

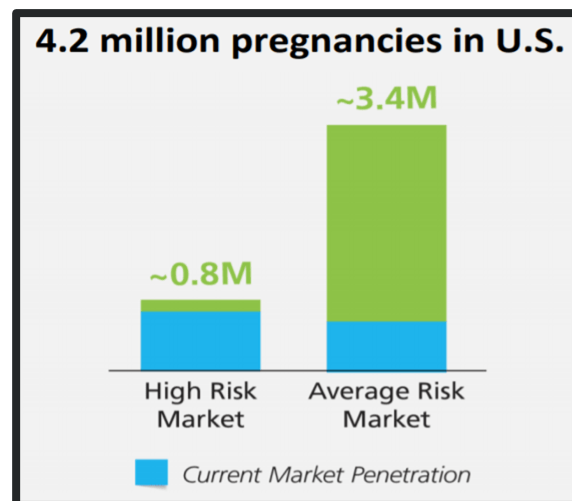
HEDGEYE



Health Care Position Monitor Update

NTRA Black Book Recap, TDOC Thesis Debate, Weekly MicroQuad Update

December 21, 2020



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Health Care Position Monitor

For Week of December 21, 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					
AMN	AMN Healthcare Services, Inc.	\$ 67.77	\$3.2B	✓	✓	EXAS	Exact Sciences Corporation	\$ 139.42	\$22.2B	×	×
GDRX	GoodRx Holdings, Inc. Class A	\$ 45.01	\$18.6B	✓	✓						
NTRA	Natera, Inc.	\$ 102.55	\$8.8B	✓	✓						
ONEM	1Life Healthcare, Inc.	\$ 40.61	\$5.4B	✓	✓						
TXG	10x Genomics Inc Class A	\$ 151.30	\$12.1B	✓	✓						
GH	Guardant Health, Inc.	\$ 128.92	\$12.9B	✓	✓						
TDOC	Teladoc Health, Inc.	\$ 194.78	\$28.2B	✓	✓						
Long Bias						Short Bias					
ILMN	Illumina, Inc.	\$ 359.40	\$52.5B			HRC	Hill-Rom Holdings, Inc.	\$ 96.58	\$6.5B		
NEO	NeoGenomics, Inc.	\$ 53.94	\$6.0B			MASI	Masimo Corporation	\$ 260.72	\$14.4B		
						AMWL	American Well Corporation Class A	\$ 26.74	\$5.3B		
						NVTA	Invitae Corp.	\$ 49.77	\$8.8B		

