

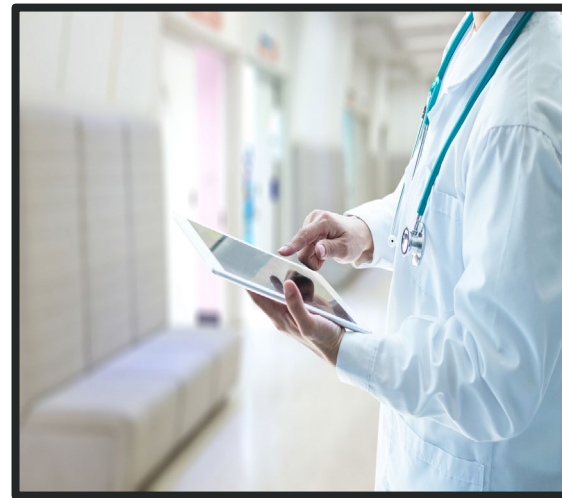
HEDGEYE



Health Care Position Monitor Update

TDOC + LVGO Merger, TXG Marching, Remote Patient Monitoring

August 17, 2020



Hedgeye Health Care

Tom Tobin, Managing
Director, Health Care

Ttobin@Hedgeye.com

@HedgeyeHC

William McMahon, Analyst,
Health Care

Wmcmahon@Hedgeye.com

@HedgeyeMed

DISCLAIMER

Hedgeye Risk Management, LLC (“Hedgeye”) is a registered investment advisor, registered with the State of Connecticut. Hedgeye is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security or investment vehicle. This research is presented without regard for individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice, nor does it constitute or contain any legal or tax opinions. This presentation is based on information from sources believed to be reliable. Hedgeye is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of the individual expressing those opinions or conclusion and are intended solely for the use of Hedgeye’s clients and subscribers, and the authorized recipients of the content. In reaching its own opinions and conclusions, Hedgeye and its employees have relied upon research conducted by Hedgeye’s employees, which is based upon sources considered credible and reliable within the industry. Neither Hedgeye, nor its employees nor any individual expressing opinions, conclusions or data are responsible for the validity or authenticity of the information upon which it has relied.

TERMS OF USE

This report is protected by United States and foreign copyright laws and is intended solely for the use of its authorized recipient. Access must be provided directly by Hedgeye. There is a fee associated with access to this report and the information and materials presented during the event. **Redistribution or republication of this report and its contents are strictly prohibited.** By joining this call or possessing these materials, you agree to these Terms. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Service at https://www.hedgeye.com/terms_of_service.

Health Care Position Monitor

For Week of August 17, 2020

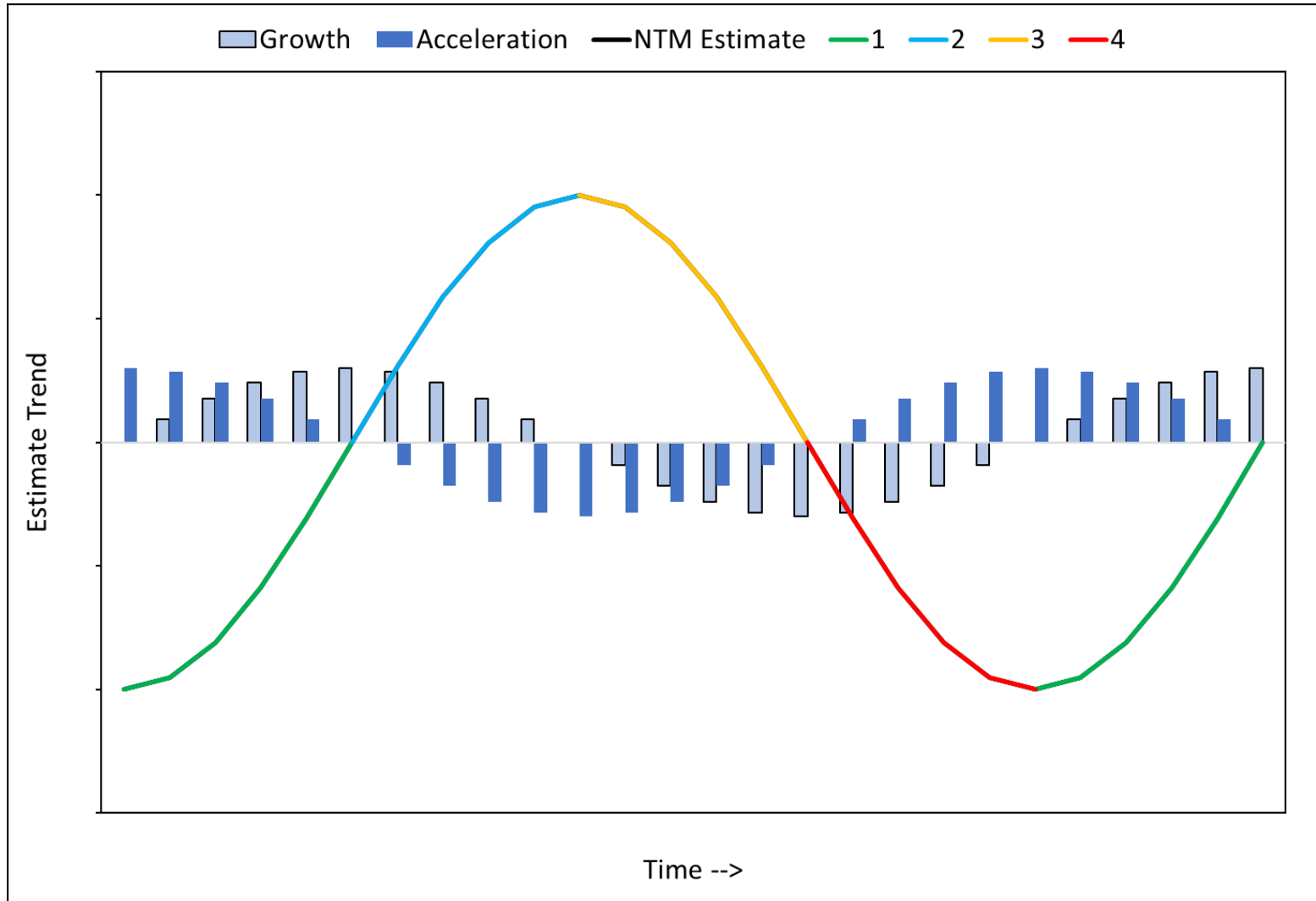
Best Ideas - Longs					Best Ideas - Shorts						
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs					Active Shorts						
ONEM	1Life Healthcare, Inc.	\$ 29.20	\$3.7B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 52.30	\$2.5B	×	×
TXG	10x Genomics Inc Class A	\$ 102.71	\$7.4B	✓	✓	EXAS	Exact Sciences Corporation	\$ 85.33	\$12.8B	×	×
TDOC	Teladoc Health, Inc.	\$ 187.50	\$15.2B	✓	✓						
Long Bias					Short Bias						
NTRA	Natera, Inc.	\$ 54.63	\$4.4B			HCA	HCA Healthcare Inc	\$ 134.43	\$45.4B		
						HRC	Hill-Rom Holdings, Inc.	\$ 95.52	\$6.4B		
						MASI	Masimo Corporation	\$ 214.09	\$11.8B		
						NVTA	Invitae Corp.	\$ 30.02	\$4.0B		
						ILMN	Illumina, Inc.	\$ 347.56	\$50.7B		
						GH	Guardant Health, Inc.	\$ 85.46	\$8.5B		

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 Quadrants

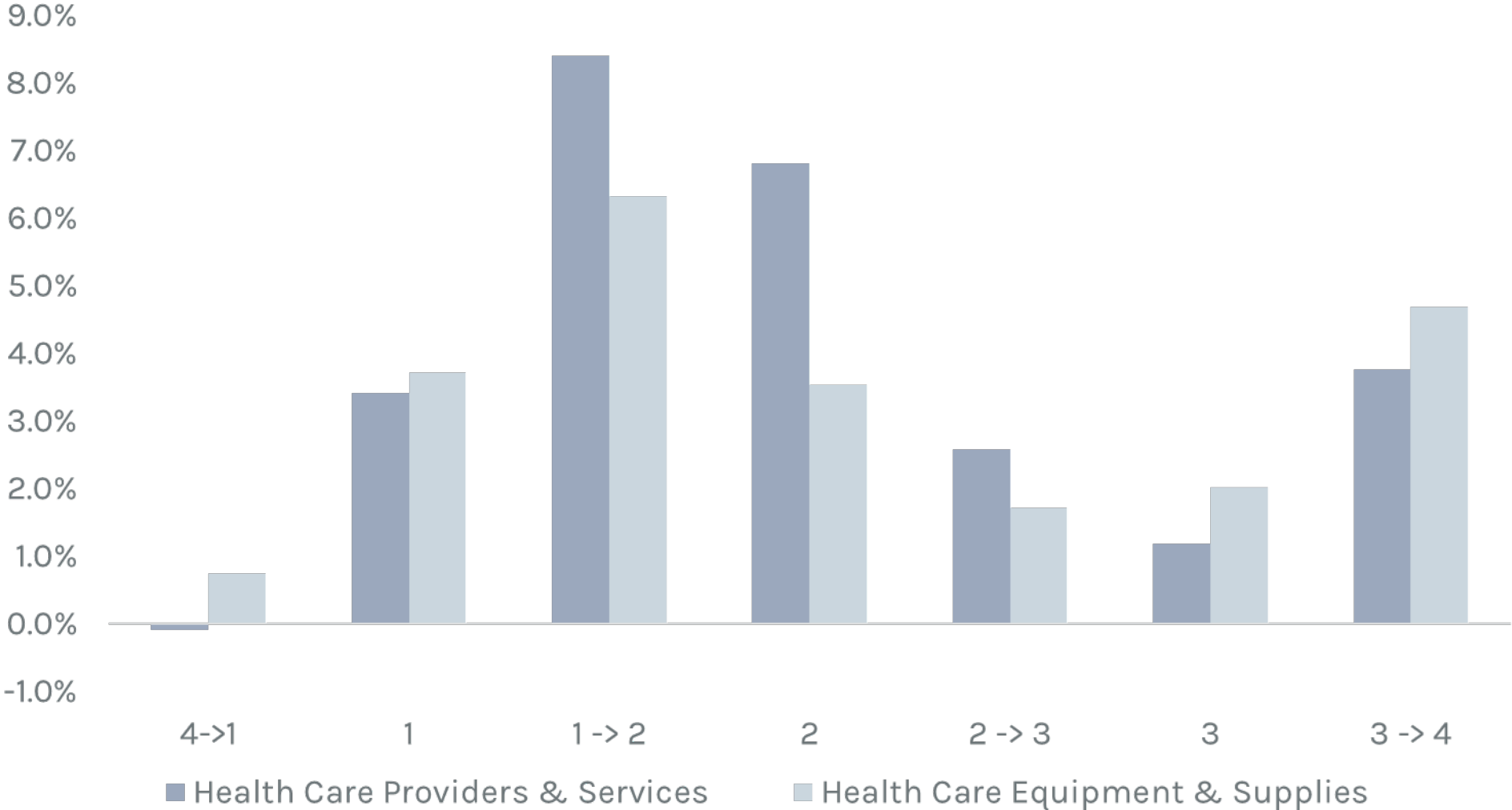
Similar to Macro Quads, Stock Estimates follow a pattern of growth and acceleration



- 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.

