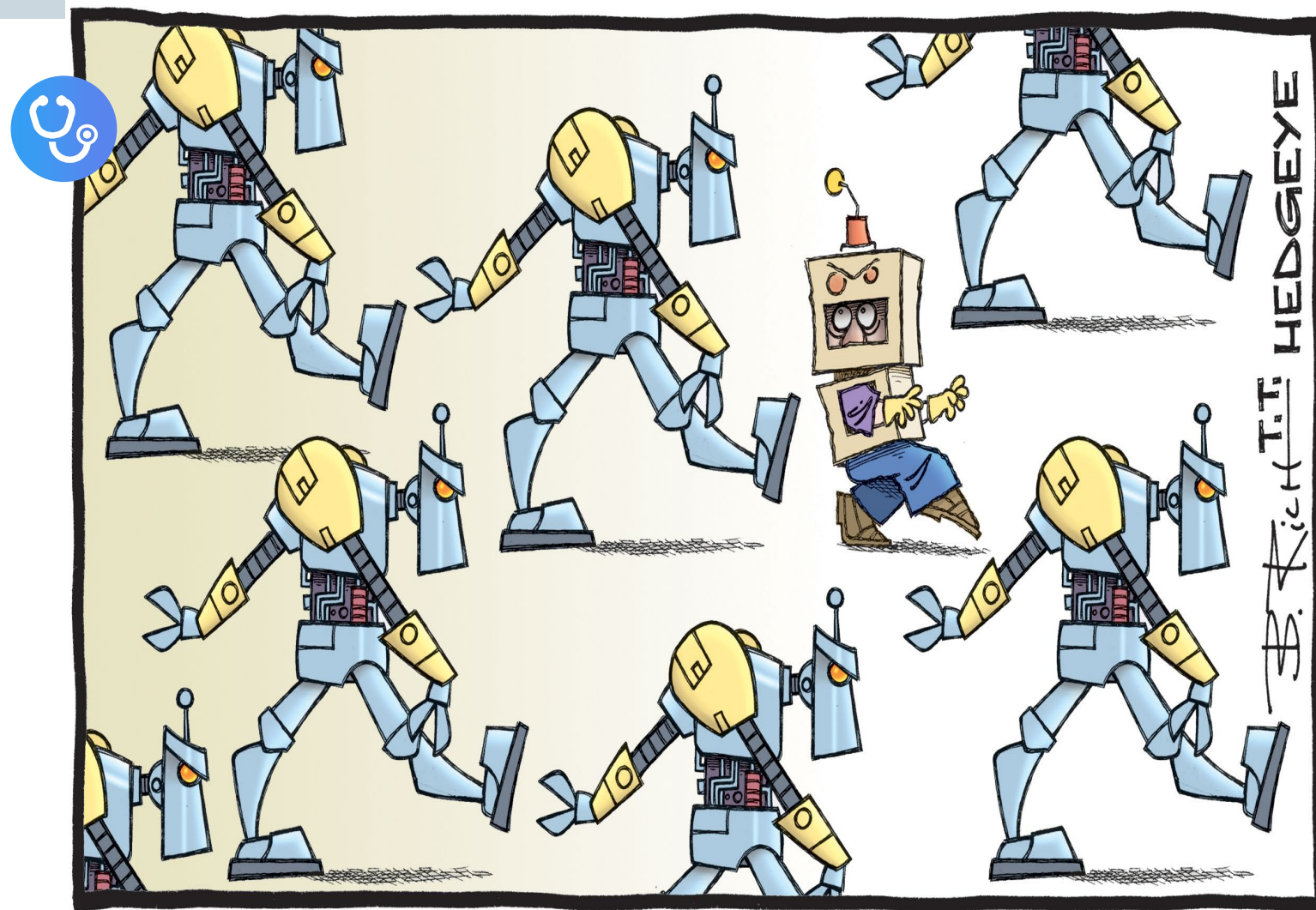


HEDGEYE

Position Monitor Update

Mednax Long, Continued Ramp in Flu, and Updated Claims Data

December 30, 2019



Hedgeye Health Care

Tom Tobin, Managing
Director, Health Care

@HedgeyeHC

Ttobin@Hedgeye.com

Emily Evans, Managing
Director, Health Policy

@HedgeyeEEvans

Eevans@Hedgeye.com

William McMahon,
Analyst, Health Care

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Please submit questions* to
qa@hedgeye.com

