

HEDGEYE



Health Care Position Monitor Update

ACOG Recommendation, MASI Import
Data, EXAS Claims, NVTA Volume

August 24, 2020



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Health Care Position Monitor

For Week of August 24, 2020

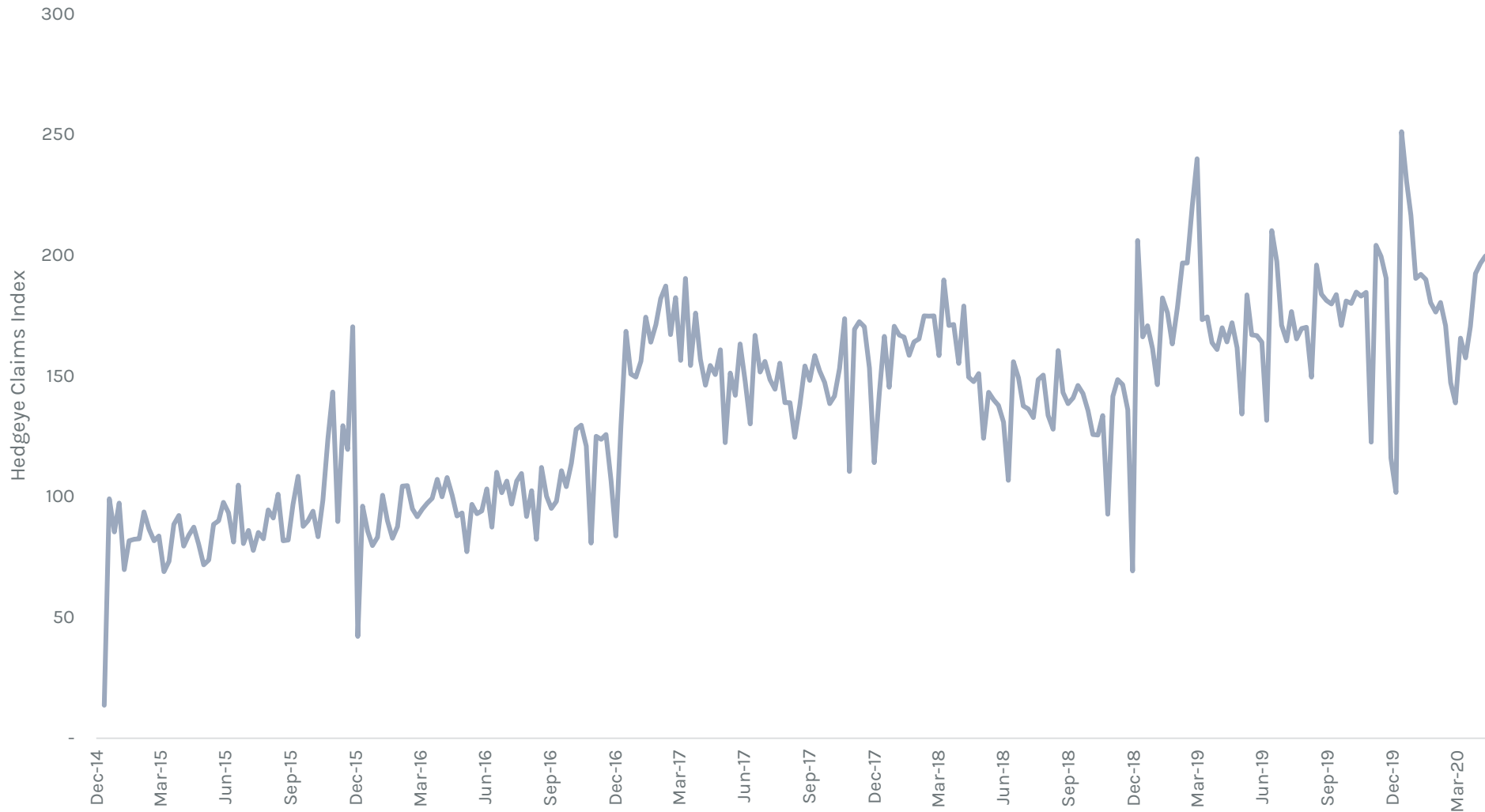
| Best Ideas - Longs | | | | | Best Ideas - Shorts | | | | | | |
|---------------------|--------------------------|-----------|---------------|-------|----------------------|------|-------------------------------|-----------|---------------|-------|------|
| LONG | | | | | SHORT | | | | | | |
| | | Price | Mkt Cap (\$B) | Trend | Tail | | | Price | Mkt Cap (\$B) | Trend | Tail |
| Active Longs | | | | | Active Shorts | | | | | | |
| ONEM | 1Life Healthcare, Inc. | \$ 29.39 | \$3.7B | ✓ | ✓ | AMN | AMN Healthcare Services, Inc. | \$ 51.26 | \$2.4B | × | × |
| TXG | 10x Genomics Inc Class A | \$ 109.63 | \$7.9B | ✓ | ✓ | EXAS | Exact Sciences Corporation | \$ 80.17 | \$12.0B | × | × |
| TDOC | Teladoc Health, Inc. | \$ 223.41 | \$18.1B | ✓ | ✓ | - | - | - | - | - | - |
| Long Bias | | | | | Short Bias | | | | | | |
| NTRA | Natera, Inc. | \$ 65.88 | \$5.3B | | | HCA | HCA Healthcare Inc | \$ 132.51 | \$44.8B | | |
| | | | | | | HRC | Hill-Rom Holdings, Inc. | \$ 95.24 | \$6.3B | | |
| | | | | | | MASI | Masimo Corporation | \$ 219.19 | \$12.0B | | |
| | | | | | | NVTA | Invitae Corp. | \$ 35.35 | \$4.7B | | |
| | | | | | | ILMN | Illumina, Inc. | \$ 353.07 | \$51.5B | | |
| | | | | | | GH | Guardant Health, Inc. | \$ 93.48 | \$9.3B | | |