Stock Quadrant Back Test

Stock Cycles follow estimate trends through quadrants of growth and acceleration



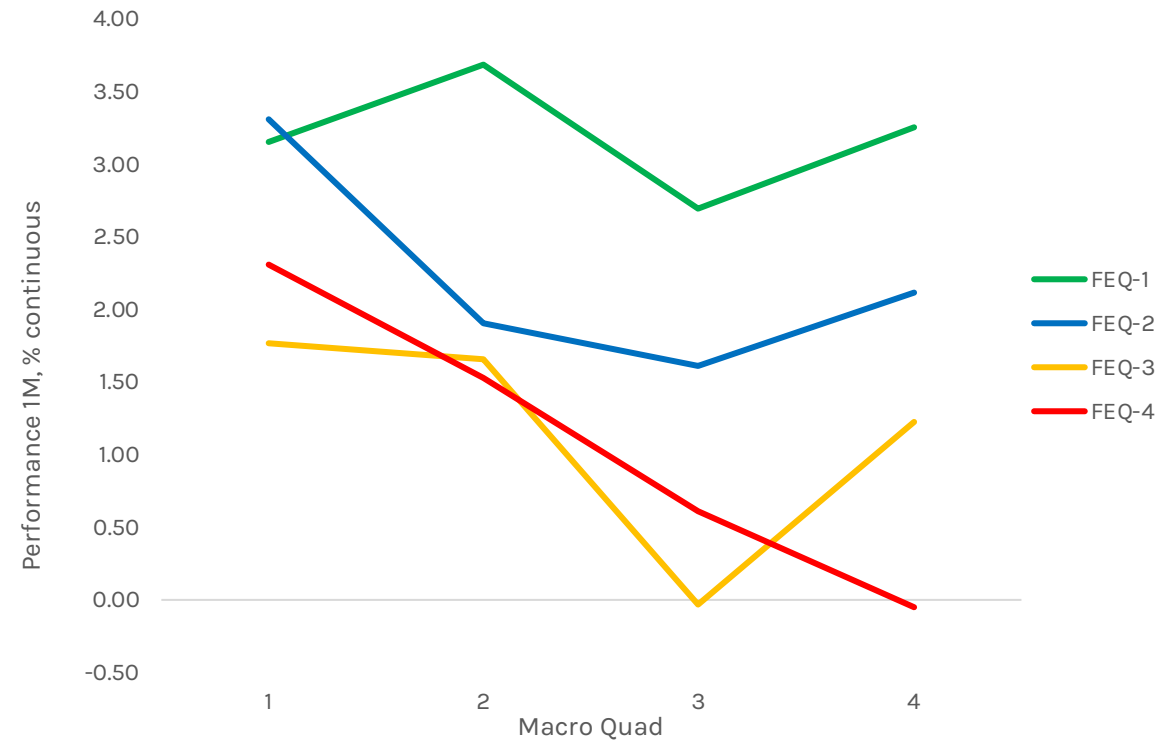
- Forward estimate trends are transformed and used to sort tickers into four separate quadrants for growth and acceleration.
- Back tests show that companies that make the transition from Fundamental Quad 1 to Quad 2 are the best performers.
- Performance is weakest as Fundamental Quad 2 as companies transition into Quad 3 and 4.

Macro with Fundamental Equity Quads

Equipment & Supplies, Providers & Services

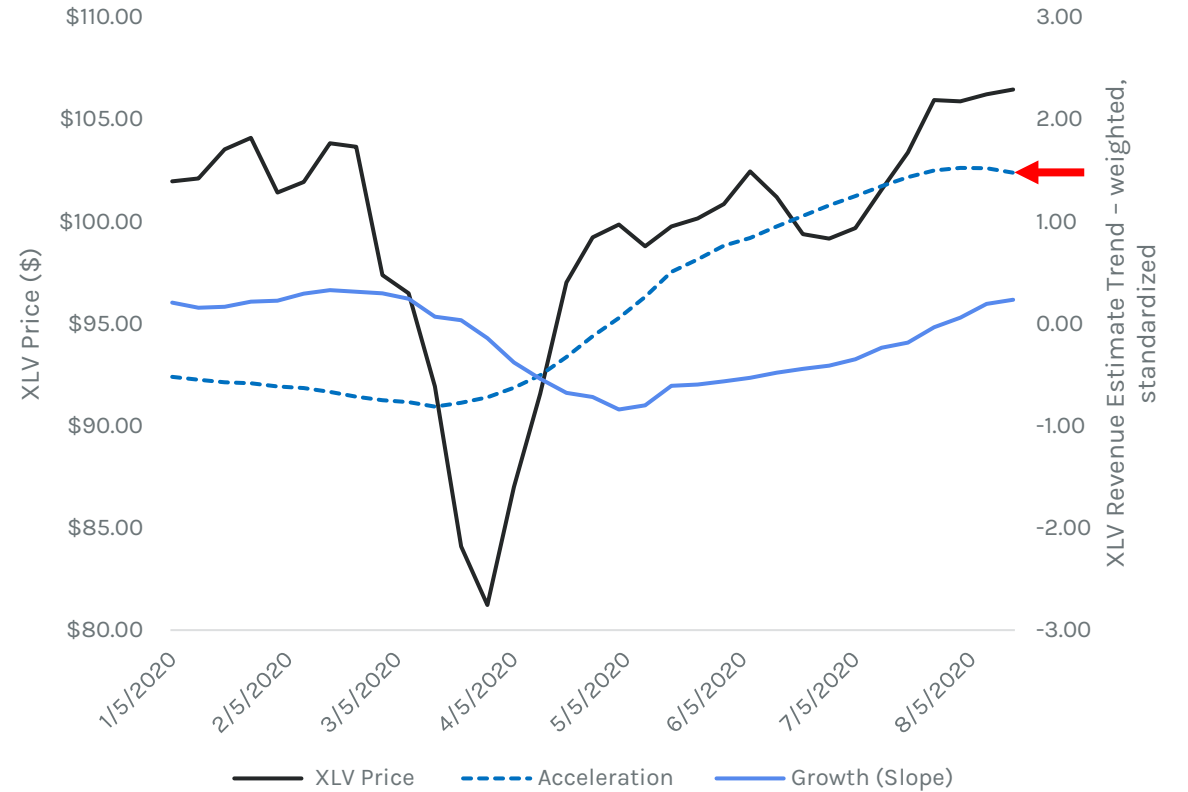
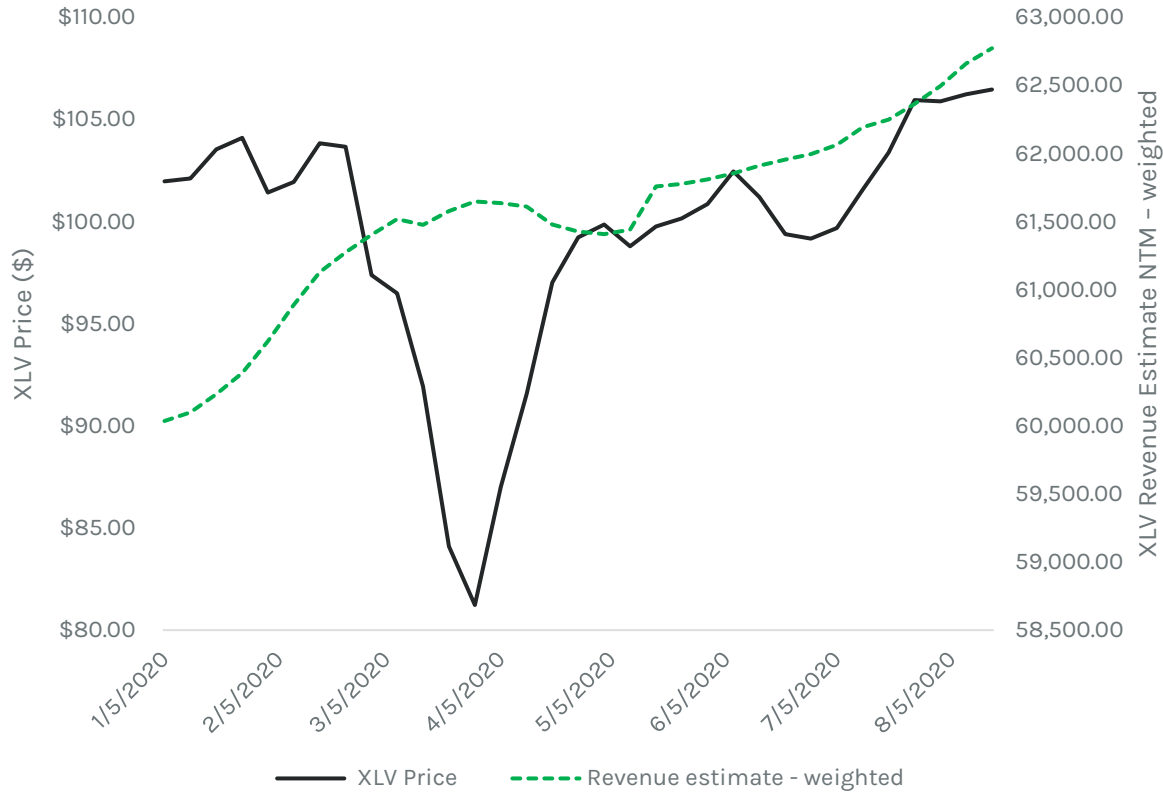
Sector Healthcare
 Factor Sales NTM
 Metric Performance 1M, continuous
 Correlation > 50%
 Market Cap > 1000

		Macro Quad			
		1	2	3	4
Fundamental Equity Quad	1	3.15	3.68	2.69	3.25
	2	3.35	2.65	1.51	2.00
	3	1.64	1.46	0.21	1.23
	4	2.06	1.57	0.60	-0.14



Fundamental equity quads, or Micro Quads, help screen and monitor names based on a revision trend, not anchored to a point estimate and narrative. It elevates the importance of the consensus outlook and the timing of changes.

XLV Micro Quad | COVID-19

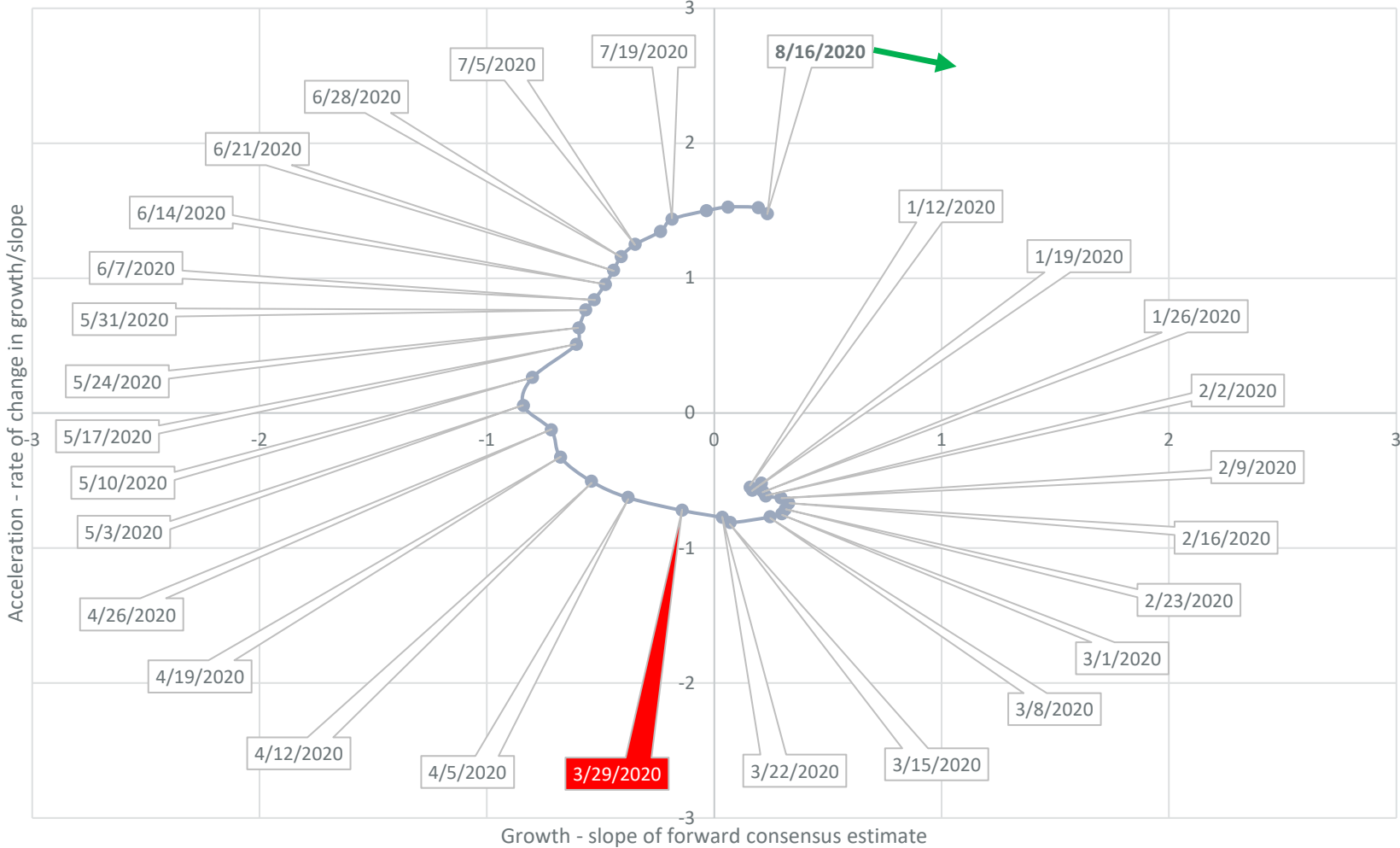


Estimates began stalling 3/15/2020 followed by the low for the XLV at \$81.23 at the end of the month. Absolute estimates declined only modestly and while prices were in the steepest part of the ascent.