*Answered at the end of the call

Health Care Position Monitor

HEDGEYE

For Week of December 30, 2019

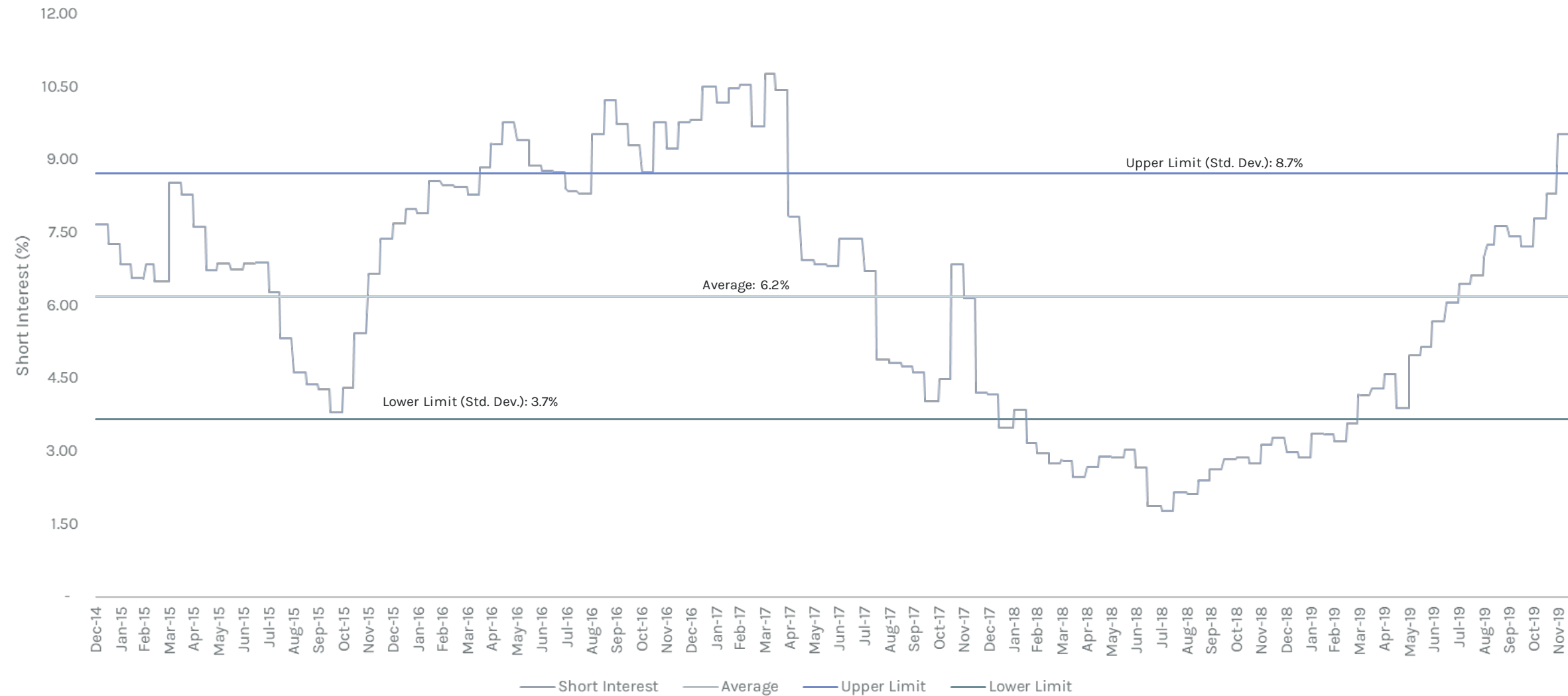
Best Ideas - Longs						Best Ideas - Shorts					
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs						Active Shorts					
MD	MEDNAX, Inc.	\$ 27.16	\$2.3B	✓	✓	NVTA	Invitae Corp.	\$ 16.17	\$1.6B	×	×
THC	Tenet Healthcare Corporation	\$ 38.25	\$4.0B	✓	---	HQY	HealthEquity Inc	\$ 74.03	\$5.2B	×	×
AMN	AMN Healthcare Services, Inc.	\$ 61.65	\$2.9B	✓	---	DXCM	DexCom, Inc.	\$ 218.11	\$19.9B	×	×
ANTM	Anthem, Inc.	\$ 306.42	\$77.7B	✓	✓						
ILMN	Illumina, Inc.	\$ 332.29	\$48.8B	✓	✓						
GH	Guardant Health, Inc.	\$ 78.81	\$7.4B	✓	✓						
ZBH	Zimmer Biomet Holdings, Inc.	\$ 150.01	\$30.9B	✓	✓						
Long Bias						Short Bias					
TDOC	Teladoc Health, Inc.	\$ 83.35	\$6.0B	---	---	MYGN	Myriad Genetics, Inc.	\$ 26.78	\$2.0B	---	---
TXG	10x Genomics Inc Class A	\$ 78.15	\$1.6B	---	---	EXAS	Exact Sciences Corporation	\$ 94.10	\$13.9B	---	---
SGRY	Surgery Partners, Inc.	\$ 15.52	\$0.8B	---	---	UNH	UnitedHealth Group Incorporated	\$ 295.97	\$280.4B	---	---
UHS	Universal Health Services, Inc. Class B	\$ 143.35	\$11.5B	---	---	DVA	DaVita Inc.	\$ 74.75	\$9.6B	---	---
HCA	HCA Healthcare Inc	\$ 149.26	\$50.6B	---	---						

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.