Note

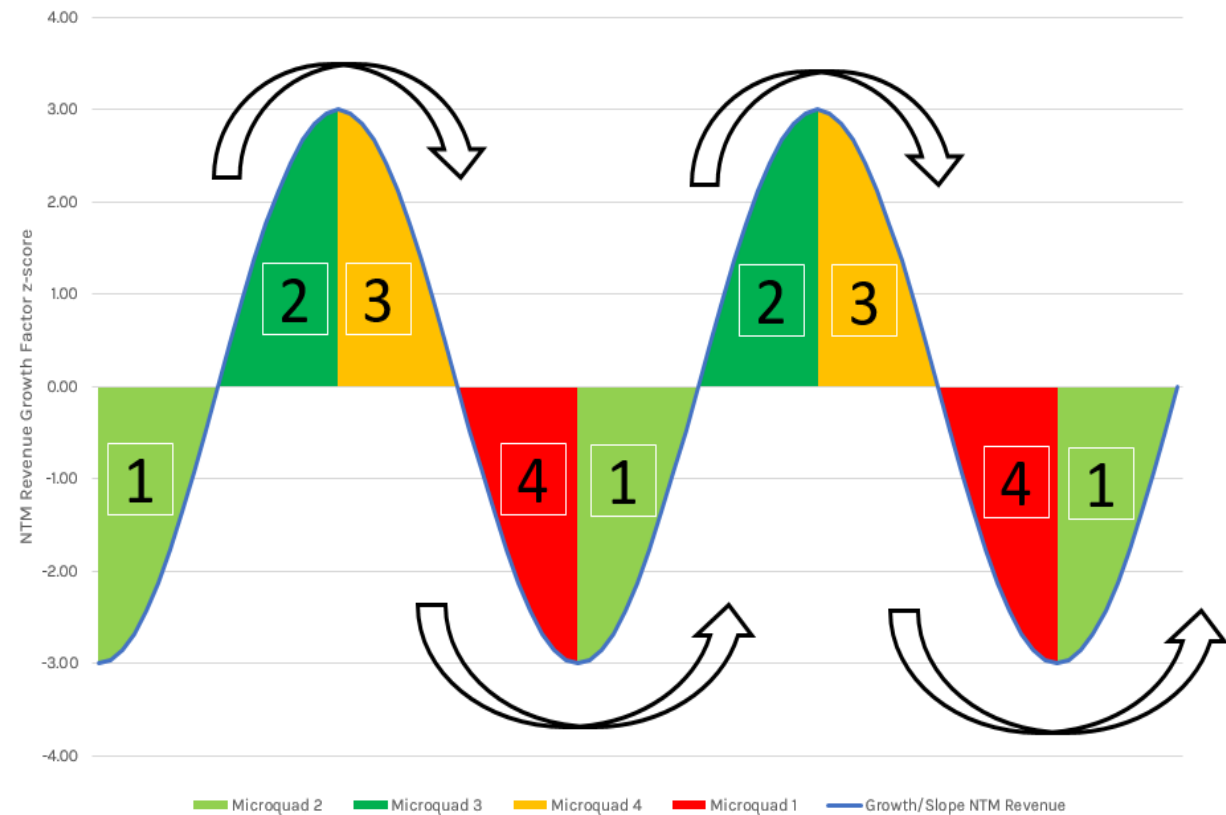
Active Longs/Shorts are high conviction ideas that we’ve either presented a Black Book for already or have one in the works (similar to other Hedgeye teams). Bench or Bias ideas are ones in which we’ve done the bulk of the work, but there may be another question we need to answer to move