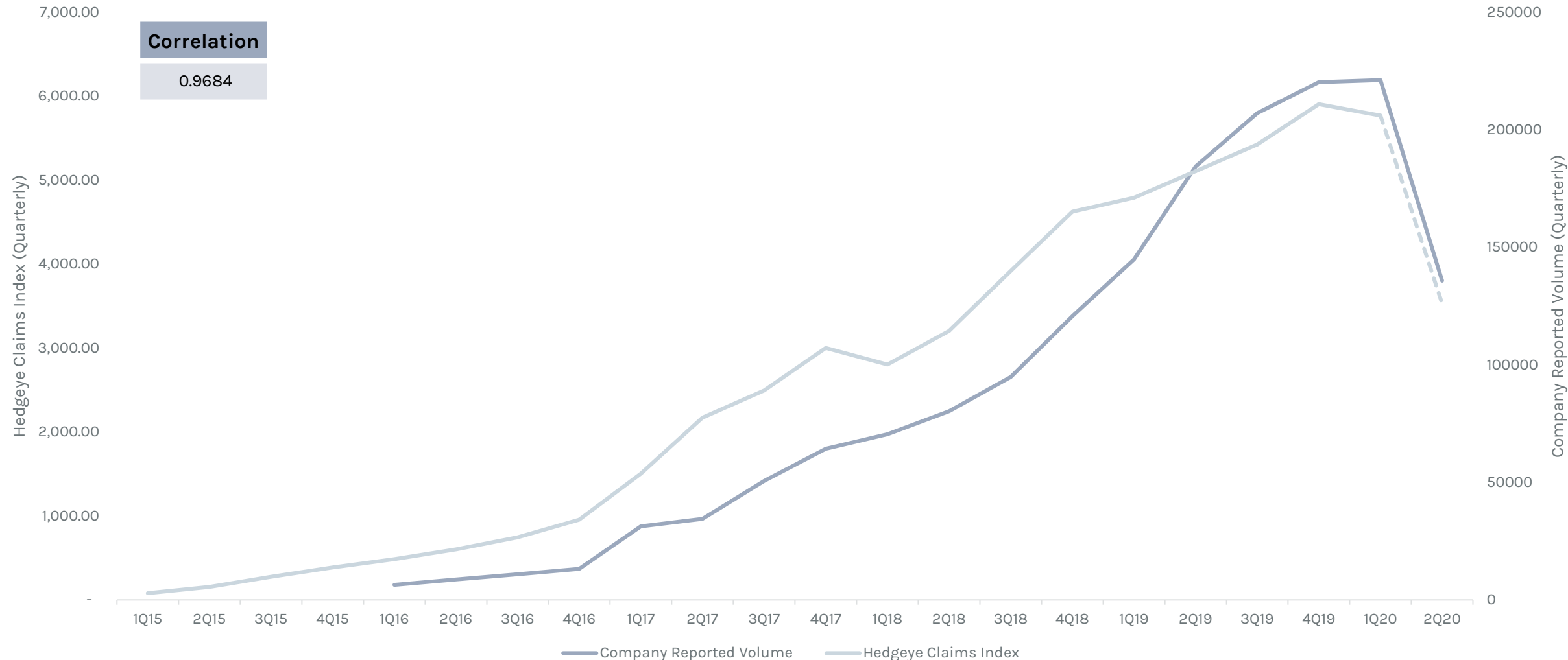
Indexed grand adoption to the first year of appearance in records



- Key words listed in Project Terms are used to select grants based on the techniques used.
- We then index based on the first year of appearance in the record and compare the adoption curve for each.
- NGS does not include the years following the launch of the Genome Analyzer.