Buyside Sentiment – Short Interest

Short Interest running up along with Surprise Billing Legislation



Growth Multiples

Correlation with the multiples

Correlation Between	5Y	3Y	1Y
NTM EBITDA and EV	0.850	0.913	0.867
NTM Sales and EV	(0.536)	(0.451)	0.666
NTM Sales and Price	(0.738)	(0.493)	0.699
NTM EPS and Price	0.326	0.565	0.884

Highest correlation is observed in NTM EBITDA and EV

Price estimates based on NTM EBITDA and relative multiple

	EV / NTM EBITDA					
NTM EBITDA (\$m)	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x
400	8.19	10.47	12.75	15.03	17.30	19.58
450	12.18	14.74	17.30	19.87	22.43	24.99
500	16.16	19.01	21.86	24.71	27.55	30.40
550	20.15	23.28	26.41	29.54	32.68	35.81
600	24.14	27.55	30.97	34.38	37.80	41.22

Stock Quad 3 Transitioning to Quad 1

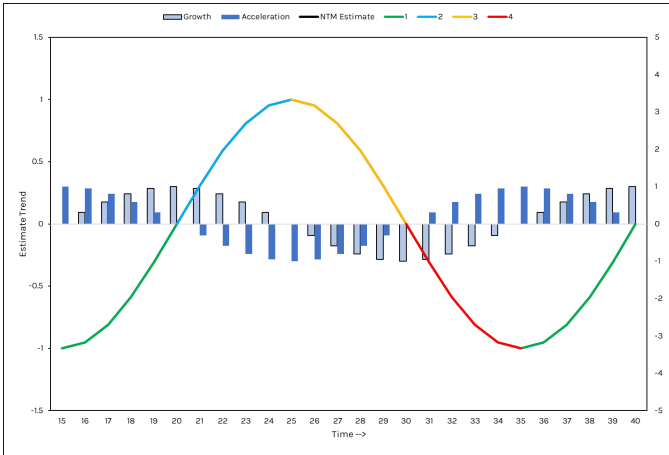
Accelerating off a low base



Understanding the Mednax share price is through the EBITDA estimate and our analysis suggests there is high probability that estimates move higher from here.

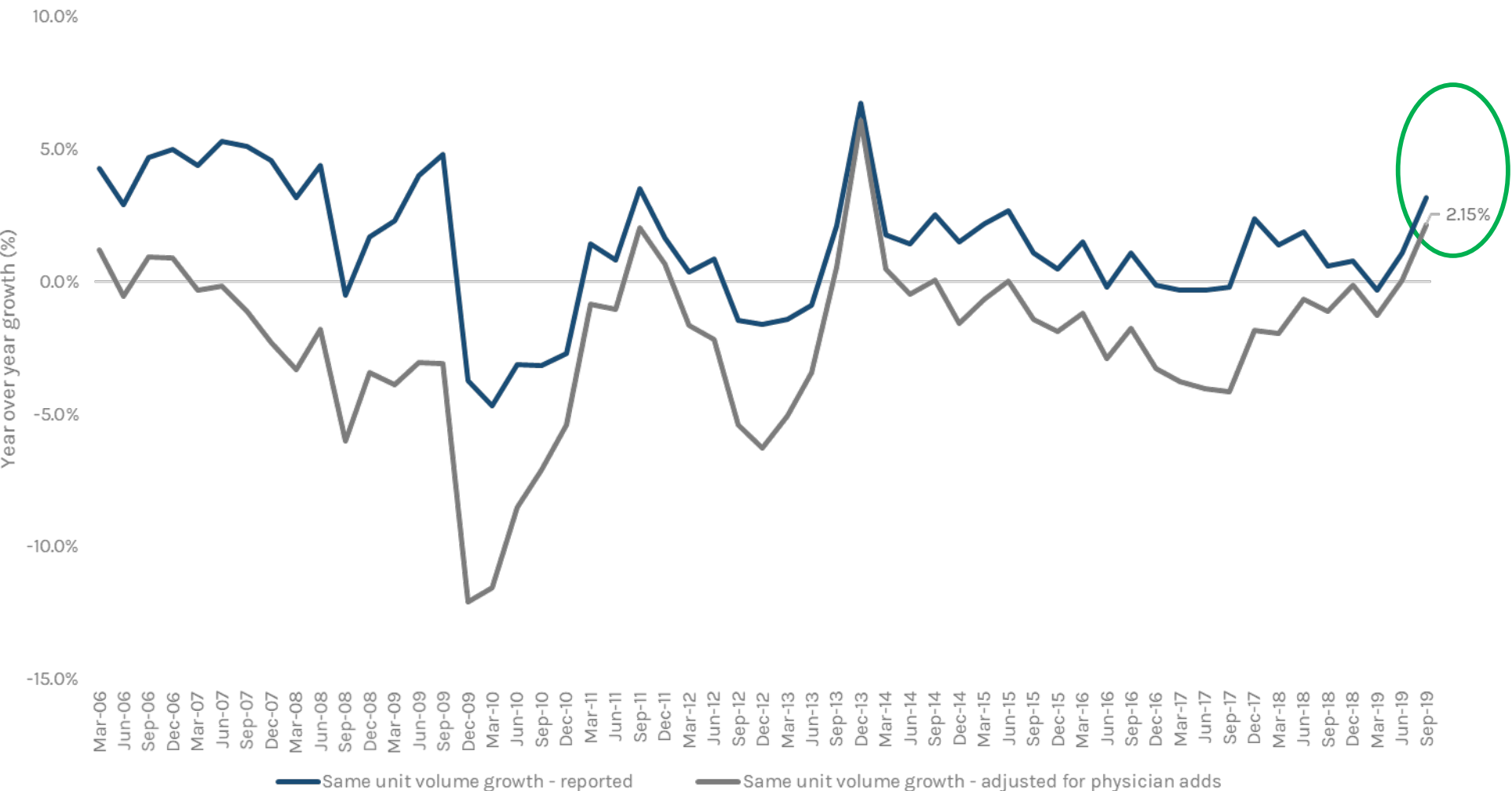
Surprise billing legislation is a concern, but we believe less will come of it than feared. The parallels to prior iterations of physician practice management are overdrawn.