By analyzing the estimate trend in terms of slope and acceleration, the inflection point in the XLV price coincides with the re-acceleration in estimates, or as the trend became “less bad” in rate of change terms.

XLV Estimate Trend Slope and Acceleration

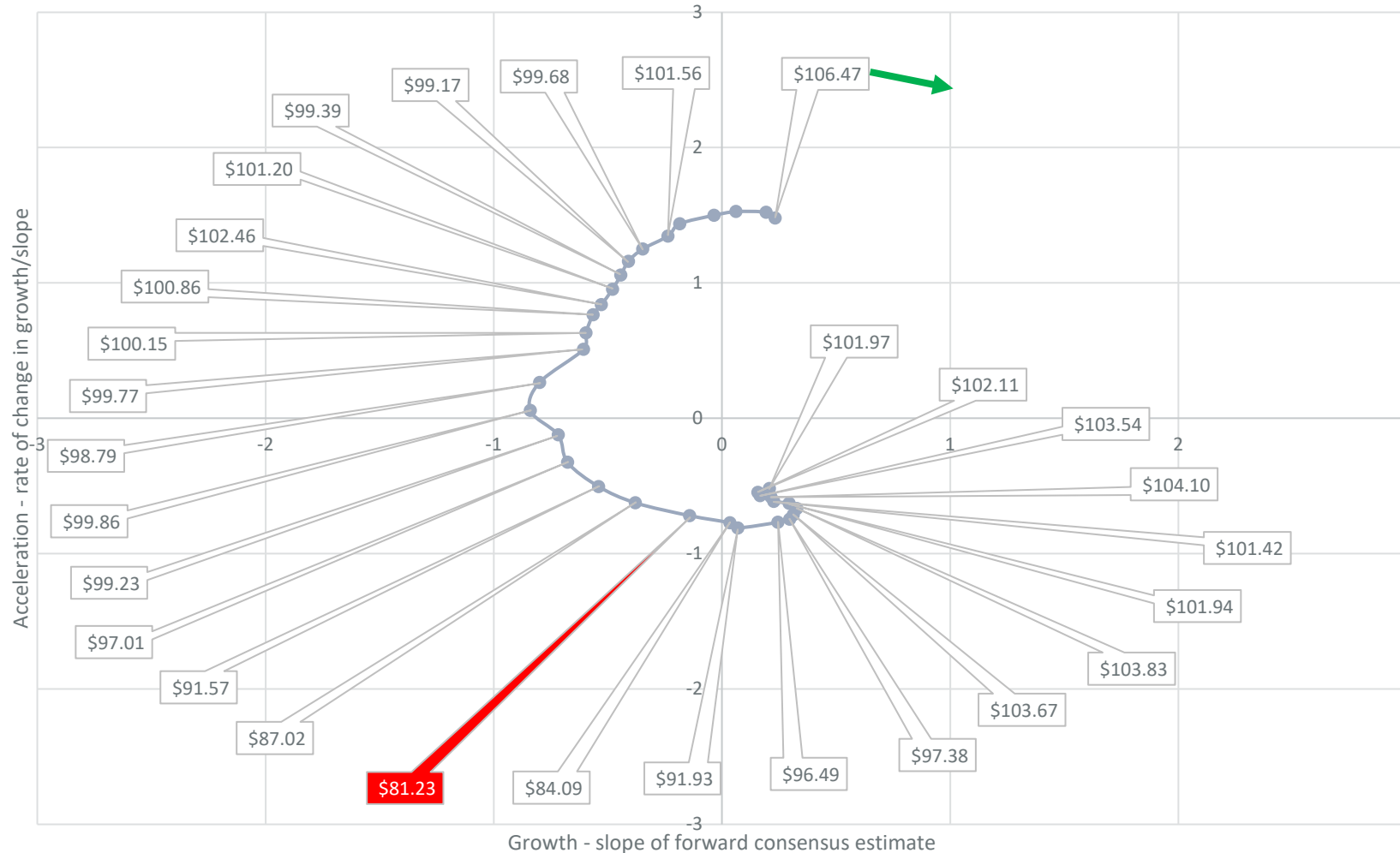
Micros Quads move clockwise from Micro Quad 1 in the upper left though 4 in the lower left



- A scatter plot of the slope and acceleration of the XLV’s weighted NTM estimate trend reveals the turning point in more clarity. Micro Quads map to Fundamental Equity Quads discussed in the previous slides.
- Charting the slope of the next twelve-month revenue estimate of the XLV.
- From this vantage point we can see growth on the x-axis is still deteriorating, but in rate of change terms, improving on the y-axis.
- XLV estimates have crossed over to Quad 2 during 2Q20 Earnings Season, but are beginning to decelerate.

XLV Estimate Trend Slope and Acceleration

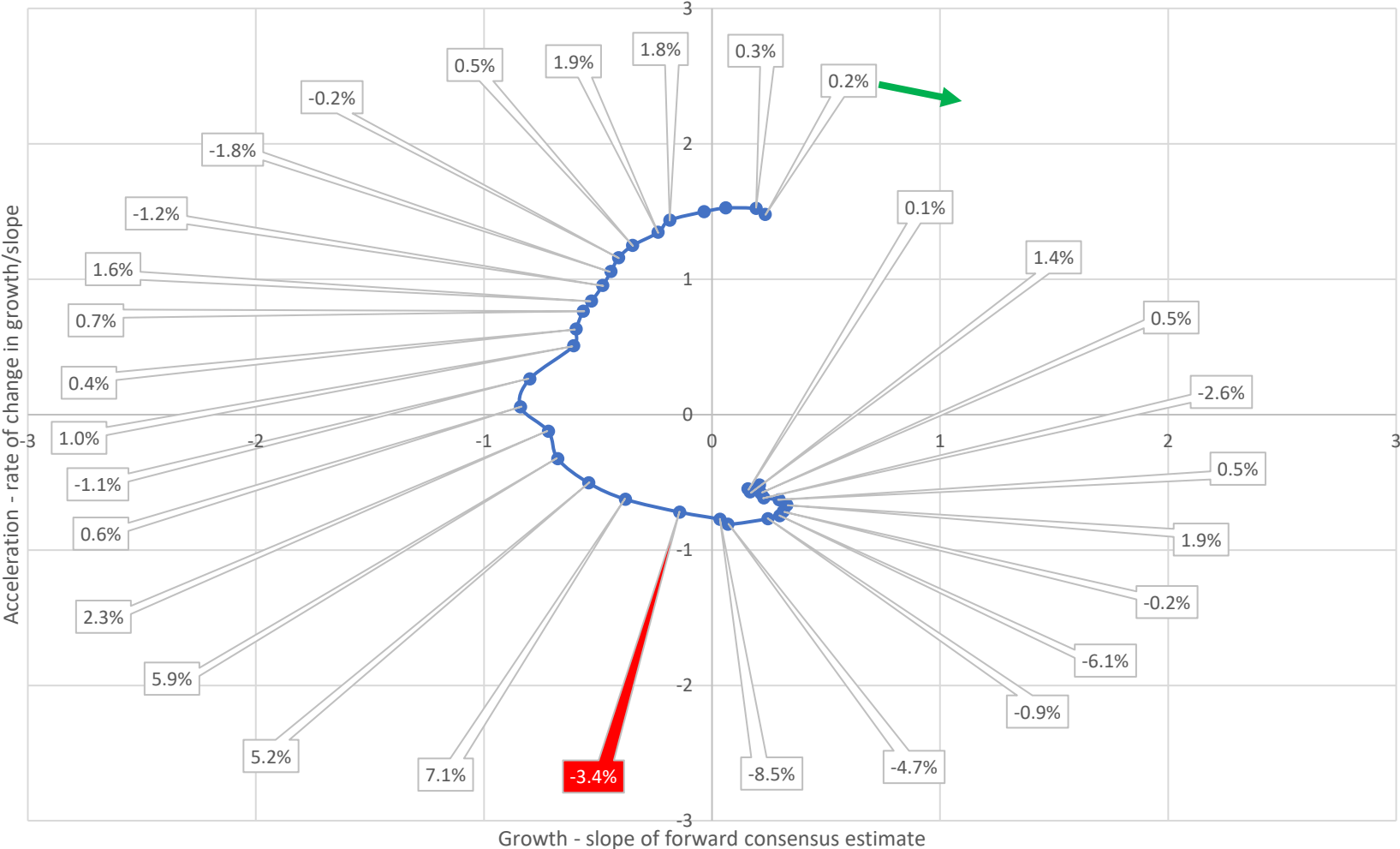
Micros Quads move clockwise from Micro Quad 1 in the upper left though 4 in the lower left



- A scatter plot of the slope and acceleration of the XLV's weighted NTM estimate trend reveals the turning point in more clarity. Micro Quads map to Fundamental Equity Quads discussed in the previous slides.
- Charting the slope of the next twelve-month revenue estimate of the XLV.
- From this vantage point we can see growth on the x-axis is still deteriorating, but in rate of change terms, improving on the y-axis.

XLV Estimate Trend Slope and Acceleration

Micros Quads move clockwise from Micro Quad 1 in the upper left though 4 in the lower left

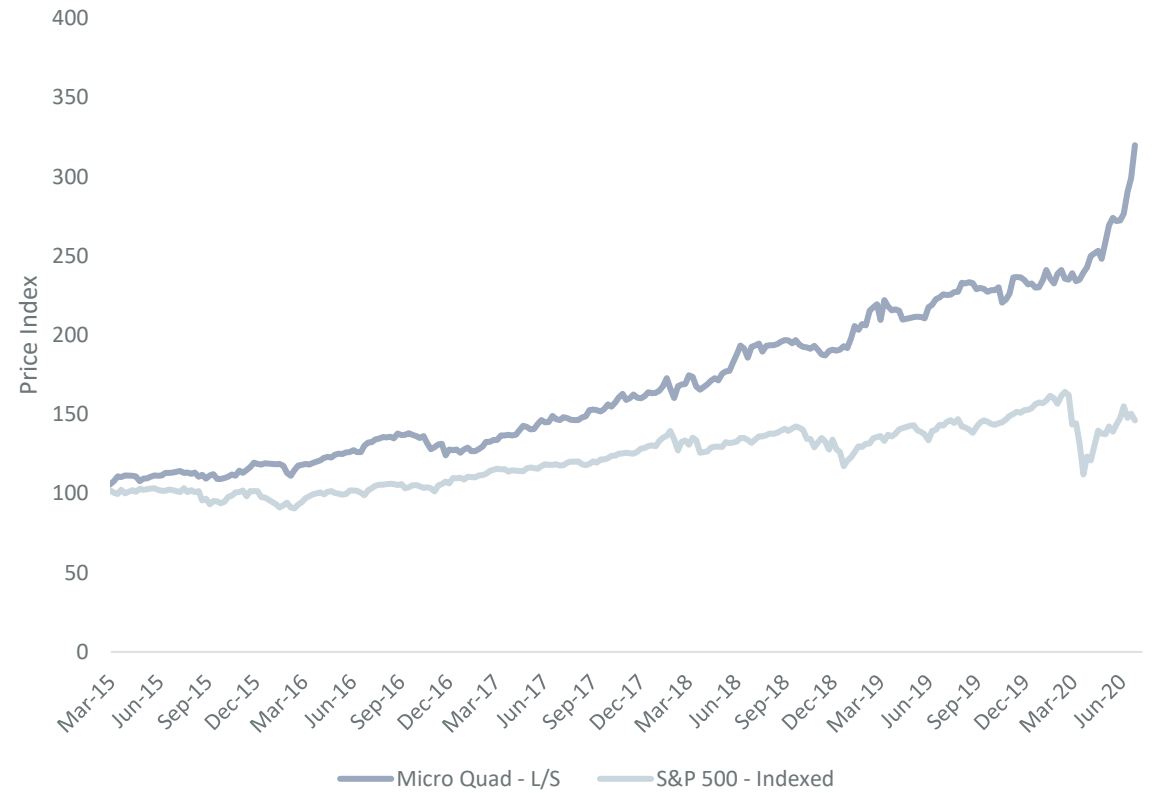


- Week over week price changes were the worst in the transition from Quad 3 to Quad 4, the lower left of the chart.
- Price follows the estimate trend from Quad 4 → Quad 1 → Quad 2