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NTRA | Claims Index

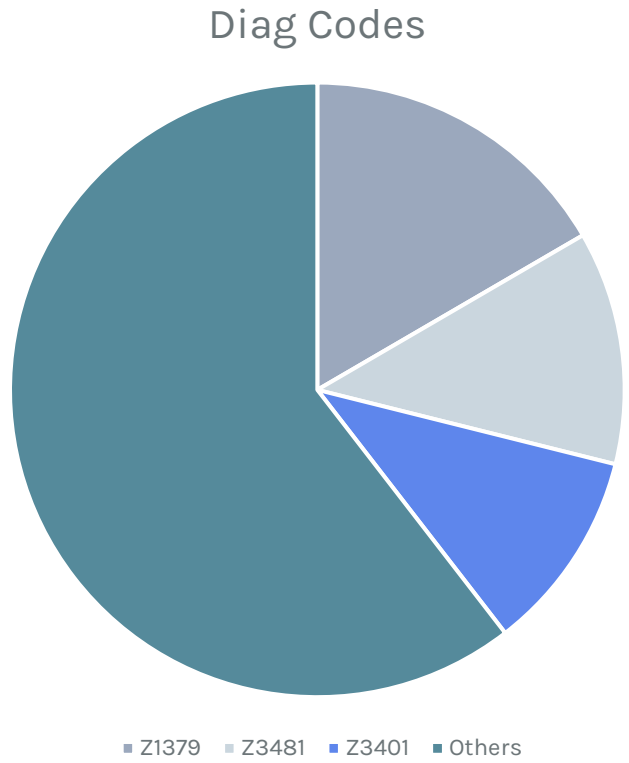
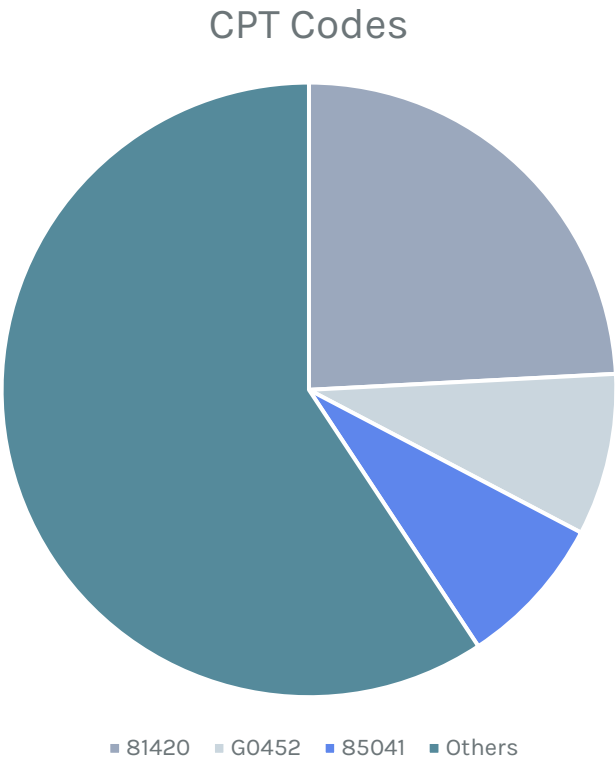
Expanded ACOG Recommendation Signals Adoption We Anticipated