In the vernacular of growth and acceleration, Mednax is moving from Quad 3 into Quad 1.



Same Unit Volume Adjusted

Worse than it looked in 2009, better than it seems in 2019



Adjusted for physician additions to the same units, Mednax reported growth has been substantially worse than reported same unit volume growth.

We are optimistic that same unit growth in 3Q19, both reported and adjusted, are likely to continue for the next few quarters.

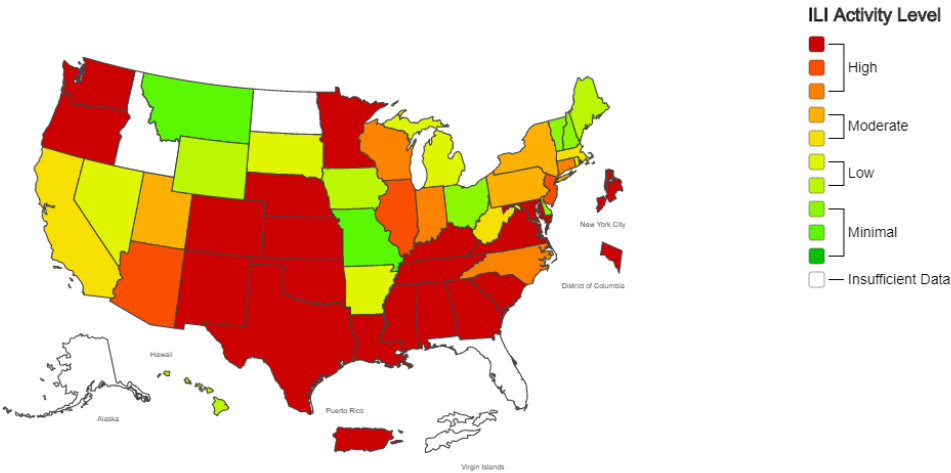
As real growth was negative through 2015-2018, Mednax added billing physicians and encumbered revenue with ever greater headcount costs.