Stocks by Revenue Micro Quad | Current

Quad 1			Quad 2			Quad 3		Quad 4	
A	HAE	RMD	ABMD	LLY	WAT	PRGO	GILD	ANTM	
ALGN	HCA	SEM	ABT	MEDP		HUM	NTRA	HMSY	
AMGN	HRC	SYK	AMED	MTD		MASI	DGX		
AMN	IART	TECH	BIO	NEO		VRTX	TDOC		
BAX	ILMN	TFX	CNMD	NEOG		ENSG	HOLX		
BDX	IQV	UNH	CVET	NVTA		ICUI	WST		
BIOS	ISRG	VEEV	DXCM	PKI		RGEN	OPK		
BSX	LHCG	ZTS	EW	PODD		LVGO			
CERN	MDT		GMED	REGN		ABBV			
CHE	MMSI		IDXX	STAA		LH			
COO	MRK		IRTC	TMO		QDEL			
CRL	OMCL		JNJ	TXG		ONEM			
EHC	PEN								
EXAS	PRAH								
GH	Q								

Hypothetical Portfolio - Long Only Quad 2 and L/S

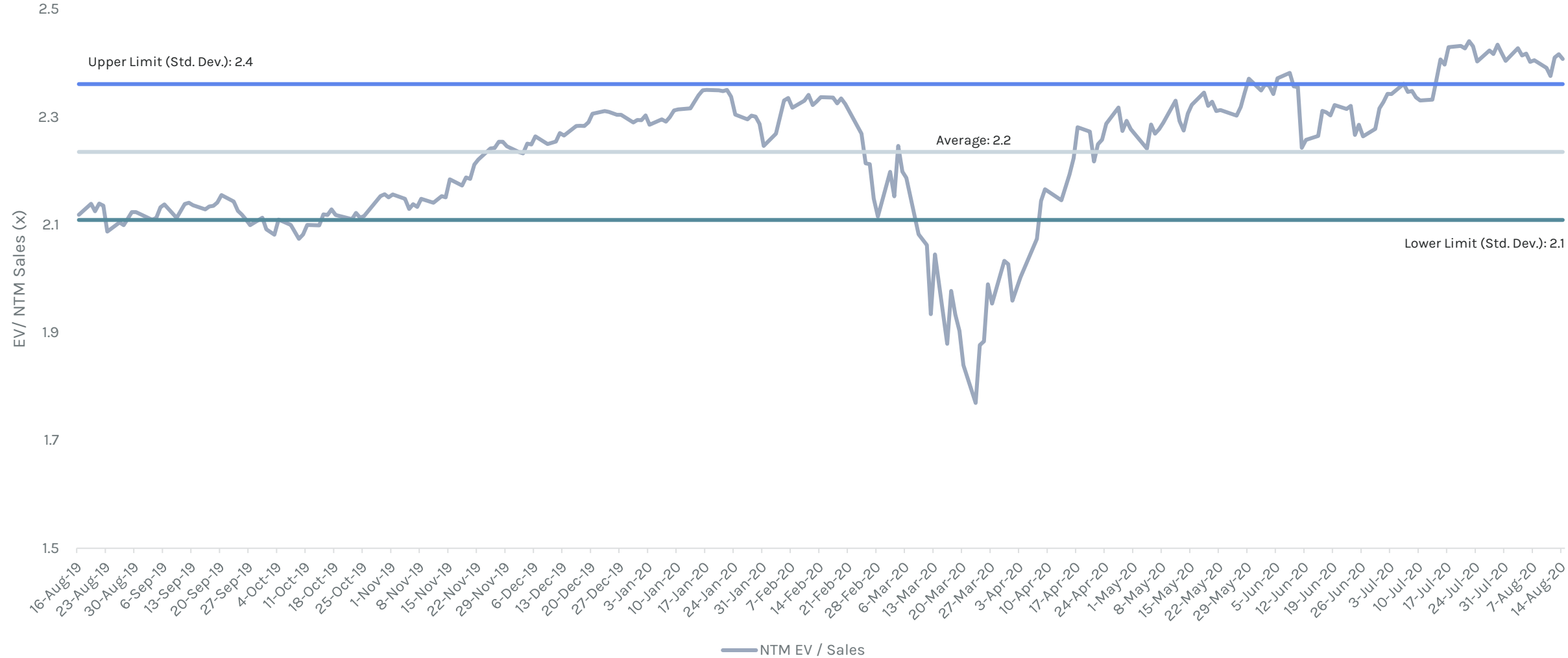


We constructed a long only Micro Quad 2 portfolio, updated and rebalanced weekly and measured by the forward weekly performance.

The addition of shorts from the remaining Micro Quads and adjusted for gross exposure according to Hedgeye Macro Quads yields similar to better returns with lower volatility.