it over the line. All active positions are higher conviction than bench ideas. We rank active versus active and bench versus bench.

Disclaimer

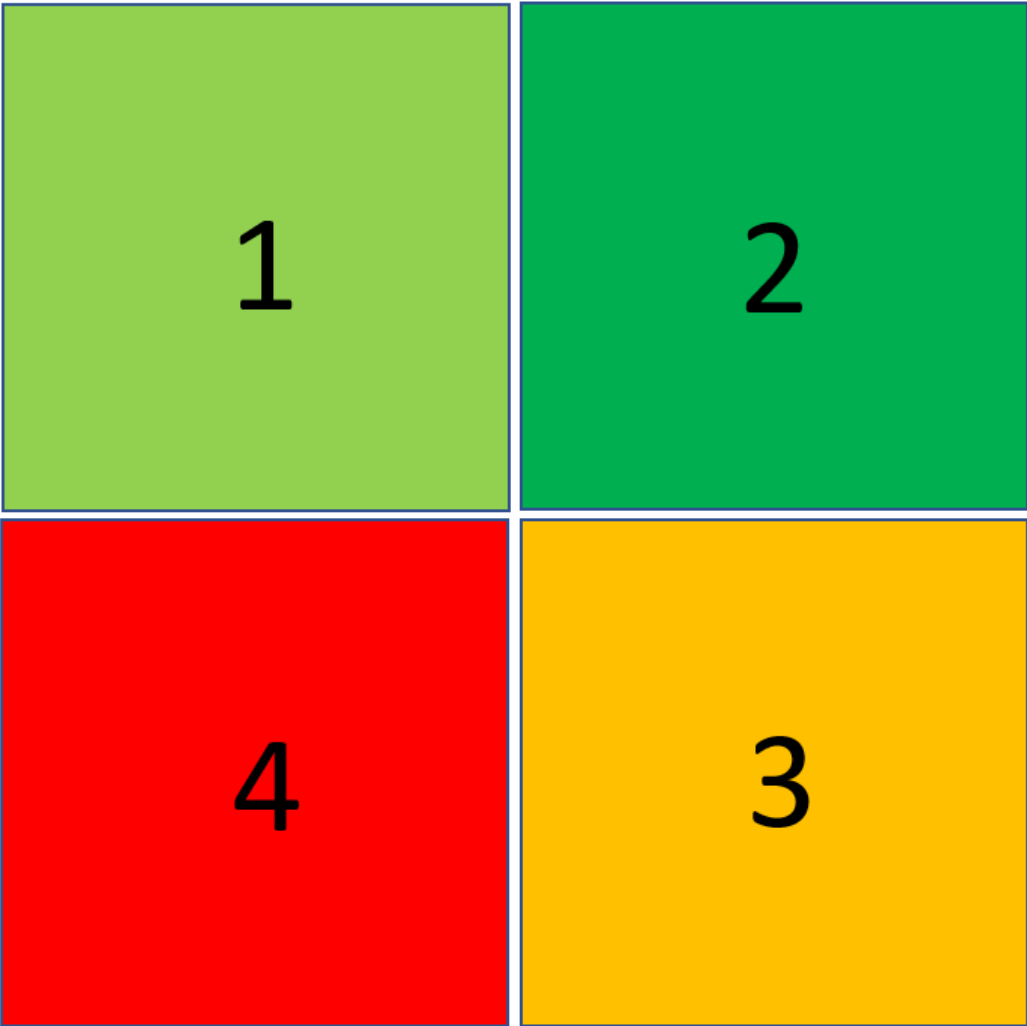
Hedgeye’s “bias” represents Hedgeye’s outlook on companies currently under Hedgeye’s review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