Flu Activity Trending Above Last Year

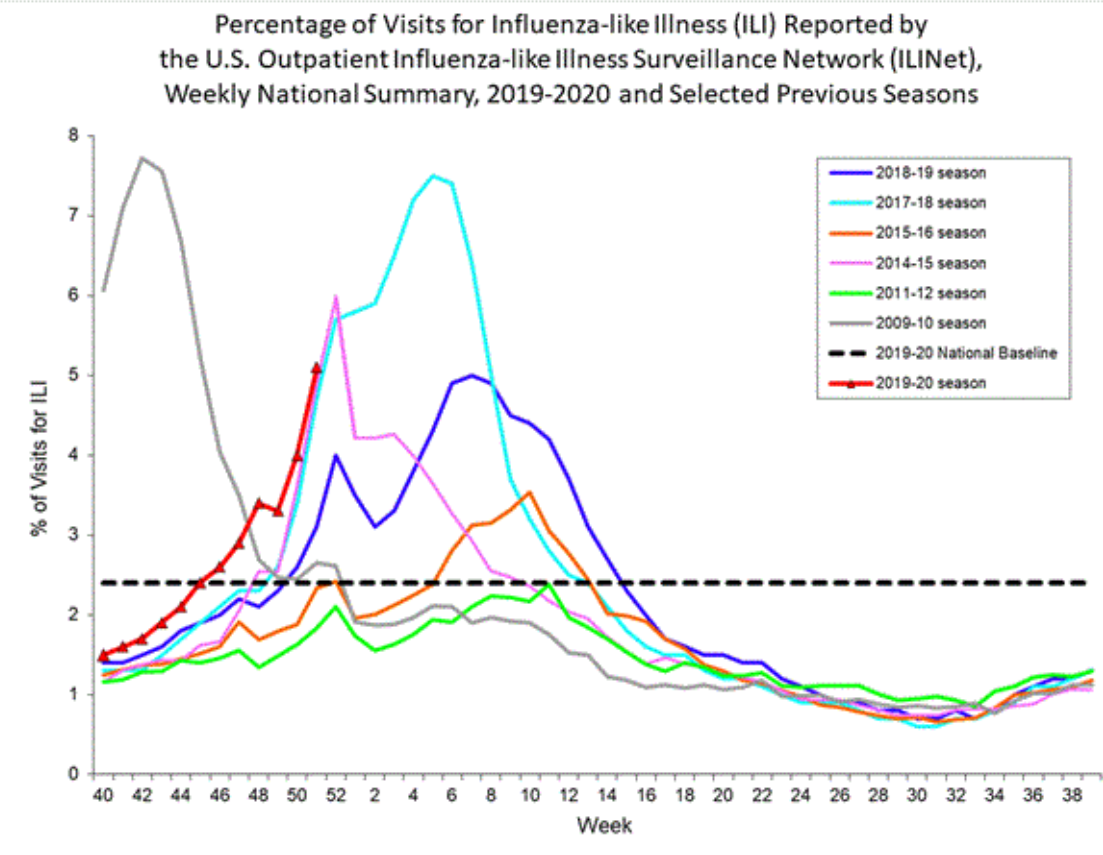
Weak flu season was an earnings season call out 1Q19



A Weekly Influenza Surveillance Report Prepared by the Influenza Division
Influenza-Like Illness (ILI) Activity Level Indicator Determined by Data Reported to ILINet
2019-20 Influenza Season Week 51 ending Dec 21, 2019