- Natera (NTRA) is a name we've had on the bench for a while now, waiting for an indication of larger adoption.
- Previously ACOG, or the American College of Obstetrics and Gynecology, had only recommended the use of non-invasive pre-natal testing (NIPT) for individuals 35 and older or those with other risk factors.
- Last Monday, they expanded that recommendation to include all pregnant women regardless of their age or known risk factors.
- The recommendation covers multiple methods, but specifically highlights the superior sensitivity and specificity of cfDNA assays.
- While it immediately expands the Total Addressable Market for NTRA's Panorama product, it should also push private payors to reconsider broader coverage for the test.

PROG | Claims Analysis

Unique Diag and CPT codes Mix



Progenity's Innatal is another test that will benefit from the ACOG's expanded recommendation. We have been tracking PROG's claims data as a part of our monthly Genetic Testing Lab Chartbook.

MASI | Sentiment

EV/ NTM Sales



The stock had broken out above its historical range but has since fallen following their 2Q20 Earnings Call.

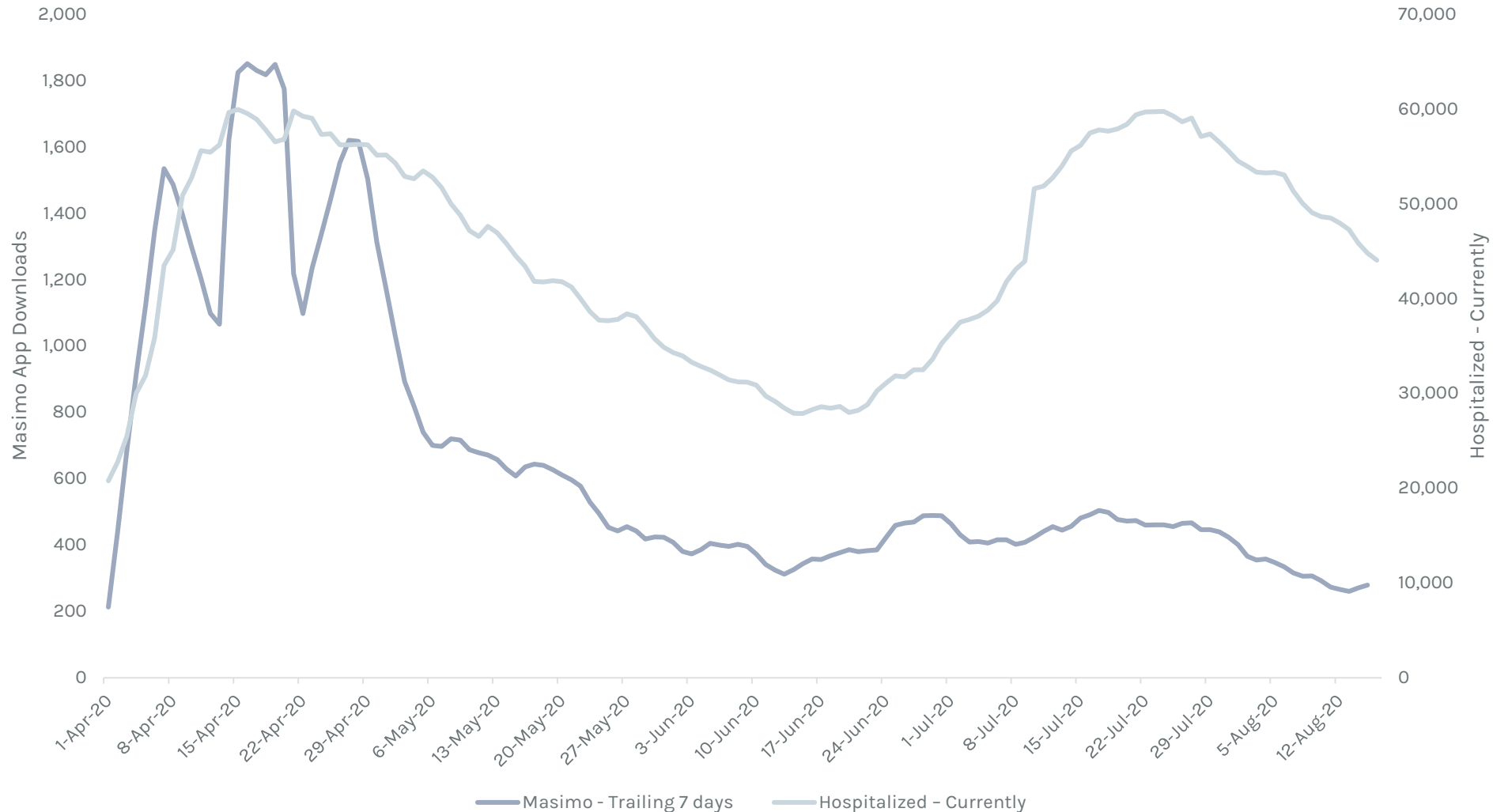
Robinhood Tracker



Masimo has been a popular COVID trade for retail investors, demonstrated by its 92.8% correlation in share price to Robinhood Average Users.

MASI | #SecondWave App Downloads

Limited response to resurgence in hospitalizations, followed by continued deceleration



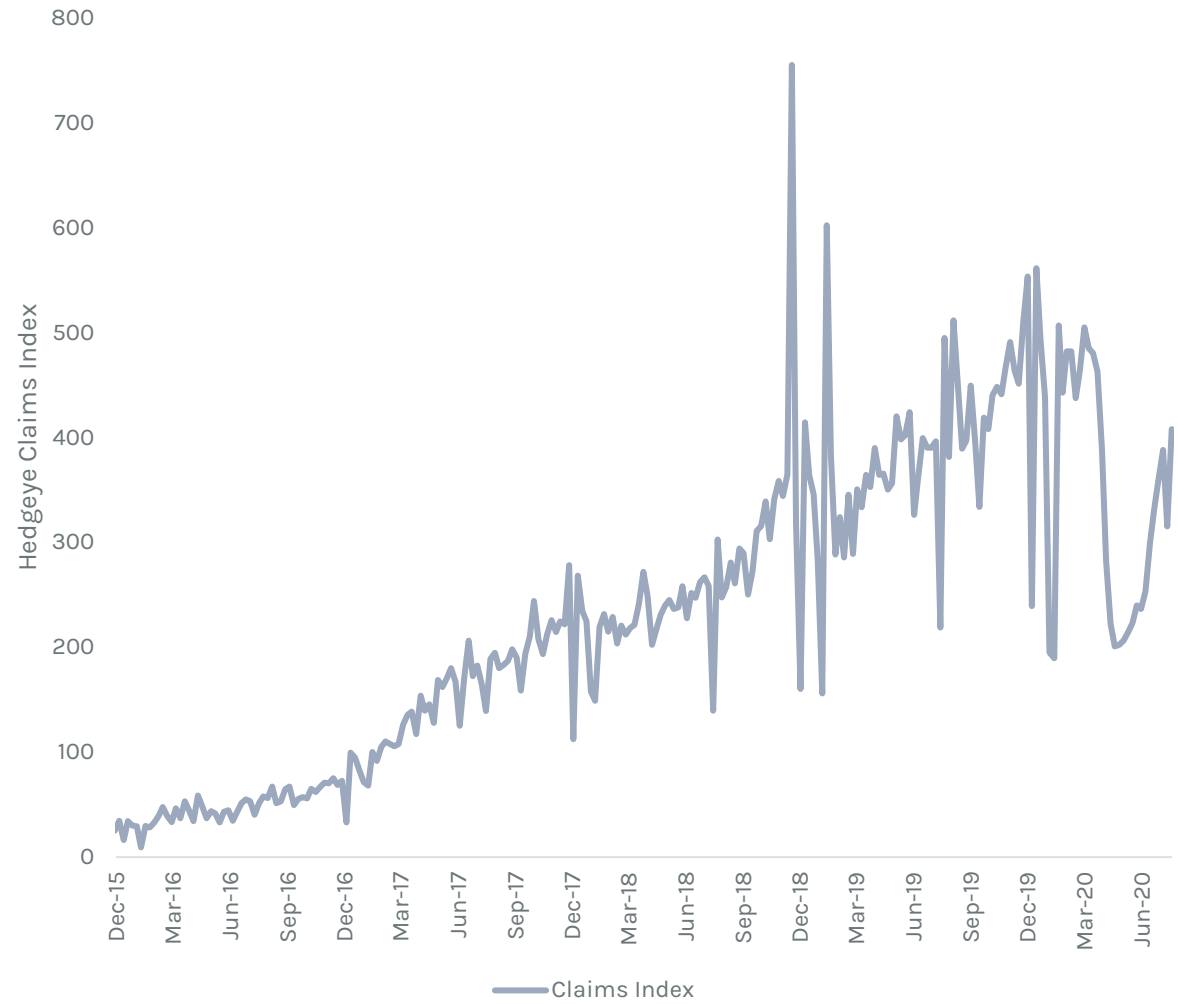
- When hospitalizations first resurged as a result of the re-opening of the US, we saw a limited response in app downloads.
- We believe this may have been the result of many equipment and service providers competing for incremental COVID demand.
- Since that point, app downloads have continued to fall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