MicroQuad | Model vs Actual

MicroQuad – Generic Growth Curve Progression

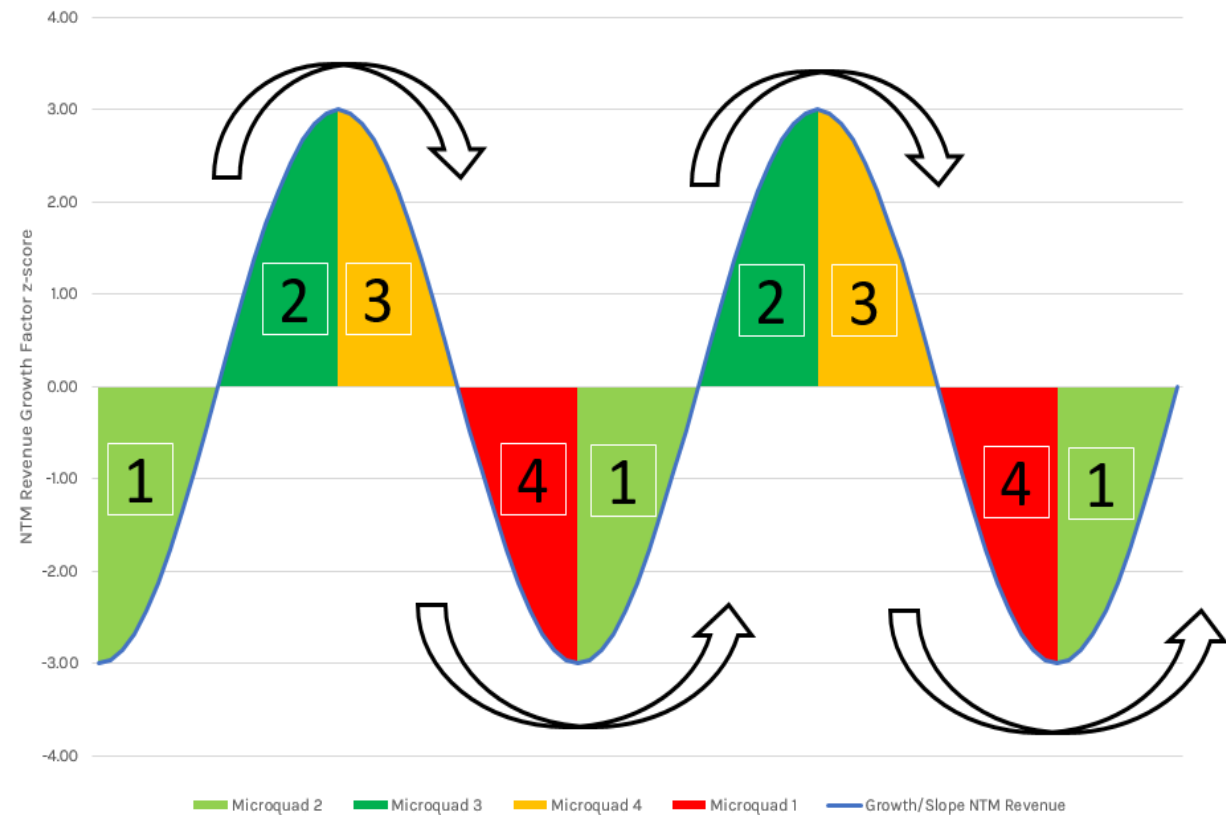


MicroQuad - The Four Quadrants

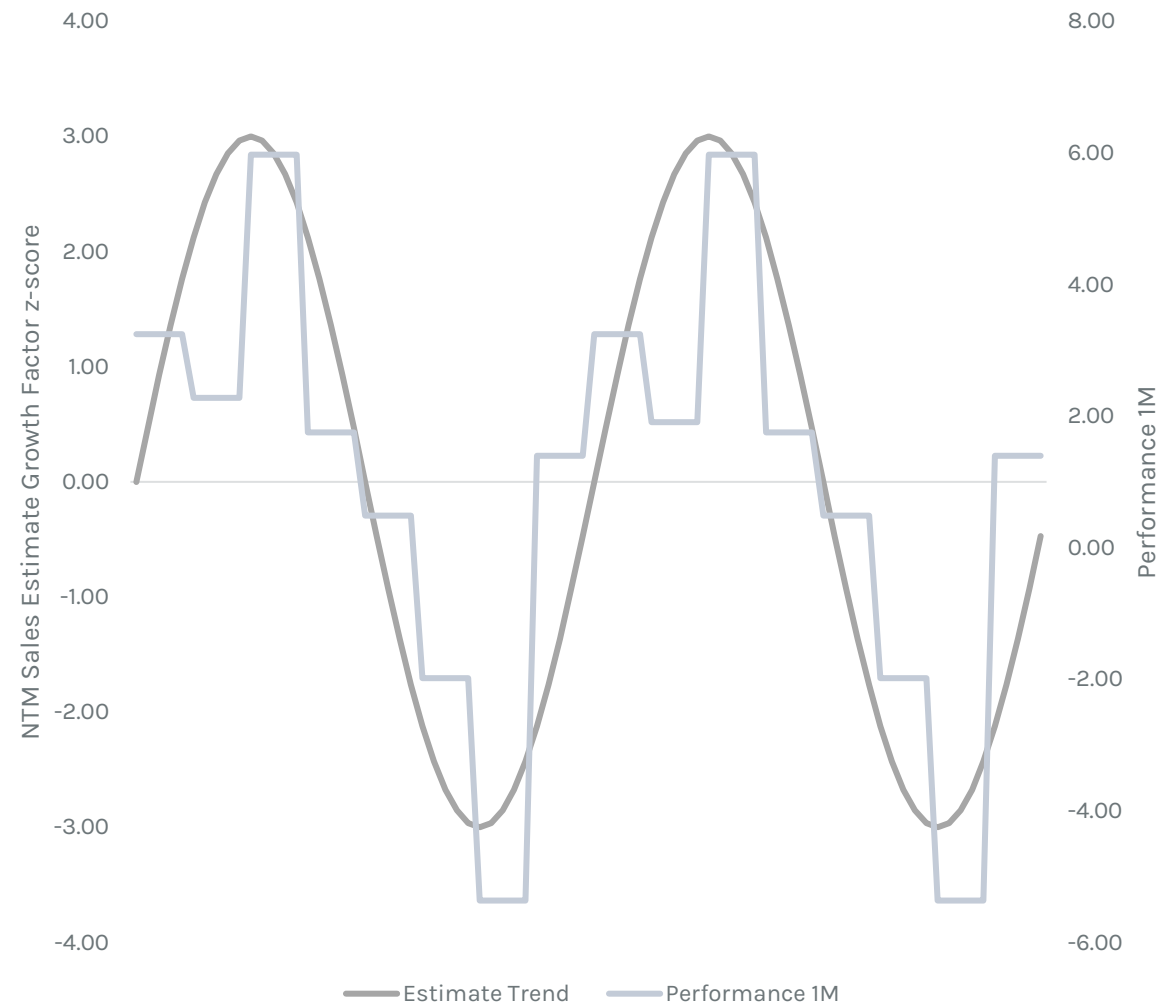


MicroQuad | Model vs Actual