EXAS | Claims Index versus Company Reported

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



EXAS | Claims Forecast

Claims Index Forecasting Method

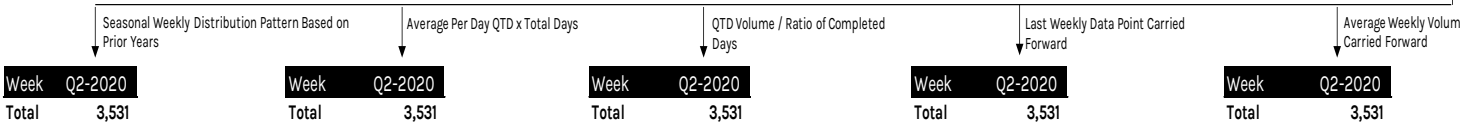
Week	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020
1	103	149	143	199	593	225	223	143	311	902	617	375	224	460	1,676	194	230
2	94	131	194	218	636	237	237	310	350	1,135	393	359	507	452	1,711	518	208
3	108	173	200	232	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

Correlation	
Claims Data & Reported Claims	96.8%

Forecast Q2-2020	
Company 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

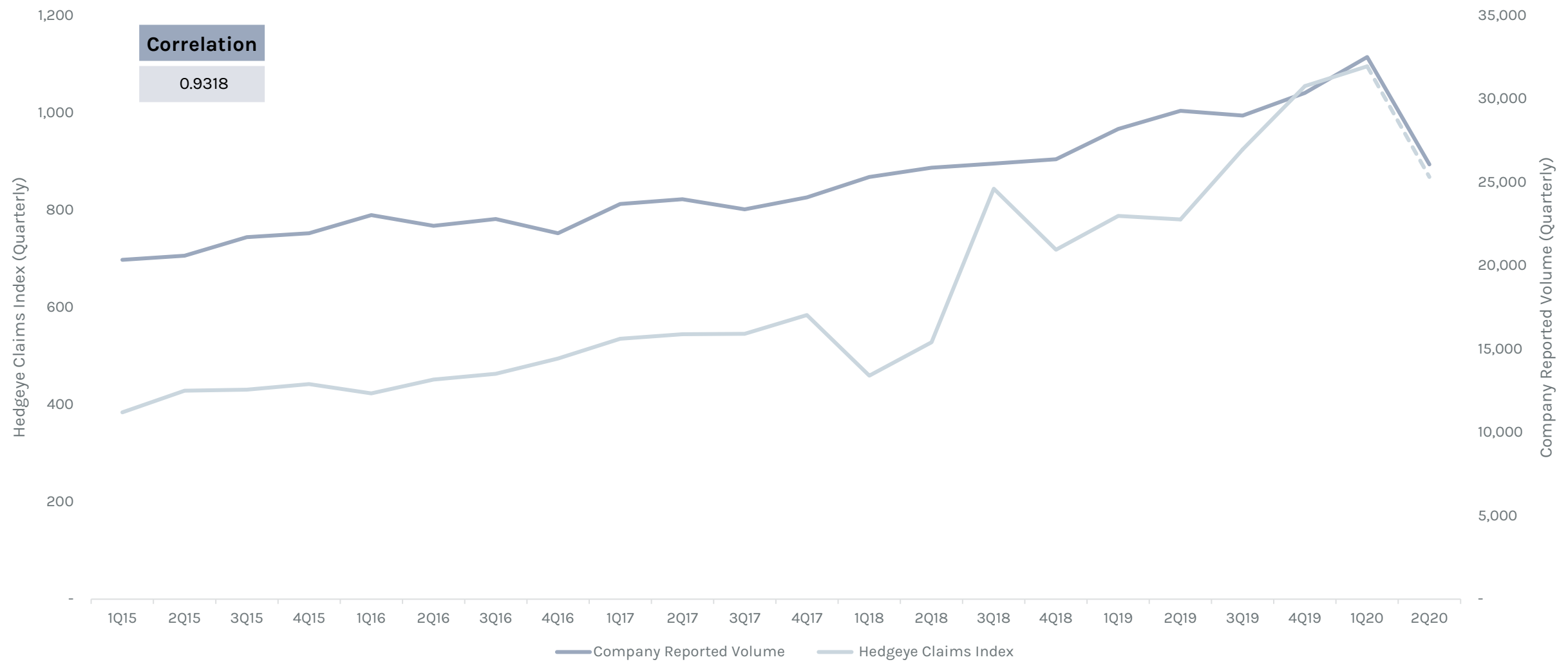
- While we recognize that we are asking claims data to do more than it was ever meant to, we have continued to refine our original method.
- In the most recent quarter, we had the most success yet accurately forecasting company reported volume for the quarter.