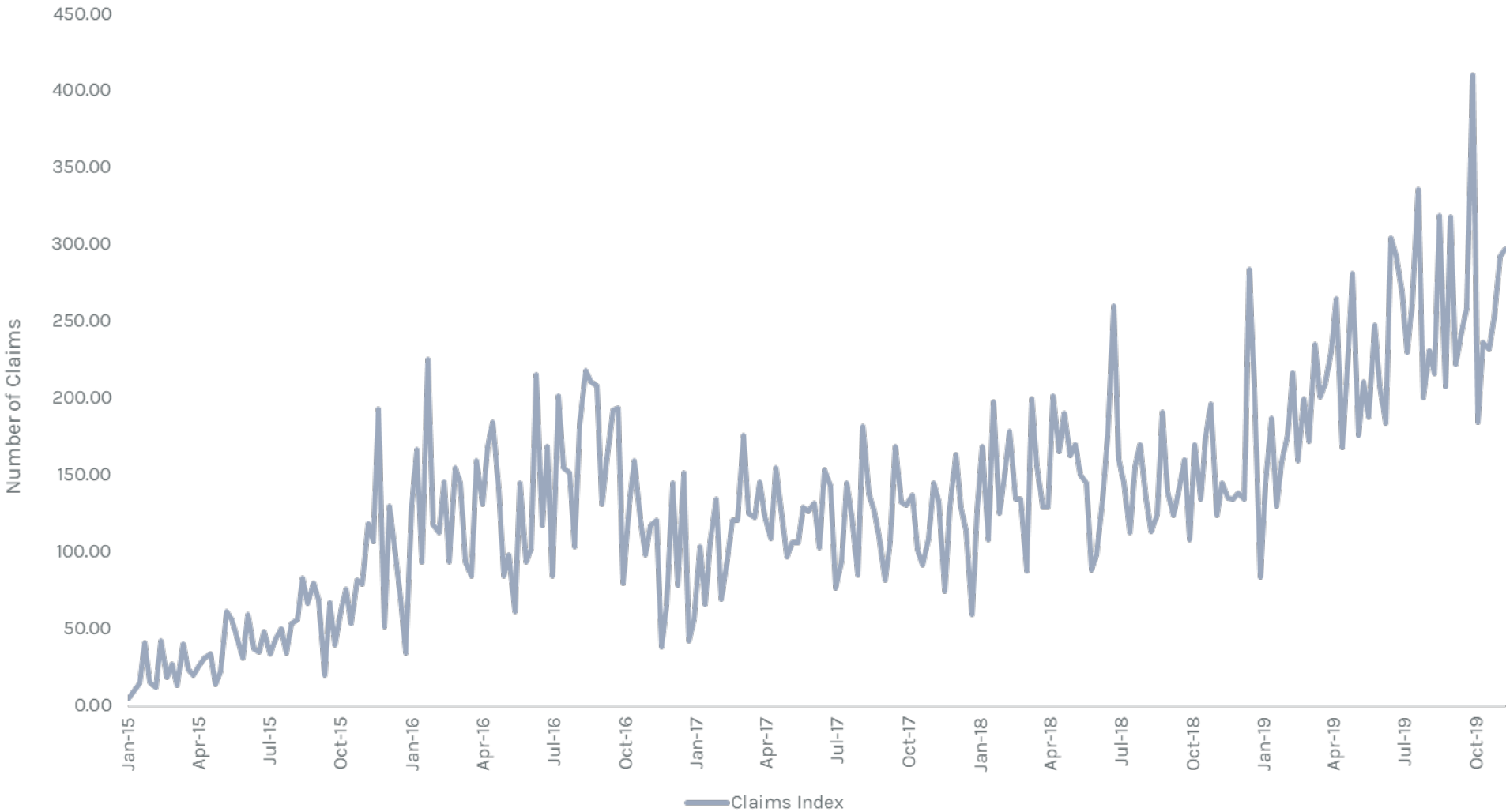


*This map uses the proportion of outpatient visits to healthcare providers for influenza-like illness to measure the ILI activity level within a state. It does not, however, measure the extent of geographic spread of flu within a state. Therefore, outbreaks occurring in a single city could cause the state to display high activity levels.
*Data collected in ILINet may disproportionately represent certain populations within a state, and therefore may not accurately depict the full picture of influenza activity for the whole state.
*Data displayed in this map are based on data collected in ILINet, whereas the State and Territorial flu activity map are based on reports from state and territorial epidemiologists. The data presented in this map is preliminary and may change as more data is received.
*Differences in the data presented by CDC and state health departments likely represent differing levels of data completeness with data presented by the state likely being the more complete.
*For the data download you can use Activity Level for the number and Activity Level Label for the text description.