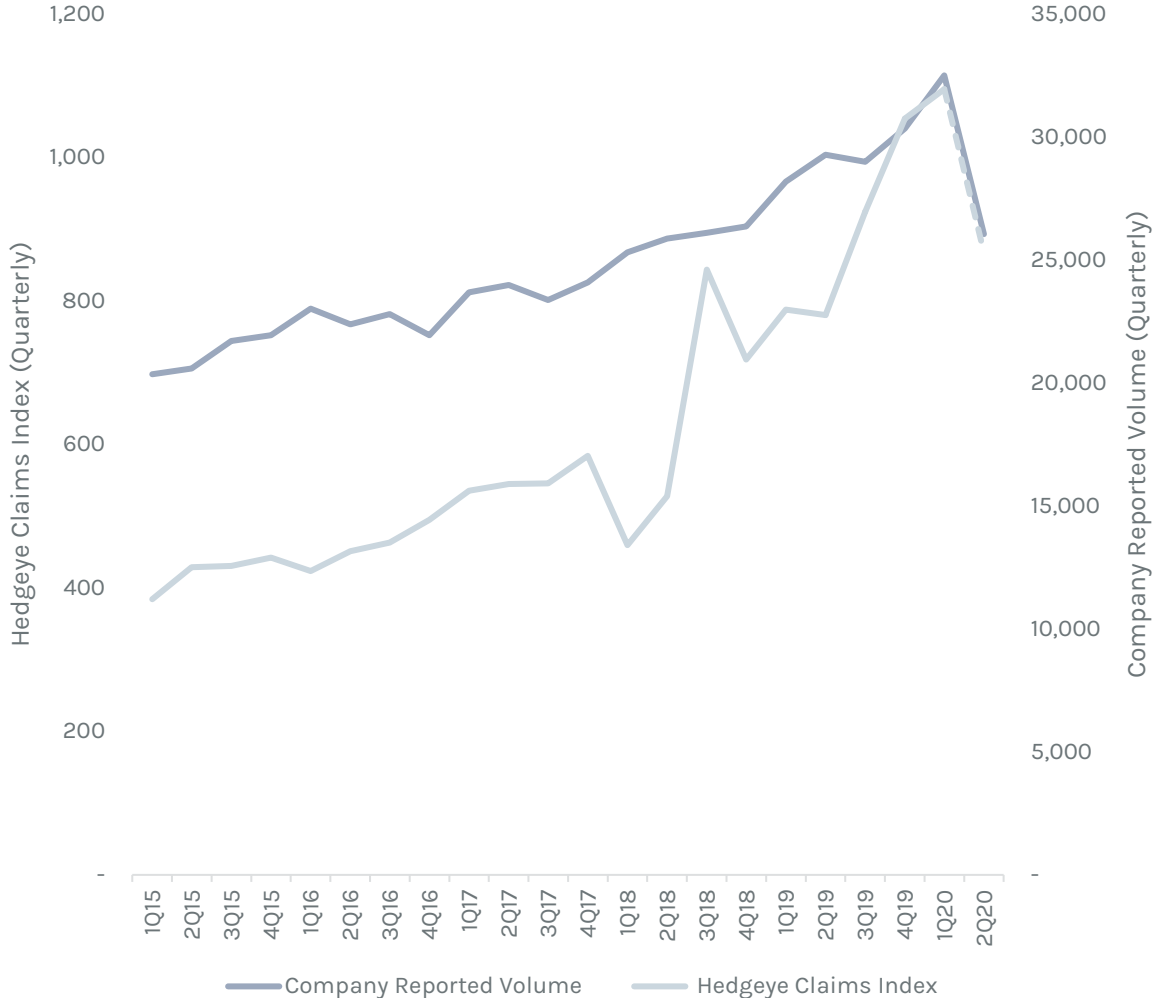