*13 of 13 weeks completed in this data set.

Genomic Health | Claims Index versus Company Reported

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



Genomic Health | Claims Forecast

Claims Index Forecasting Method

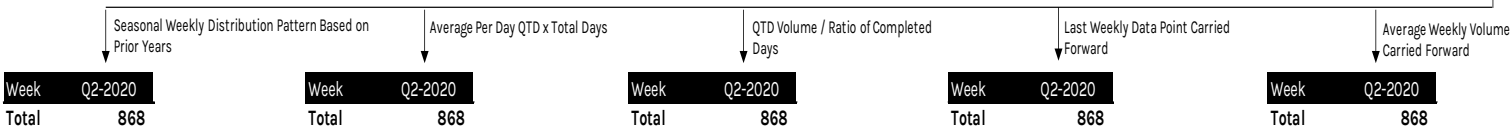
Week	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020
1	16	32	15	27	89	19	18	30	44	111	57	69	92	101	319	35	78
2	39	28	47	34	149	38	41	58	55	193	45	59	111	82	297	101	98
3	33	30	41	38	142	33	43	60	54	190	64	53	87	87	290	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

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

- Despite its limitations, our claims data gives us an in-depth look into not only the volume, but also the CPT and Diagnosis codes which these labs are billing for.
- Building on this quarter's success, we believe we can continue to improve our method for tracking throughout the quarter.



*13 of 13 weeks completed in this data set.