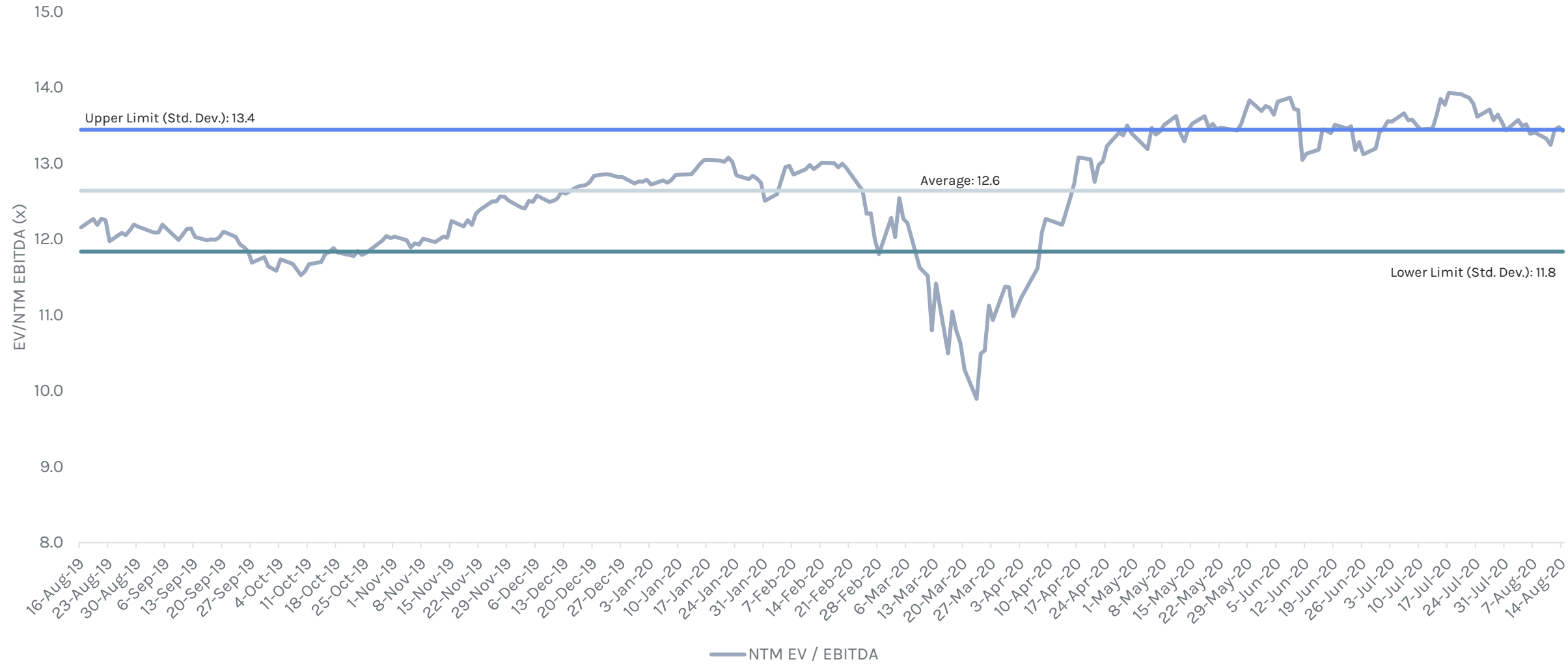
XLV | Valuation Multiples

EV/NTM Sales - 1Y



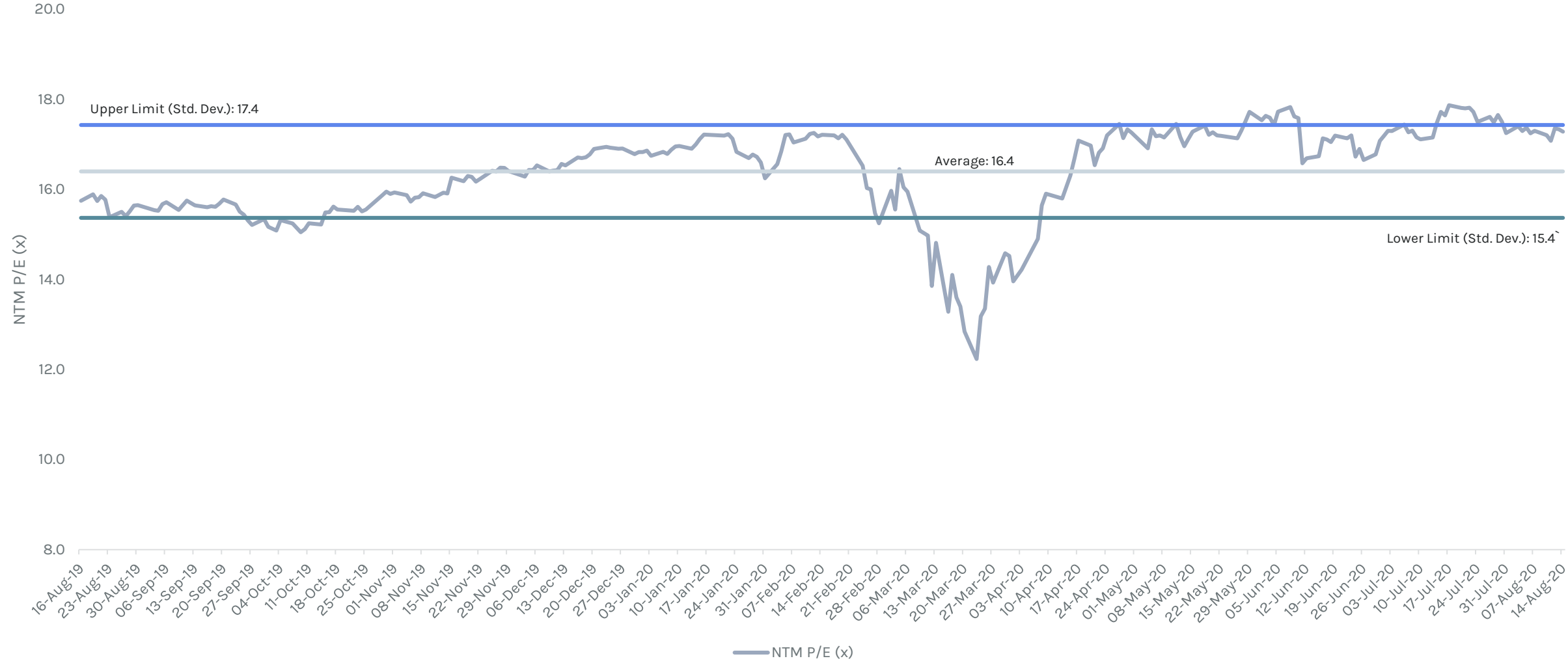
XLV | Valuation Multiples

EV/NTM EBITDA - 1Y



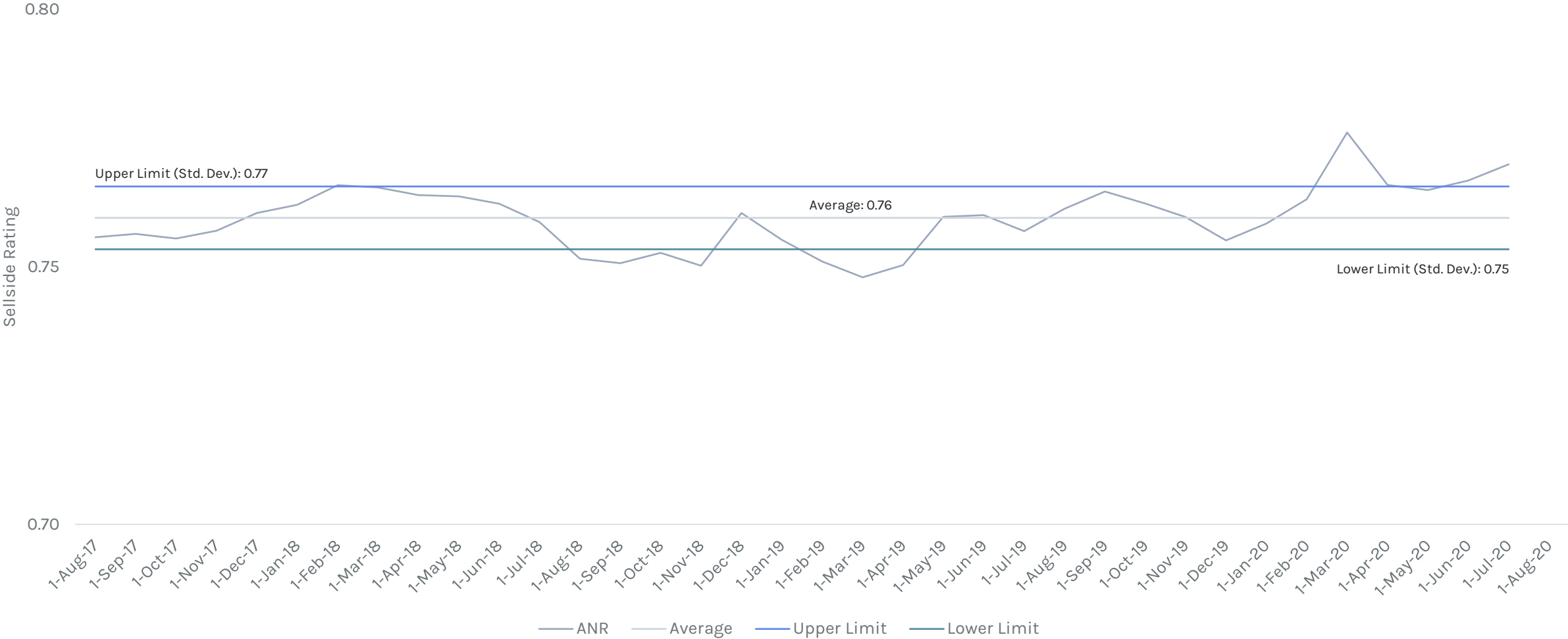
XLV | Valuation Multiples

NTM P/E - 1Y



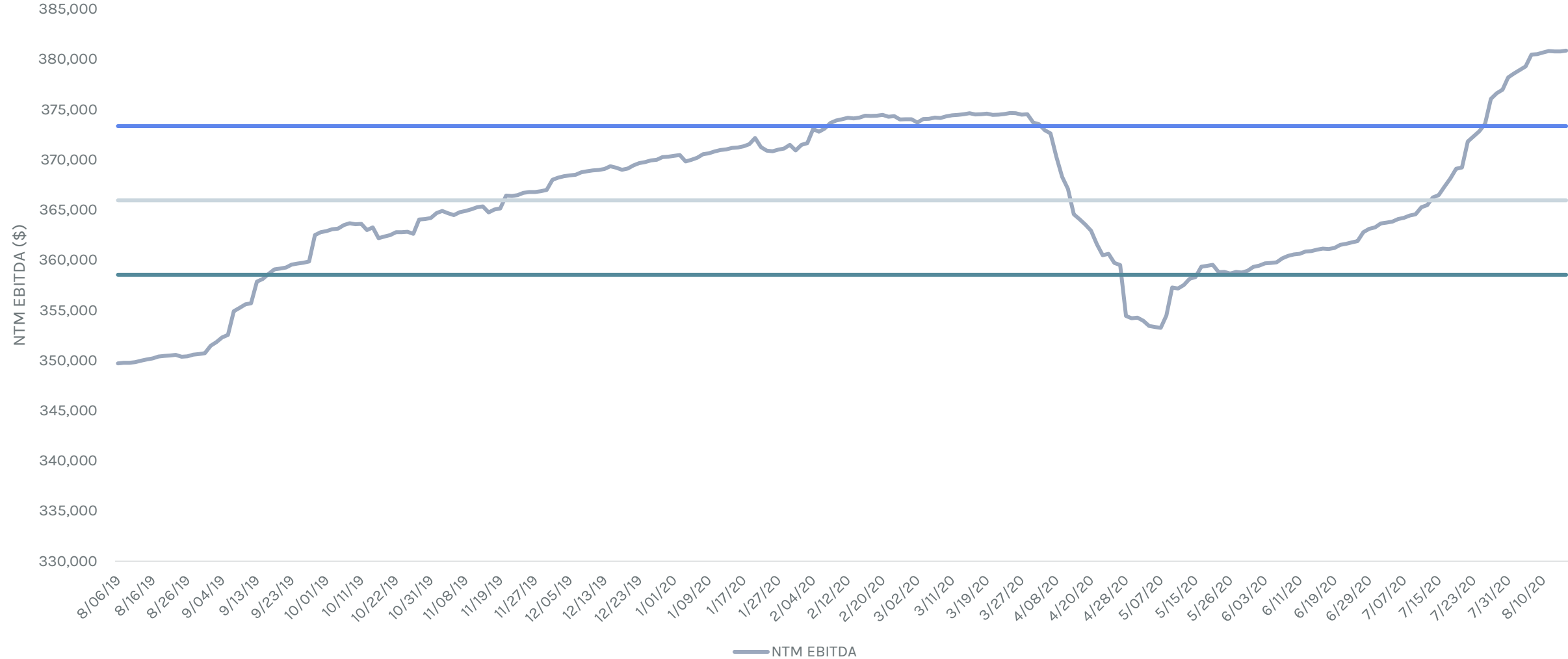
XLV | Valuation Multiples

Analyst Net Rating



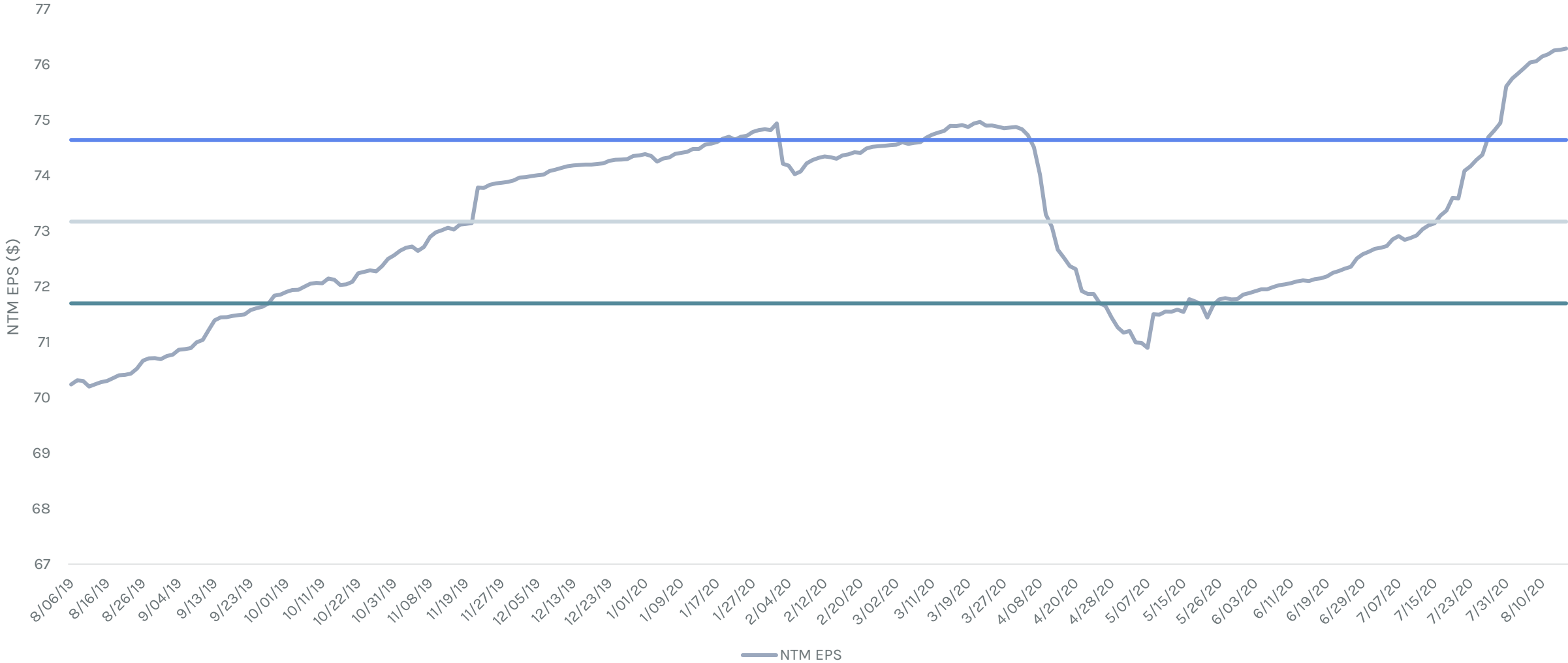
XLV | Consensus Estimates

NTM EBITDA - 1Y



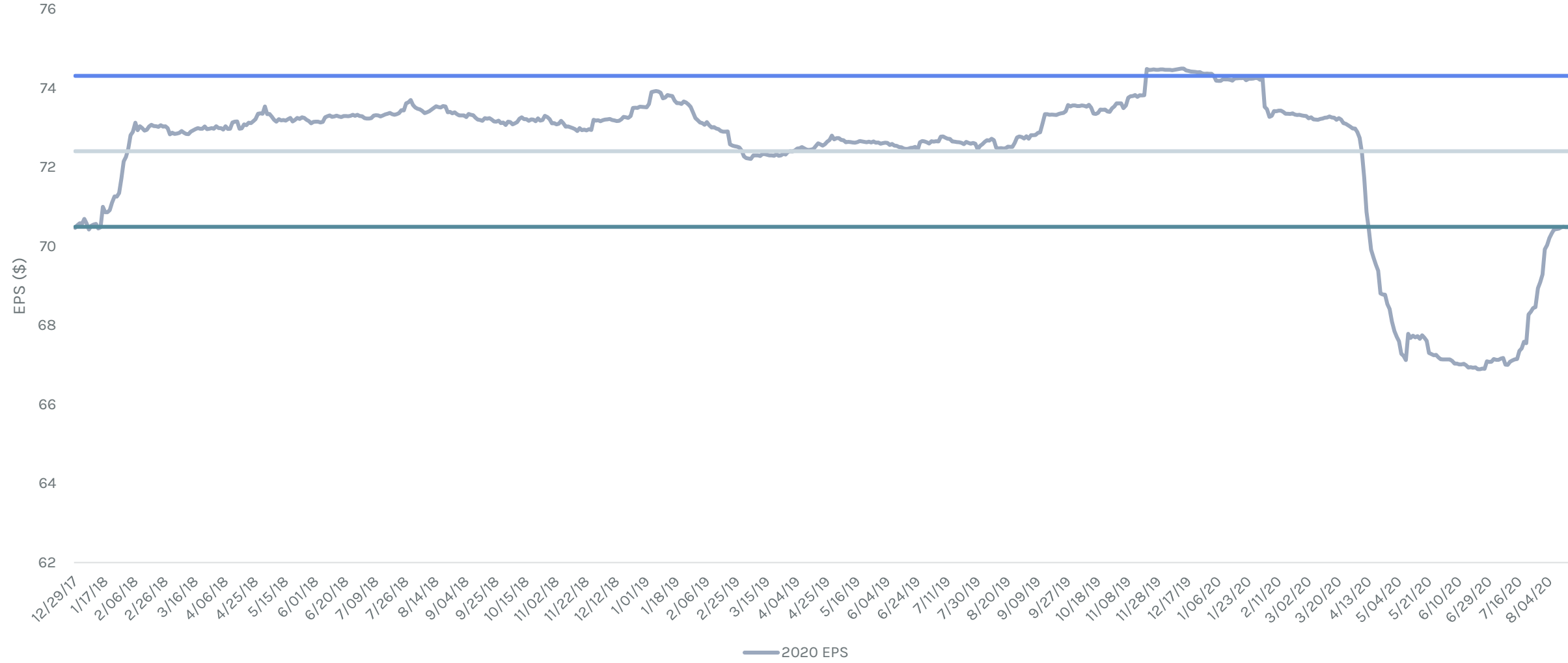
XLV | Consensus Estimates

NTM EPS - 1Y



XLV | Consensus Estimates

2020- EPS



1 Telemedicine and Digital Health is a vast market

COVID-19 has induced physicians to adopt telehealth capabilities. From the peak in adoption at the height of COVID-19 cases, penetration has slowed as in person care returned.

2 Synergy likely multiples of 2024 \$500M target

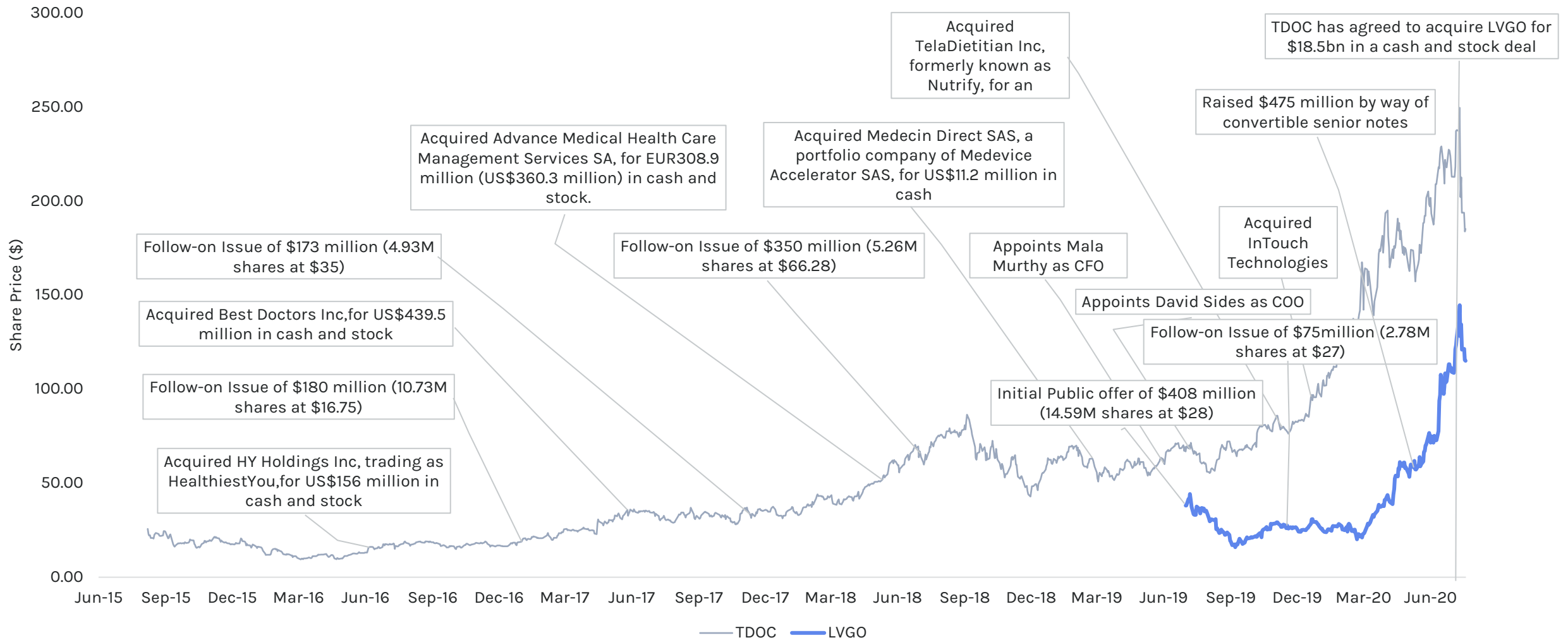