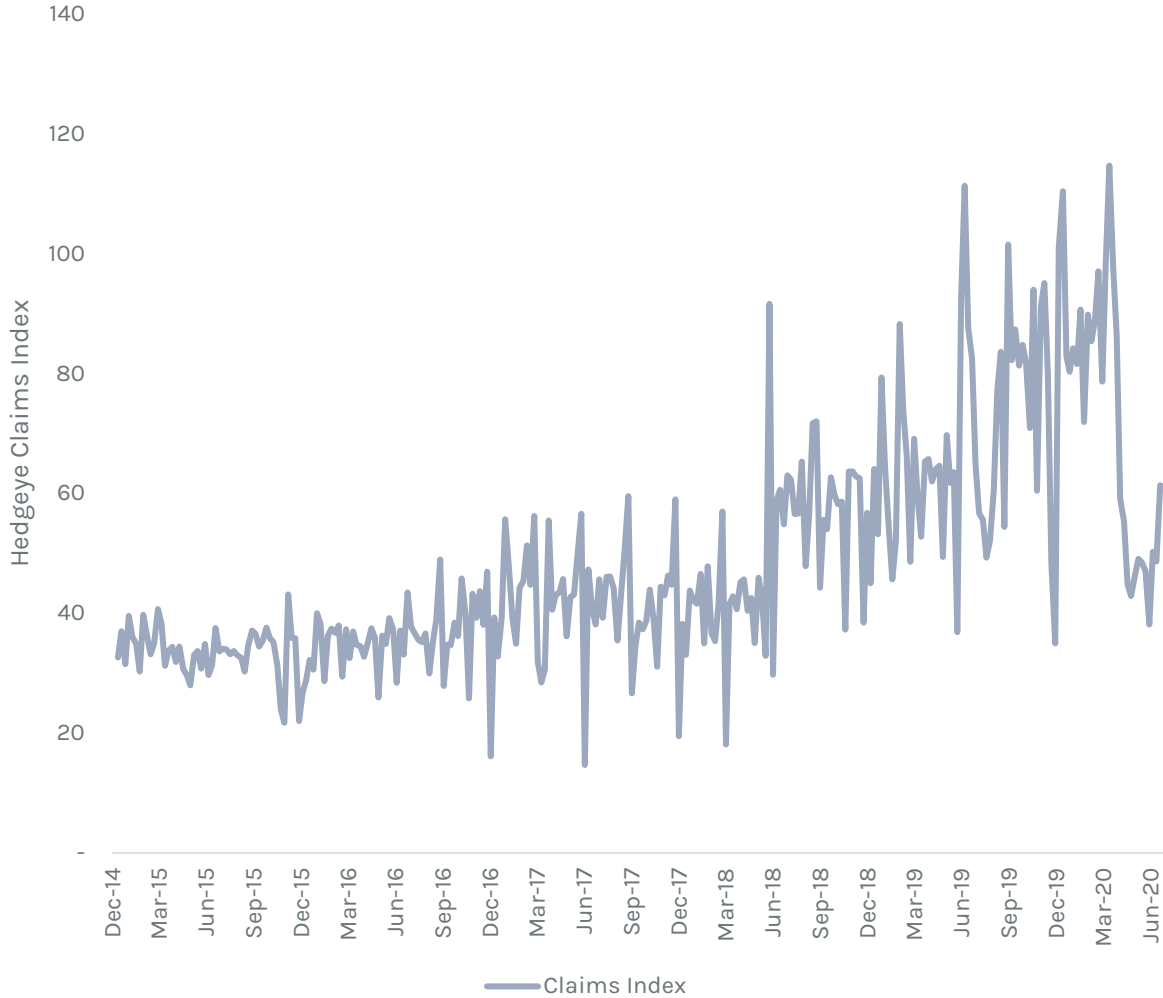
EXAS | Claims Index