GH | Claims Analysis

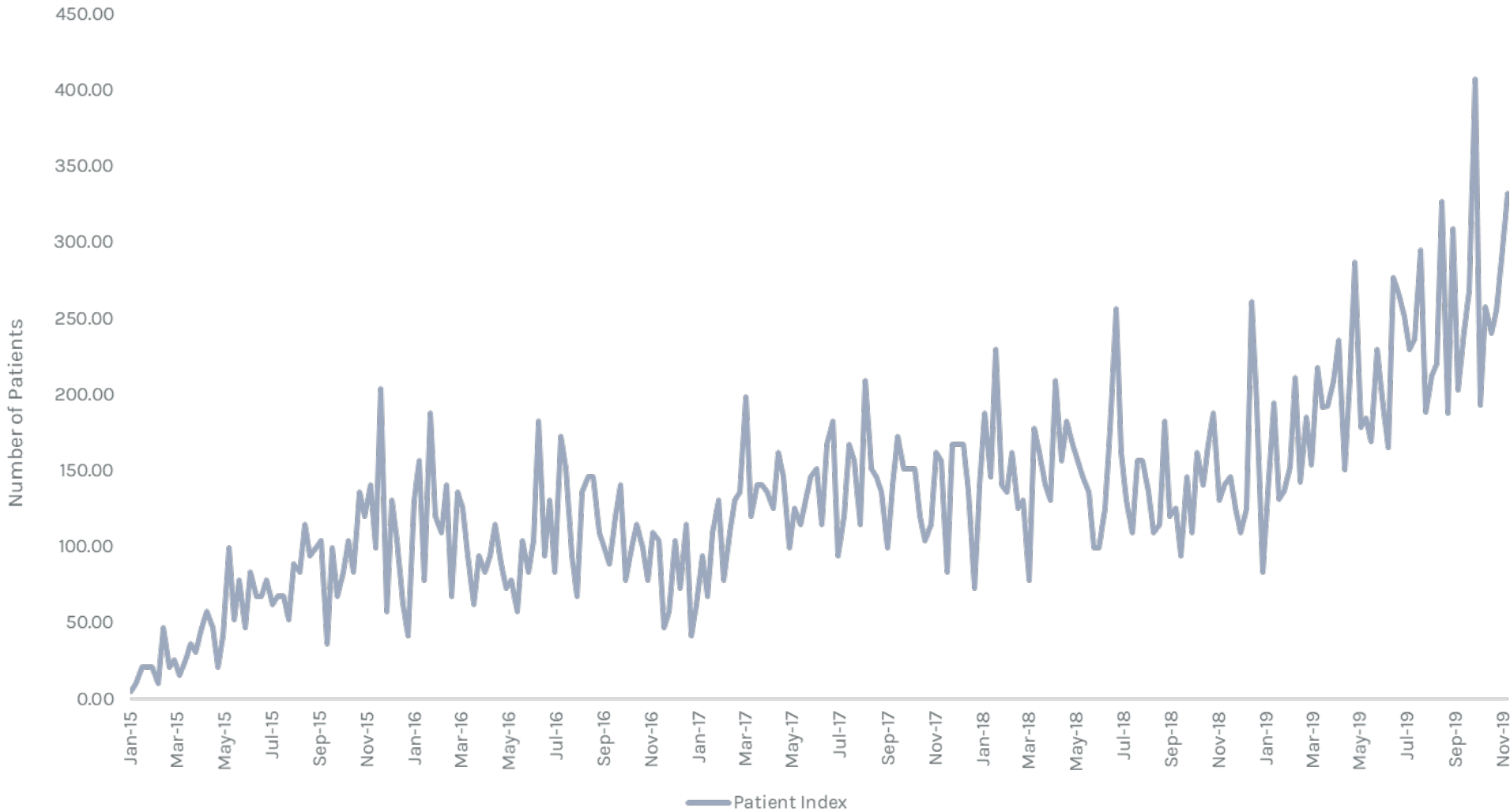
Claims Index



In conjunction with our proprietary data sources, our team is able to produce and analyze weekly claims data for any labs with a unique billing npi. Back tests have demonstrated a high correlation between both Guardant's Claims Index and Patient Index relative to the company's reported volume number.

GH | Claims Analysis

Patient Index

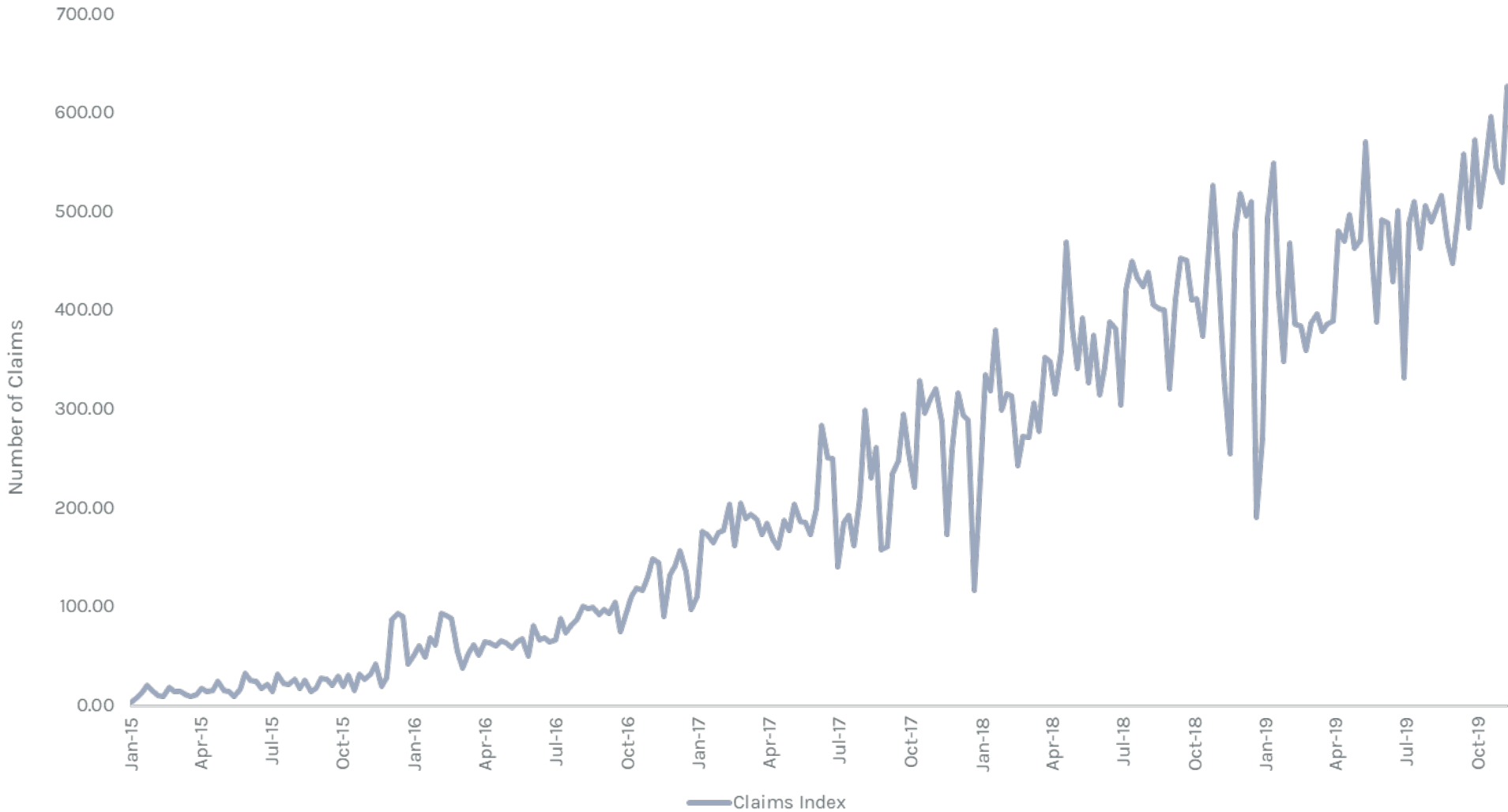


The Patient Index removes additional claims per patient giving a better indication of where a company sits within the market.