We're assuming Livongo can penetrate a reasonable percentage of the existing diabetics and prediabetics in the Teladoc membership. We have reasonably good data to track their progress including app download and utilization data, medical claims, and US Customs import data.

3 If AI+AI is real....

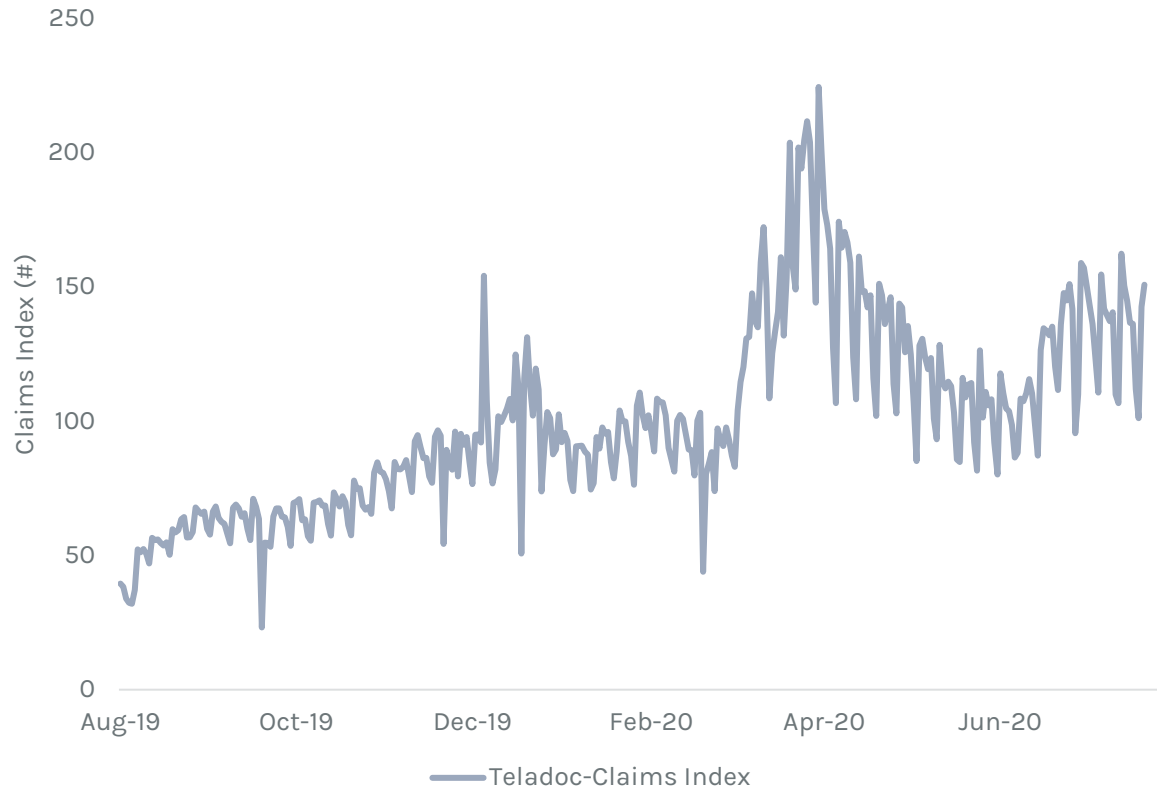
We believe there is emerging value and a competitive advantage to the collection and storage of patient interactions. The voice, remote patient monitoring, and the impact of interventions seem likely to lead to an AI-physician or algorithm-based treatment programs.

TDOC + LVGO | Market History

Both companies became popular COVID plays all at once



TDOC + LVGO Merger | Claims Data

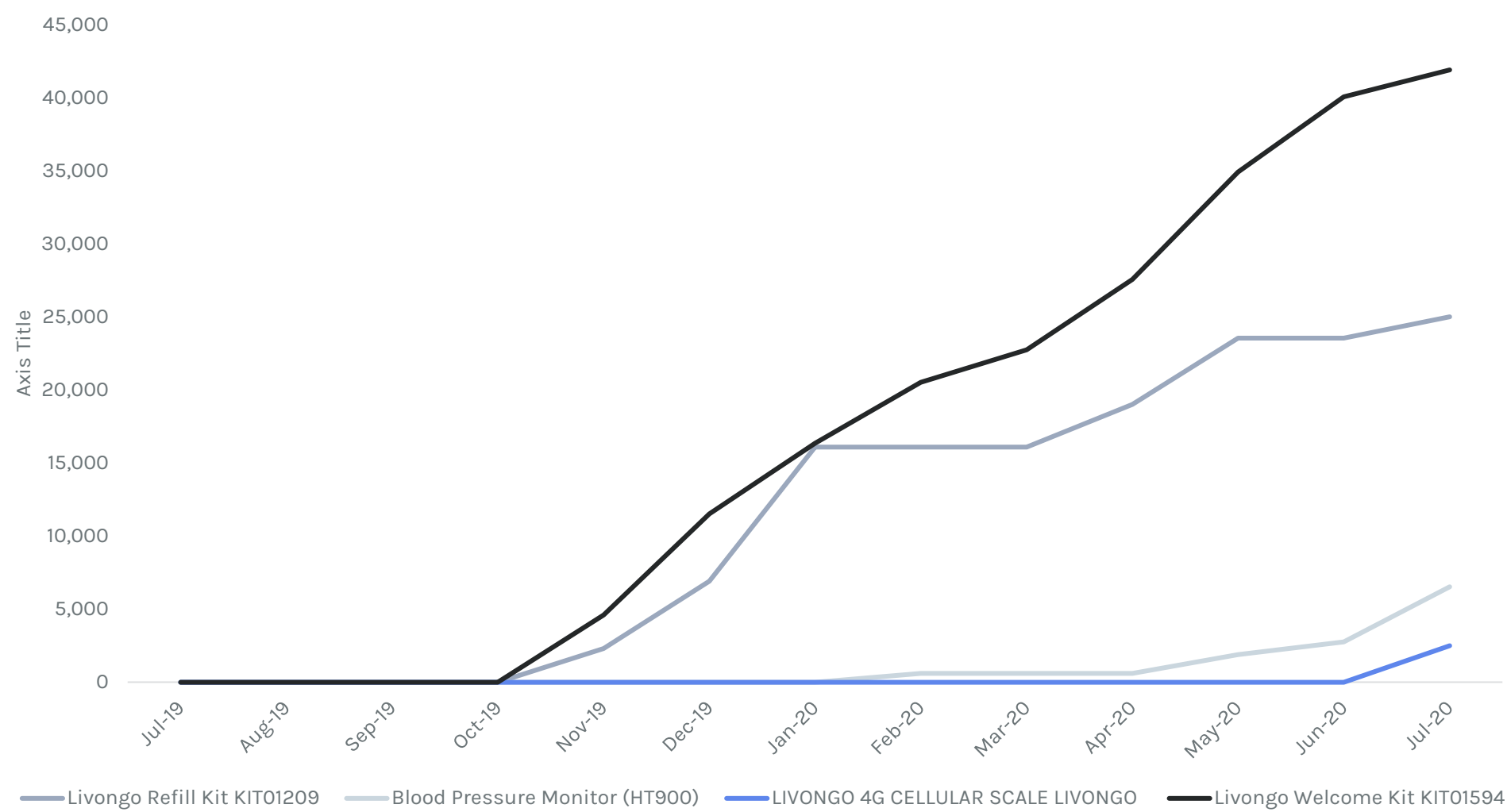


Claims volume reflects the higher activity post COVID compared to app downloads, which are running below pre-COVID levels.