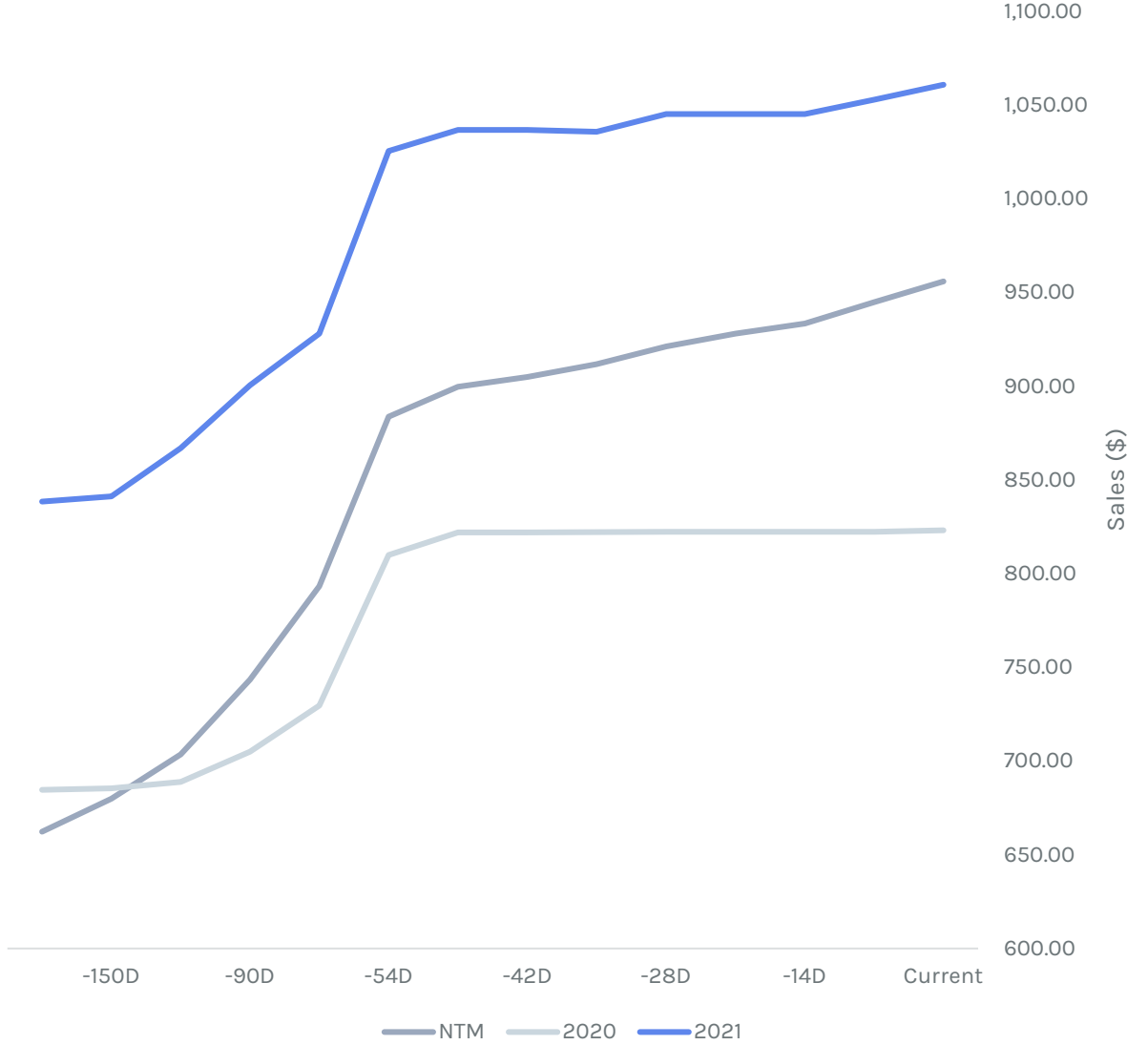