Claims Trackers are signaling recovery for 3Q20



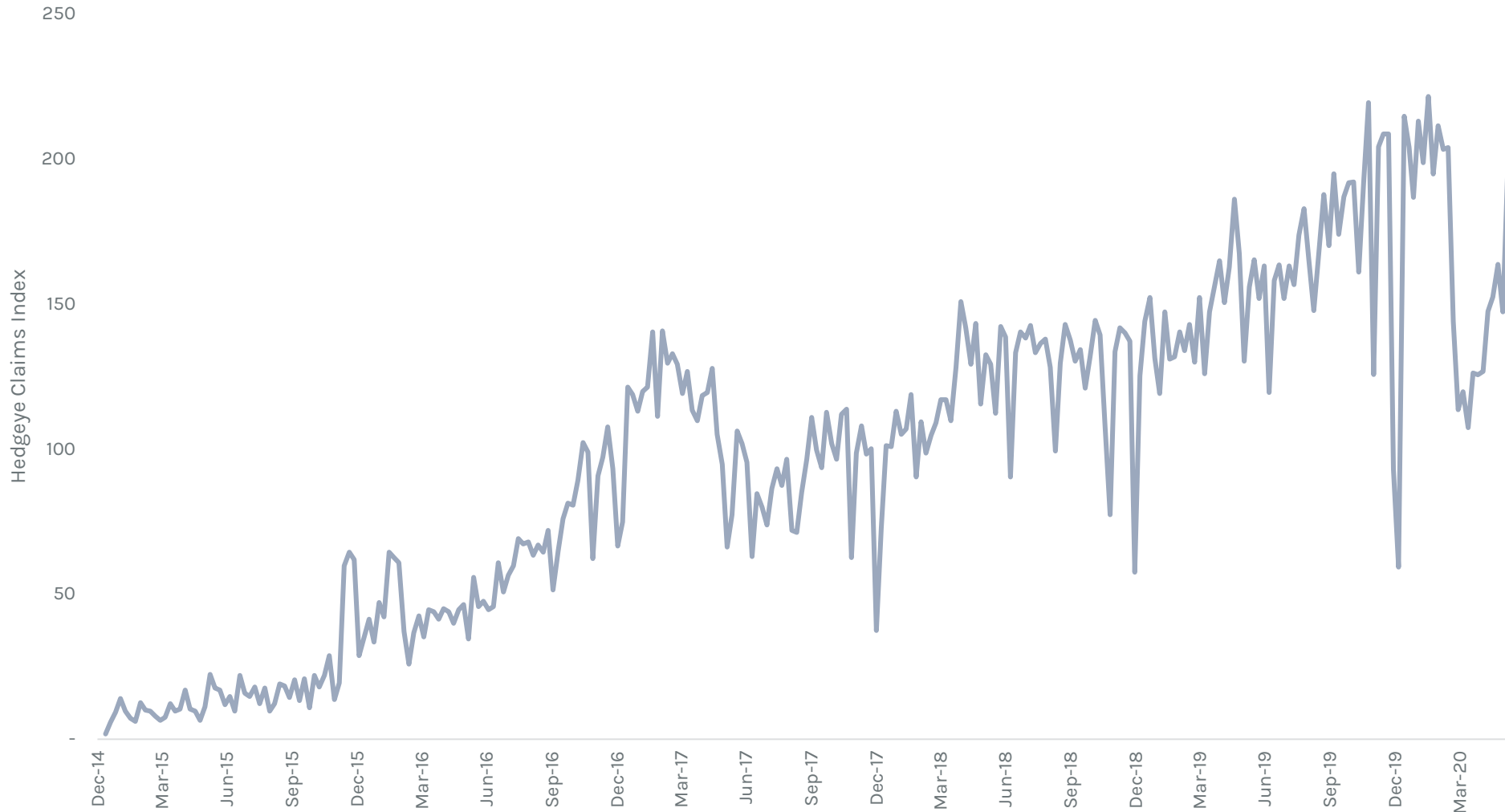
Genomic Health | Claims Index

Genomic Health lagging behind Cologuard, but indicating recovery as well



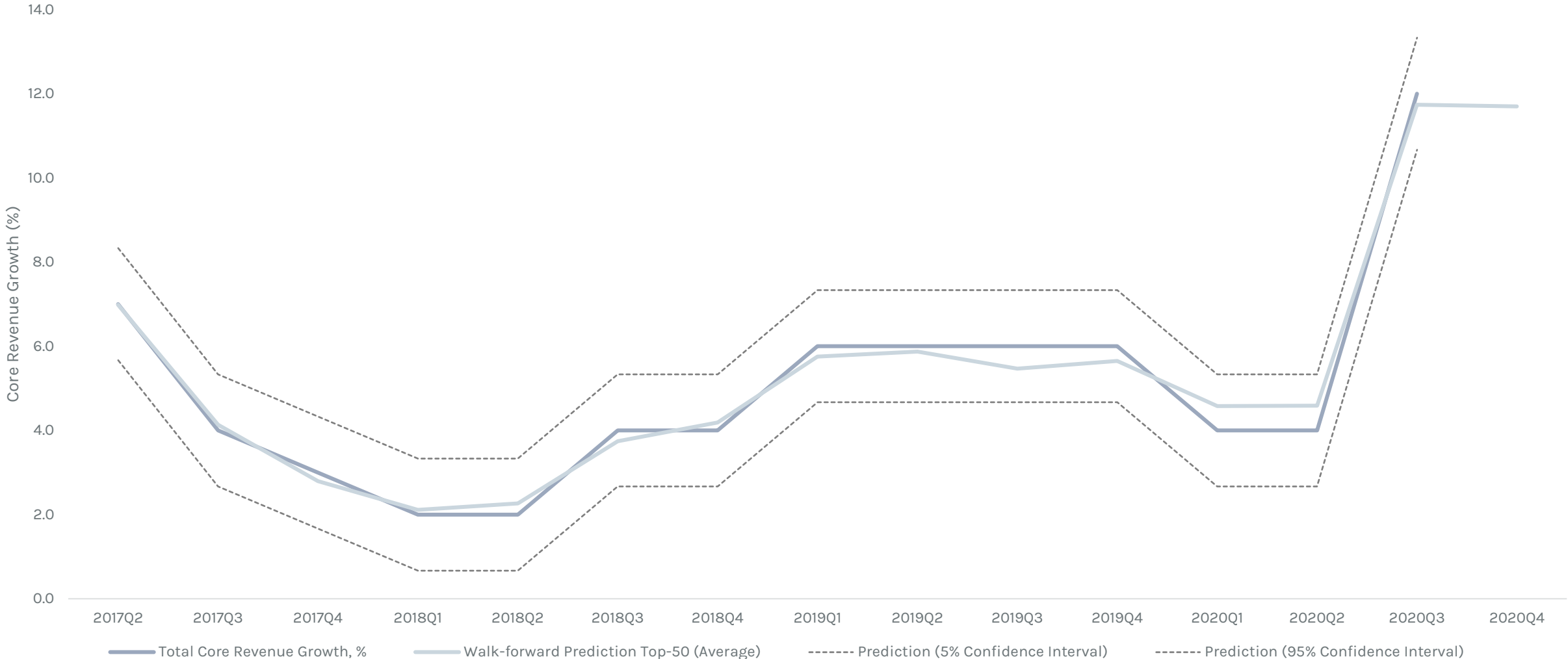
NVTA | Claims Index

Following the shutdown, Invitae saw demand for their tests return quickly



- While we have been skeptical of Invitae’s roll-up style, acquire-for-growth strategy in recent quarters, we can certainly appreciate their ability to continue to drive test accession growth leading into the pandemic and following the re-opening.
- Using our claims data as a tracker for volume recovery, we have seen a prompt re-acceleration of claims from COVID lows following the re-opening.

HRC | Total Core Revenue Growth



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