The Patient Index is often more helpful in identifying directional changes in a company's market share and sequential customer growth.

NVTA | Claims Analysis

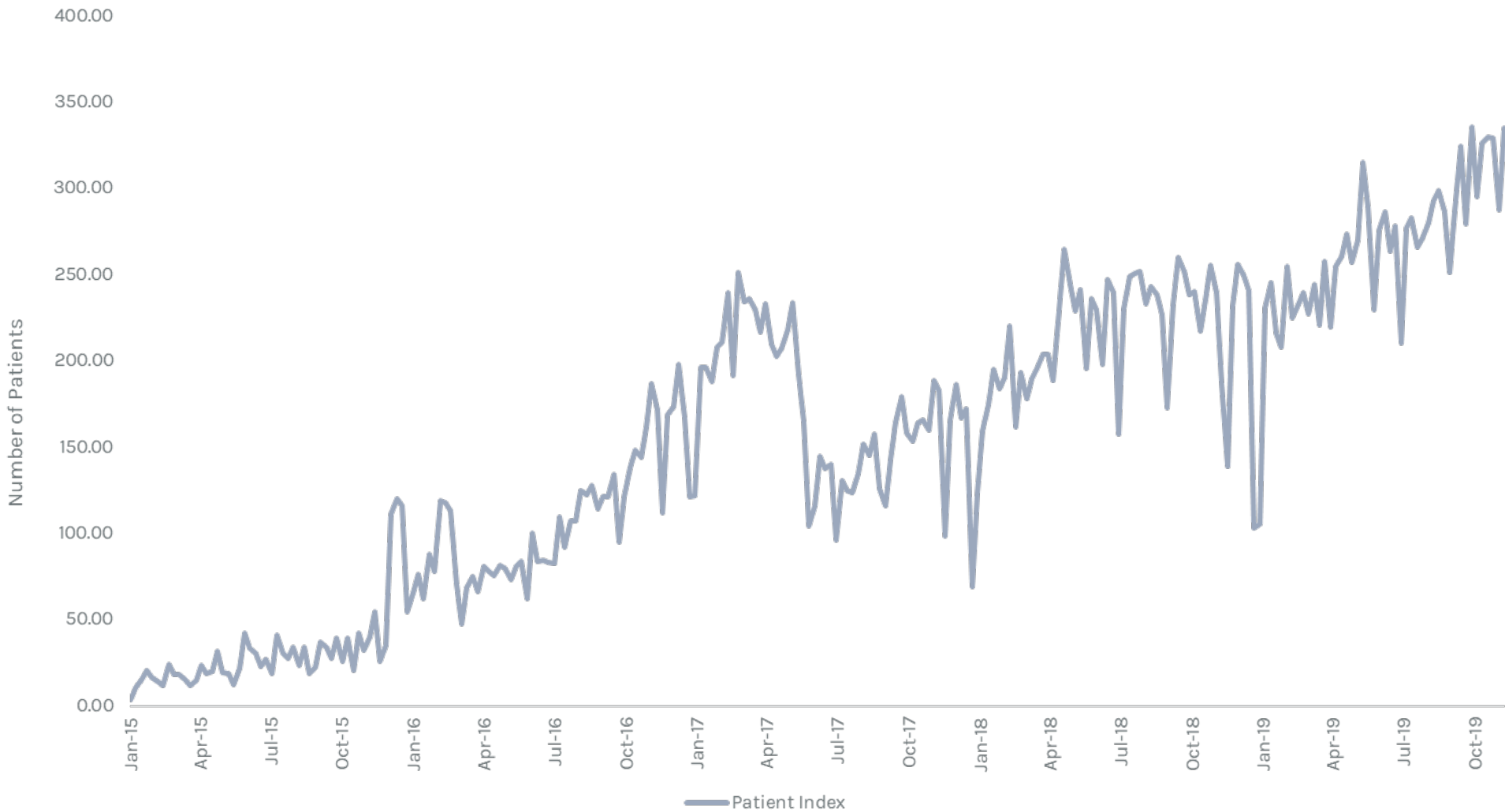
Claims Index



Alongside the fundamental and salesforce models used to forecast Invitae’s billable test volume, we have found a high correlation between our proprietary claims data and the company’s reported volume number.

NVTA | Claims Analysis

Patient Index



The Patient Index removes additional claims per patient giving a better indication of where a company sits within the market.

The Patient Index is often more helpful in identifying directional changes in a company's market share and sequential customer growth.

For more information, contact us at:

sales@hedgeye.com
(203) 562-6500