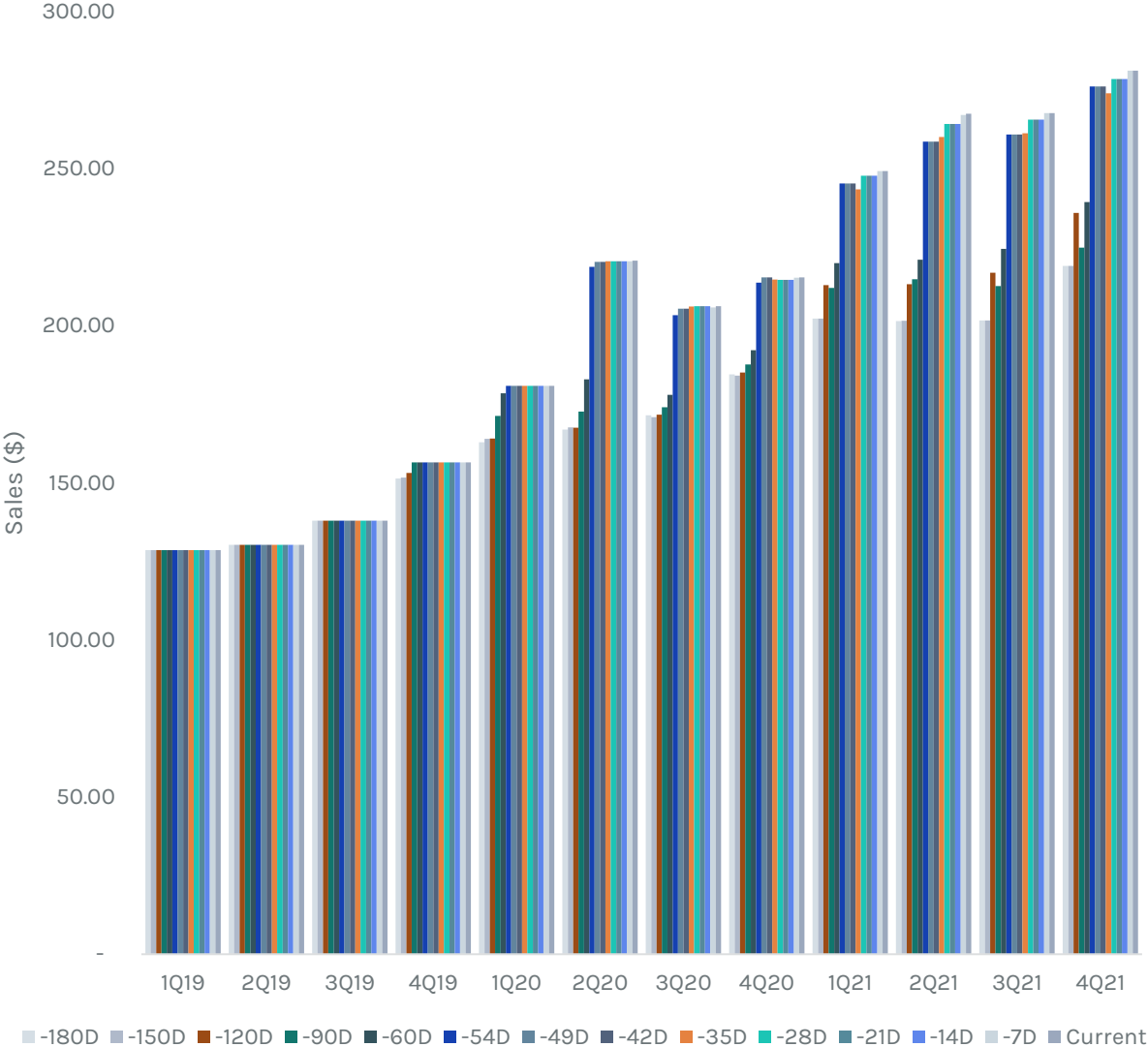
TDOC | Earnings Preview