LVGO showing steady sequential pace of adoption in "disease management" claims largely targeting only T2 diabetics.

LVGO | Import Data

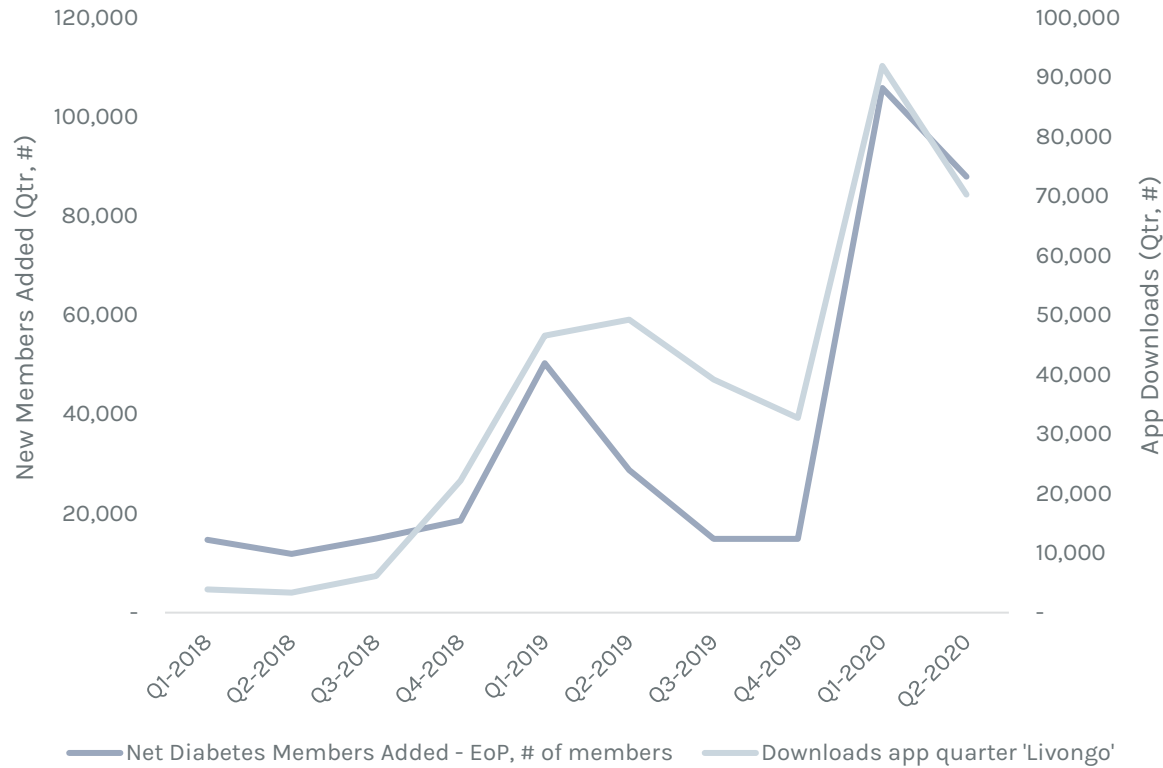
In recent months, we have seen an impressive acceleration in Welcome Kits



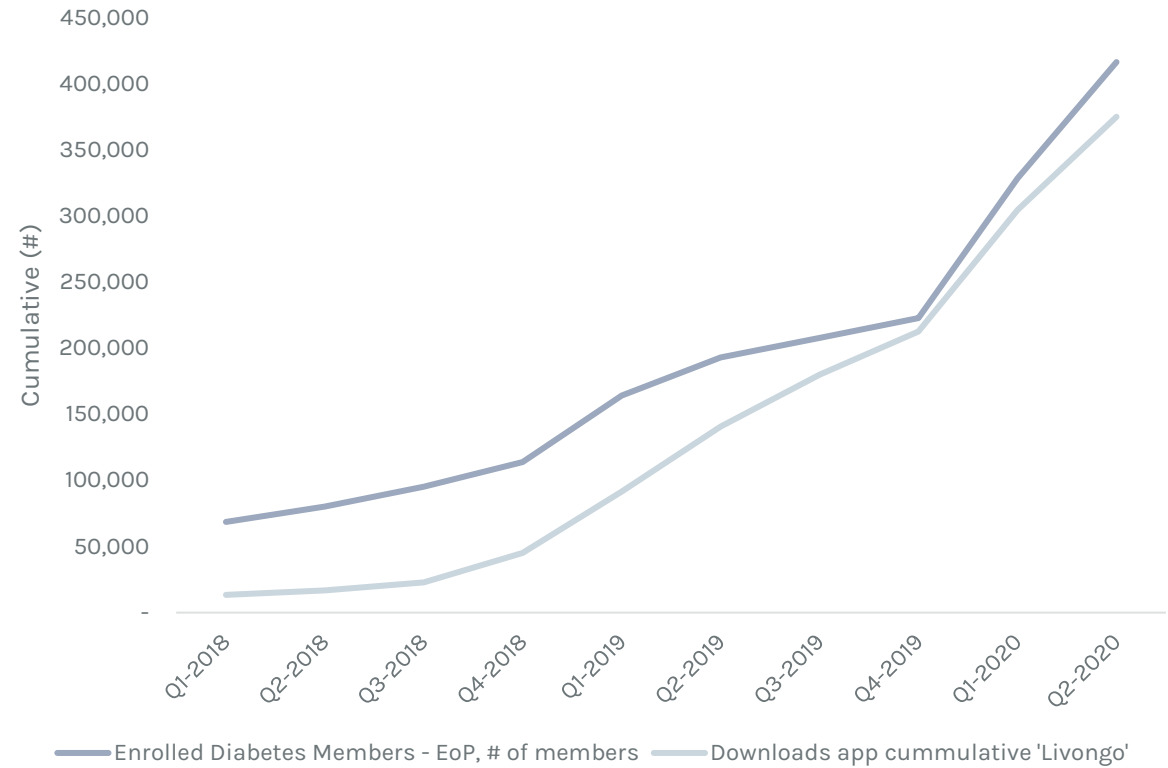
- Livongo Welcome Kit and Refill Kit dwarf the emerging trend in weight scale and blood pressure monitor.

LVGO | App Downloads

New Members Added vs Quarterly App Downloads



Total Enrollment v Cumulative App Downloads



Both downloads and user metrics are useful markers of enrollment, volume, and competition.

Revenue synergies disappointing or just conservative?

We expect \$500M in revenue synergy will be proven conservative

	Guidance	Low	Medium	High
Revenue Synergy 2024	500,000,000	1,209,600,000	2,419,200,000	3,628,800,000
Teladoc Members	70,000,000	70,000,000	70,000,000	70,000,000
Prediabetics %	20.0%	20.0%	20.0%	20.0%
Diabetics %	10.0%	10.0%	10.0%	10.0%
Prediabetics #	14,000,000	14,000,000	14,000,000	14,000,000
Diabetics #	7,000,000	7,000,000	7,000,000	7,000,000
Livongo ASP Monthly	\$72	72	72	72
Livongo ASP Annual	\$864	864	864	864
Incremental Livongo Members	578,704	1,400,000	2,800,000	4,200,000
Prediabetics	4.1%	5.0%	10.0%	15.0%
Diabetics	8.3%	10.0%	20.0%	30.0%
Penetration into TDOC Members	0.8%	2.0%	4.0%	6.0%

- Penetration into the existing Teladoc membership does not have to be significant to drive materially greater revenue synergy than the \$500M management guided for 2024.
- At the midpoint, mid single digit penetration into Teladoc membership produces synergy well ahead of their goal.
- We are not including additional conditions like weight management and blood pressure, or additional programs yet to be launched.

TDOC + LVGO Merger

Transaction Details, 16x 2021 Revenue is NOT unreasonable

Merged Income Statement	Historical	Consensus				
	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024
Sales	723.51	1,320.84	1,846.69	2,490.32	3,543.04	4,454.33
Synergies		-	-	100.00	225.00	350.00
TDOC	553.31	984.68	1,327.43	1,635.36	2,146.39	2,584.19
LVGO	170.20	336.16	519.26	754.96	1,171.65	1,520.14
YoY Growth		82.6%	39.8%	34.9%	42.3%	25.7%
EBITDA	11.71	94.82	182.02	327.59	697.94	971.85
Synergies		-	-	13.15	44.32	76.36
TDOC	31.83	88.58	143.97	235.41	474.52	762.10
LVGO	(20.12)	6.25	38.04	79.02	179.10	133.39
EBIT	(141.43)	(90.80)	(22.85)	155.34	595.84	655.324
Synergies		-	-	60.00	60.00	60.00
TDOC	(80.12)	(55.82)	(13.99)	52.13	214.44	595.32
LVGO	(61.31)	(34.98)	(8.86)	43.20	321.40	N/A
Mg (%)	-11.1%	-3.6%	-0.7%	2.6%	15.0%	
EPS	(1.77)	(1.31)	(0.53)	0.56	3.02	3.54
Synergies		-	-	0.03	0.24	0.32
TDOC	(1.38)	(1.35)	(0.79)	(0.09)	1.35	2.62
LVGO	(0.39)	0.04	0.26	0.61	1.42	0.60

Pro Forma Growth Rate						
	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024
Sales		82.6%	39.8%	34.9%	42.3%	25.7%

Multiples on Consensus Numbers						
	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024
EV/Sales	42.63	23.35	16.70	12.39	8.71	6.92
EV/EBITDA	2633.42	325.29	169.46	94.16	44.19	31.74

Balance Sheet	Historical	Consensus				
	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024
Cash & Cash Equivalents	756.09	1,044.23	1,108.29	1,100.72	1,473.81	1,866.45
TDOC	514.35	770.26	852.40	835.14	924.07	1,339.54
LVGO	241.74	273.97	255.89	265.58	549.74	526.91
Current Assets	1,075.51	1,589.75	1,753.28	1,958.61	2,825.94	3,543.98
TDOC	588.00	973.38	1,071.96	1,097.59	1,668.41	2,257.56
LVGO	487.51	616.37	681.32	861.03	1,157.53	1,286.42
Intangible Assets	241.92	311.26	298.67	263.27	137.31	96.30
TDOC	225.45	269.47	240.73	188.50	131.60	92.91
LVGO	16.47	41.80	57.95	74.77	5.70	3.39
Total Assets	2,232.94	3,092.31	3,202.12	3,323.03	4,358.95	5,057.70
TDOC	1,672.38	2,417.25	2,491.06	2,459.20	3,082.03	3,635.68
LVGO	560.56	675.06	711.05	863.83	1,276.91	1,422.02
Current Liabilities	132.06	188.71	239.09	297.95	532.46	689.68
TDOC	90.18	128.43	149.57	156.14	306.62	375.96
LVGO	41.88	60.28	89.52	141.81	225.84	313.71
Long-Term Debt	468.60	1,154.15	1,197.35	1,307.00	550.00	550.00
TDOC	457.60	967.15	1,010.35	1,032.00	-	-
LVGO	11.00	187.00	187.00	275.00	550.00	550.00
Total Liabilities	711.55	1,304.78	1,406.76	1,432.43	2,234.99	2,383.28
TDOC	658.36	1,087.10	1,139.23	1,046.97	1,390.82	1,428.89
LVGO	53.20	217.68	267.52	385.46	844.17	954.39
Shareholders' Equity	1,521.39	1,787.53	1,795.36	1,890.60	2,123.96	2,674.42
TDOC	1,014.03	1,330.15	1,351.83	1,412.23	1,691.21	2,206.79
LVGO	507.36	457.38	443.53	478.37	432.74	467.63