Teladoc Health, Inc.		Current Quarter				Next Quarter				FY 2020 Financials				
Ticker	TDOC	Hedgeye	Guidance	Consensus	Delta %	Hedgeye	Guidance	Consensus	Delta %	Hedgeye	Guidance	Consensus	Delta %	
Date	7/23/2020	Sales	\$233	\$215 - \$225	\$221	5.4%	\$245	--	\$206	18.8%	\$860	\$800 - \$825	\$823	4.5%
Price (\$)	\$223.98	YoY Growth	78.6%	65% - 72.7%	69.4%	13.3%	77.6%	--	49.4%	56.9%	55.4%	44.6% - 49.1%	48.8%	13.6%
Hedgeye	Active	EBITDA	--	\$20 - \$24	\$22	--	--	--	\$20	--	--	\$70 - \$80	\$77	--
Positioning	Long	EBIT	--	--	-\$9	--	--	--	-\$13	--	--	--	-\$53	--
52 Week Range (\$)	54.58 - 237.7	Mg (%)	--	--	-4.2%	--	--	--	-6.3%	--	--	--	-6.5%	--
Market Cap (M)	18,503.67	EPS	-\$0.28	(\$.28) - (\$.23)	-\$0.24	-18.3%	-\$0.26	--	-\$0.26	2.9%	-\$1.09	(\$1.27) - (\$1.13)	-\$1.14	4.9%
Avg Daily Volume (3 Mo)	2,856,370.50	Multiples on Consensus Numbers				Absolute Performance v. Indices				Absolute Performance v. Comps				
Dividend Yield	0.00%	2020	2021	1 Year	5 Year	Trade	Trend	Tail	Trade	Trend	Tail			
IPO Date	Jun-30-2015	P / E	#N/A	#N/A	#N/A	#N/A	TDOC	9.3%	24.7%	551.1%	TDOC	9.3%	24.7%	219.3%
Beta	0.291	EV / Sales	19.4x	15.1x	96.4%	96.4%	SP50	5.1%	17.0%	32.5%	ONEM	11.3%	61.5%	#N/A
WACC (FactSet)	4.60%	EV / EBITDA	208.1x	123.6x	74.4%	#N/A	XHS	9.4%	24.4%	18.9%	XLV	6.8%	8.9%	38.0%
		FCF Yield	0.2%	0.5%										



TDOC	Historical			Income Statement		Consensus					
	Comp Q	Last FY	TTM	FY-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY-2020	FY-2021	FY-2022
Sales	\$129	\$553	\$606	553.31	180.80	220.66	206.16	215.36	823.06	1060.72	1320.36
YoY Growth				32.4%	40.6%	69.4%	49.4%	37.6%	48.8%	28.9%	24.5%
EBITDA	-\$9	-\$28	-\$22	-28.11	-2.42	22.22	20.16	23.37	76.79	129.25	206.10
EBIT	-\$20	-\$67	-\$59	-67.06	-12.13	-9.31	-12.98	-10.00	-53.31	-10.99	56.32
Mg (%)	-15.8%	-12.1%	-9.7%	-12.1%	-6.7%	-4.2%	-6.3%	-4.6%	-6.5%	-1.0%	4.3%
EPS	-\$1.47	-\$1.38	-\$1.35	-1.38	-0.40	-0.24	-0.26	-0.24	-1.14	-0.60	0.18

TDOC | Estimate Revisions

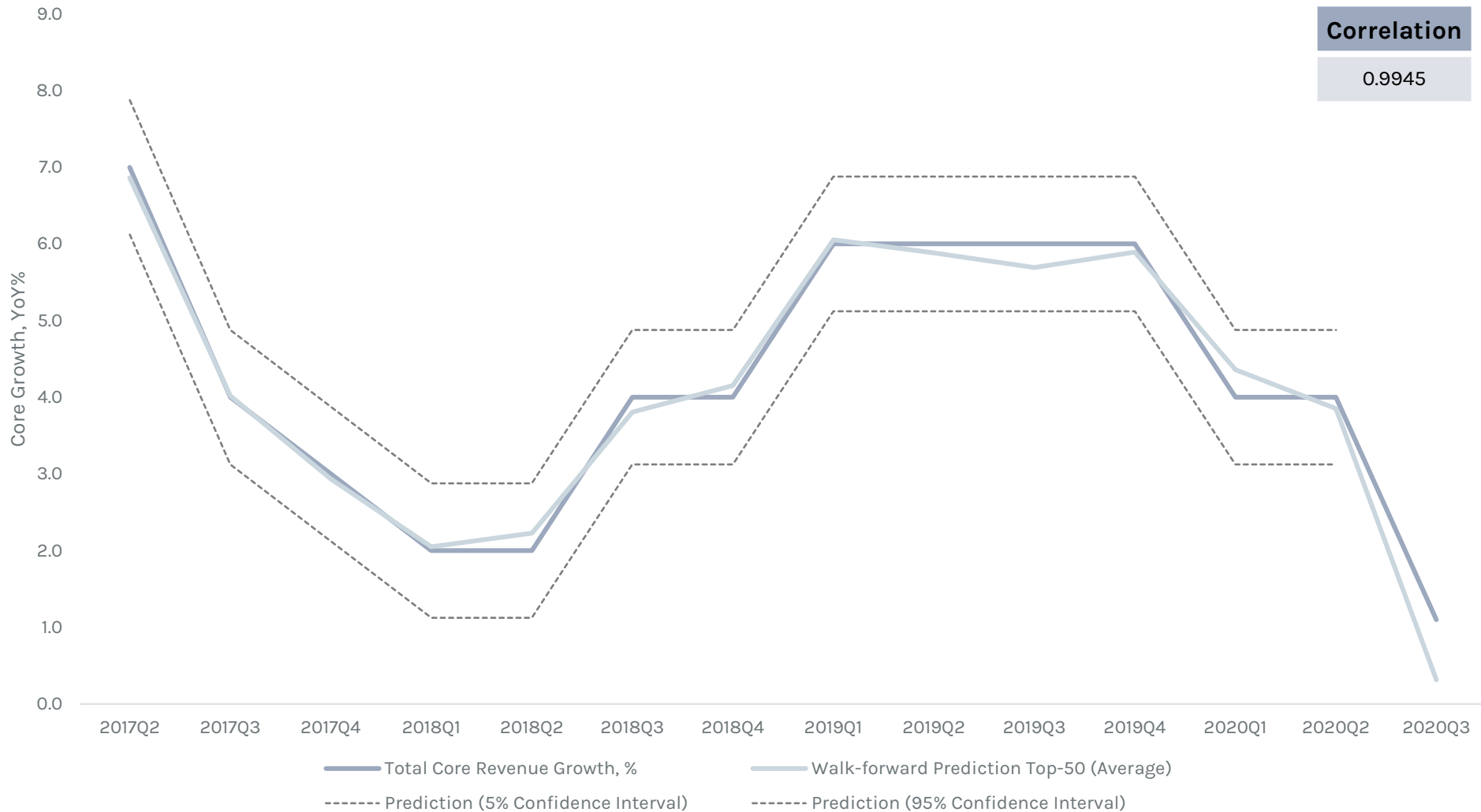


Teladoc: Exciting technology with numerous competitors (and growing)

- **Non-attached patients; does not see repeat patients on TDOC**
- TDOC recruited him, filled out paperwork, no formal interview
- Online training was "intense" focuses on following basic guidelines
- Training takes 15-20 hours; Compliance focus for training; Form practice habits
- **Onboarding takes 4-6 weeks; not exclusive to platform (practices for Amwell, Kaiser)**
- Call is recorded audio and video; you know if you are being recorded
- Patient feedback is positive, is monitored through recorded audio and video
- It is a luxury to practice as you want; TDOC monitor his prescription rate, lower is better
- **If you're ratings are good, you get more volume; "select doc" status although no remuneration**
- Cross border reciprocity during COVID; State Boards typically regulate
- But insurance companies, Medicaid, complicate state regulations
- Risk for over utilization, ease of access
- **Seasonal swings in volume pre-COVID; 20-25 patients per day in winter; 10-14 per day in the summer**
- **Earn more on volume, not on time; Make \$25-35 per visit**
- **No time limit; Interaction time with patient is 5-10 minutes; 8-20 minutes start to finish with doctor notes**
- Forming his own virtual care practice; planning to ask for a PMPM or hybrid billing model
- Lab tests, wound care referral; His plan B for patient care needs to be more complete
- Will use remote monitoring in virtual practice