Cash Flow Statement	Historical	Consensus				
	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024
Capital Expenditures	12.90	16.92	21.88	26.55	34.23	29.01
TDOC	10.90	11.48	15.66	16.65	16.67	7.05
LVGO	2.00	5.43	6.22	9.90	17.56	21.95

Market Cap & Enterprise Value	
Stock Price	\$ 208.69
Adjusted Shares Outstanding	147.58
Market Cap	\$ 30,798.80
Cash	1,500.95
Debt - TDOC	948.18
Debt - Transaction	550.00
Operating Lease Liabilities	49.18
Enterprise Value	\$ 30,845.21

Merged Stock Price	
TDOC	\$ 249.42
Weight (%)	0.55
After Transaction	\$ 137.08
LVGO	\$ 147.66
Cash Added/Share	\$ 11.33
Weight (%)	0.45
After Transaction	\$ 71.61
Final Shares Outstanding	\$ 208.69

Merged Shares Outstanding	
TDOC	81.11
Conversion Ratio	1.000
After Transaction	81.11
LVGO	112.28
Conversion Ratio	0.592
After Transaction	66.47
Final Shares Outstanding	147.58

TDOC + LVGO | Pro Forma Valuation

EV/ NTM Sales

		2020 Sales					
		\$ 1,250	\$ 1,280	\$ 1,300	\$ 1,330	\$ 1,360	\$ 1,390
2020 EV/Sales	10.0x	84.38	86.42	87.77	89.81	91.84	93.87
	12.0x	101.32	103.76	105.39	107.83	110.27	112.71
	14.0x	118.26	121.11	123.01	125.85	128.70	131.54
	16.0x	135.20	138.46	140.62	143.88	147.13	150.38
	18.0x	152.14	155.80	158.24	161.90	165.56	169.22
	20.0x	169.08	173.15	175.86	179.92	183.99	188.06

		2021 Sales					
		\$ 1,750	\$ 1,815	\$ 1,875	\$ 1,935	\$ 2,000	\$ 2,070
2021 EV/Sales	10.0x	118.26	122.67	126.73	130.80	135.20	139.95
	12.0x	141.98	147.27	152.14	157.02	162.31	168.00
	14.0x	165.70	171.86	177.55	183.25	189.41	196.05
	16.0x	189.41	196.46	202.96	209.47	216.51	224.10
	18.0x	213.13	221.05	228.37	235.69	243.62	252.16
	20.0x	236.84	245.65	253.78	261.91	270.72	280.21

		2022 Sales					
		\$ 2,215	\$ 2,330	\$ 2,445	\$ 2,565	\$ 2,695	\$ 2,825
2022 EV/Sales	10.0x	149.77	157.56	165.36	173.49	182.30	191.11
	12.0x	179.79	189.14	198.49	208.25	218.82	229.39
	14.0x	209.81	220.72	231.63	243.01	255.34	267.67
	16.0x	239.82	252.29	264.76	277.77	291.86	305.96
	18.0x	269.84	283.87	297.89	312.53	328.39	344.24
	20.0x	299.86	315.44	331.03	347.29	364.91	382.52

Given the opportunity and growth rate, we suspect Teladoc will maintain a “high” multiple for some time. Monitoring their revenue trajectory for any signs of deceleration will be critical.

TXG | Earnings Results

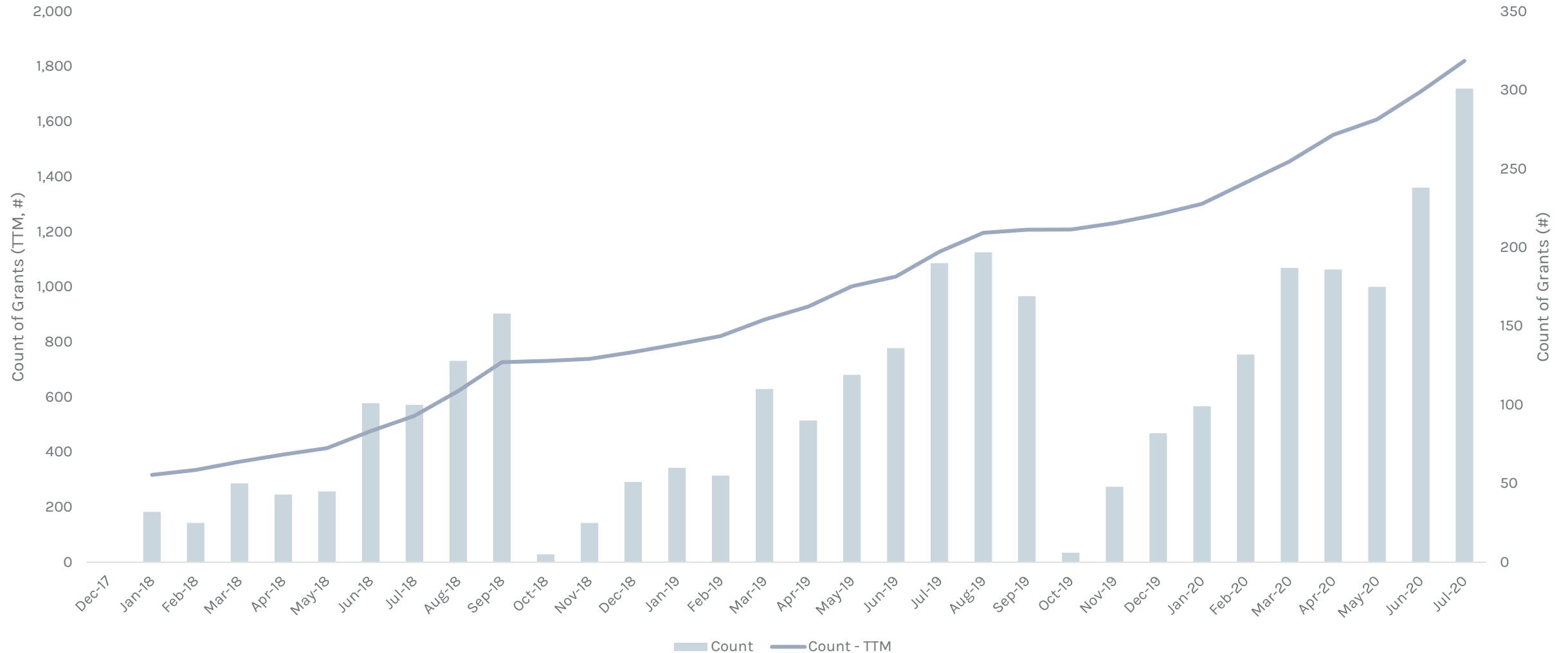
10x Genomics Inc Class A			Current Quarter				Next Quarter				FY 2020 Financials			
Ticker	TXG		Consensus	Hedgeye	Actual	Delta %	Consensus	Hedgeye	Guidance	Delta %	Consensus	Hedgeye	Guidance	Delta %
Date	8/12/2020	Sales	\$33	\$46	\$43	31.8%	\$62	\$86	N/A	40.0%	\$263	\$312	N/A	18.3%
Price (\$)	\$96.90	YoY Growth	-41.7%	-17.4%	-23.1%	44.5%	0.5%	40.7%		7739.0%	7.1%	26.7%		278.5%
Hedgeye	Active	EBITDA	-\$46		-\$33	29.4%	-\$27	--	N/A		-\$89	--	N/A	
Positioning	Long	EBIT	-\$52	--	-\$43	16.7%	-\$34	--	N/A		-\$113	--	N/A	
52 Week Range (\$)	45.11 - 108.3	Mg (%)	-159.9%		-101.2%	36.8%	-55.5%				-43.1%			
		EPS	-\$0.50	--	-\$0.41	17.7%	-\$0.31	--	N/A		-\$1.09	--	N/A	
Market Cap (M)	5,613.84													
Avg Daily Volume (3 Mo)	840,019.40													
Dividend Yield	0.00%													
IPO Date	Sep-12-2019	P / E	#N/A	#N/A	#N/A	#N/A	TXG	6.4%	18.0%	#N/A	TXG	6.4%	18.0%	#N/A
		EV / Sales	34.4x	19.1x	#N/A	#N/A	SP50	4.7%	13.8%	36.6%	BIO	3.9%	5.5%	52.5%
Beta	0.642	EV / EBITDA	#N/A	#N/A	#N/A	#N/A	XHE	4.7%	7.1%	58.4%	ILMN	-7.8%	6.5%	16.1%
WACC (FactSet)	5.09%	FCF Yield	-1.4%	-1%			XLV	4.6%	4.6%	40.4%	BDX	-0.9%	-2.4%	1.5%



TXG	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	\$56	\$246	\$251	245.89	71.91	42.91	61.53	88.37	263.23	474.83	627.60
YoY Growth				68.1%	34.2%	-23.1%	0.5%	17.4%	7.1%	80.4%	32.2%
EBITDA		-\$22		-22.01	-16.39	-32.50	-27.31	-12.49	-89.10	-21.05	30.63
EBIT	-\$10	-\$29	-\$76	-29.07	-19.58	-39.10	-34.17	-16.31	-113.34	-35.16	-0.25
Mg (%)	-17.5%	-11.8%	-30.1%	-11.8%	-27.2%	-91.1%	-55.5%	-18.5%	-43.1%	-7.4%	0.0%
EPS	-\$1.18	-\$0.32	-\$0.80	-0.32	-0.22	-0.41	-0.31	-0.12	-1.09	-0.39	-0.03

TXG | NIH Single-Cell Sequencing Grants

Despite COVID-19, the pace of grant awards appears to be accelerating



MASI | #SecondWave App Downloads

Limited response to resurgence in hospitalizations, followed by continued deceleration



- When hospitalizations first resurged as a result of the re-opening of the US, we saw a limited response in app downloads.
- We believe this may have been the result of many equipment and service providers competing for incremental COVID demand.
- Since that point, app downloads have continued to fall back to pre-COVID levels alongside the reduction in hospitalizations.

Demand for remote monitoring is commodity-like rather than brand differentiated

- Pre-diabetics track weight, intentional adherence, diet, physical activity
- PO2 can be found on watch, Test strips adequate versus CGM
- Give away a Fitbit to track, Meter just has to be Bluetooth
- **The program must be easy to use; You don't need a full EHR medical record**
- **EPIC has a tool to integrate, but one month to collect a baseline plus patient reported information is fine**
- A year is better, but a month works
- The telemedicine aspect is quite basic in terms of the interaction
- For diabetes program, daily check in with variable question depending on answer
- Patient weighs in, glucose level
- "what makes patients do this every day?" the relationship with the provider
- There may be a phone call, missed check ins have an escalating automated response, emails text, calls
- **Escalates to a person, but need a person to be involved**
- **periodically to establish a relationship**
- **3-4 visits virtual then in person; the best outcome is a hybrid virtual and in person care**
- the patient feels safe feeling connected, someone is watching, less the scolding fear
- **Being accurate is not "a big deal," +/- easily corrected**
- **\$40 average for a device off the shelf; lots of providers: iHealth is a good one and used often, Masimo is 5x the price**
- For a pre-diabetic, test strips are fine
- CGM may be useful for educating a patient about diet and exercise; only appropriate for Type II and Type I
- Devices are now adding Po2, Fitbit, Garmin; more and more vitals collected on one device
- Patches coming as well; Smart pills that collect data
- **Disease management requires 50 patients per nurse; It can be a dietician, trainer, health coach depends on training**
- For example, DO NOT CHANGE MEDICATION

For more information, contact us at:

sales@hedgeye.com