HRC | Total Core Growth

Top 50 Model

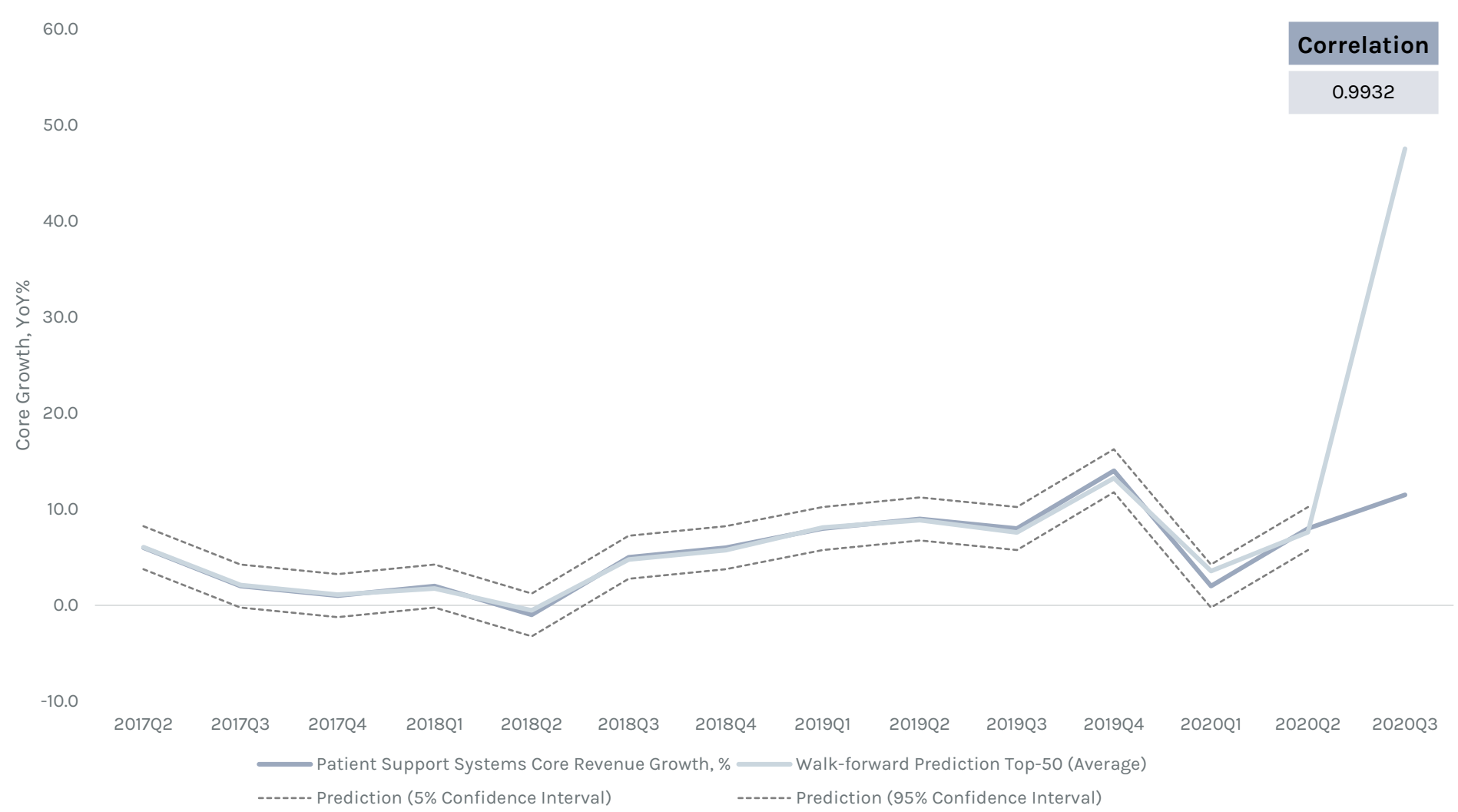


- Despite reporting positive core growth for the quarter, the number includes significant contributions from non-recurring factors.
- Adjustments for these factors:
 - Reported 12% core growth less 4% Breathe, less 1/2 of the \$100M COVID or \$50M/726 = 6.9%
 - Adjusted core growth of +1.1%
- The stock traded down nearly 16% on Friday following HRC's Beat & Maintain centered on deceleration into 2H20.

*The Top 50 Model averages the highest 50 correlation scenarios to forecast quarterly core growth.

HRC | Patient Support Systems Core Growth

Top 50 Model



- PSS may true up, but likely too lumpy and small relative to industry

*The Top 50 Model averages the highest 50 correlation scenarios to forecast quarterly core growth.

For more information, contact us at:

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