MicroQuad – Generic Growth Curve Progression

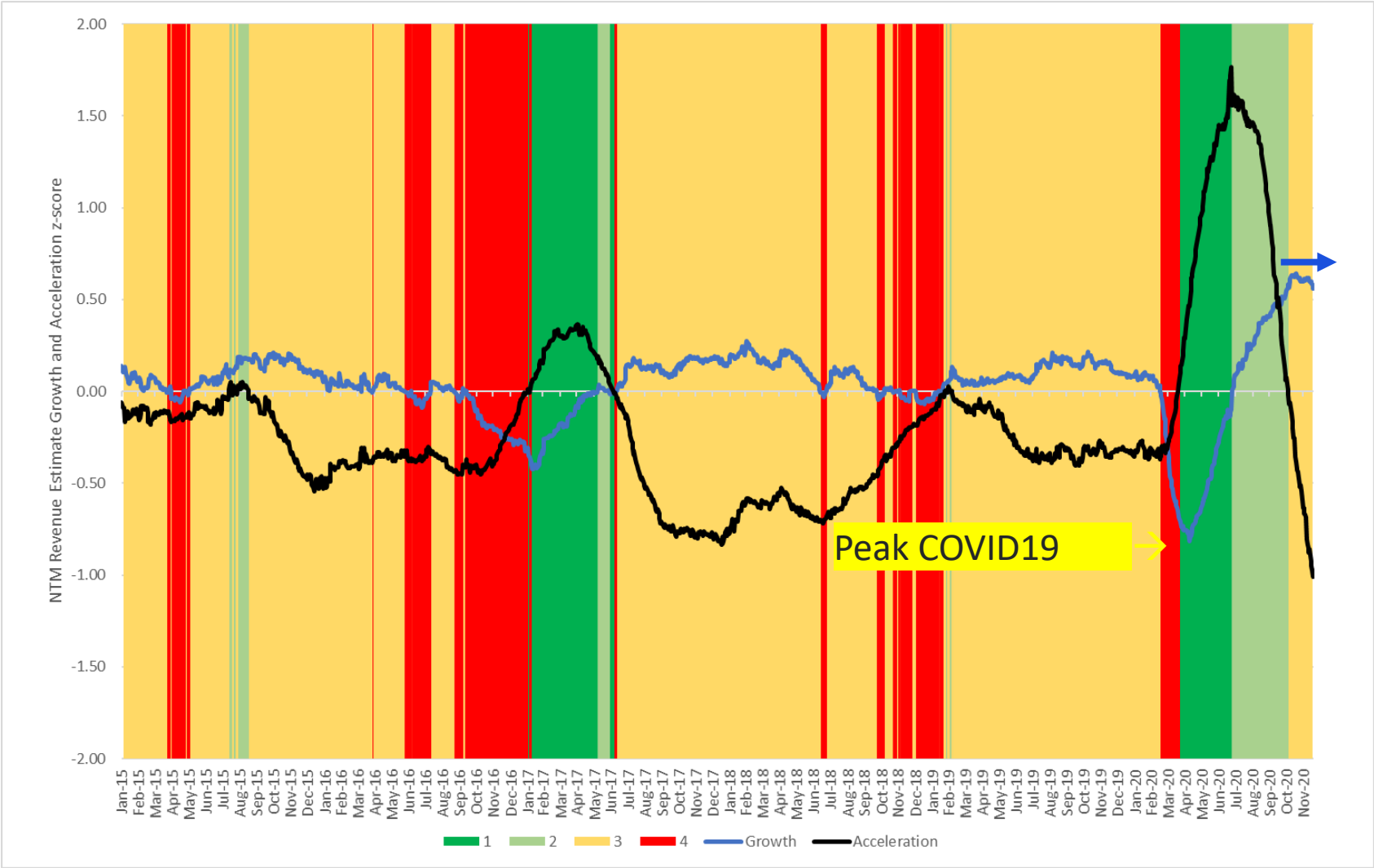


MicroQuad – Actual Performance vs Growth Curve



Estimate Revision Trend is Decelerating

Past the peak for the post-COVID19 recovery

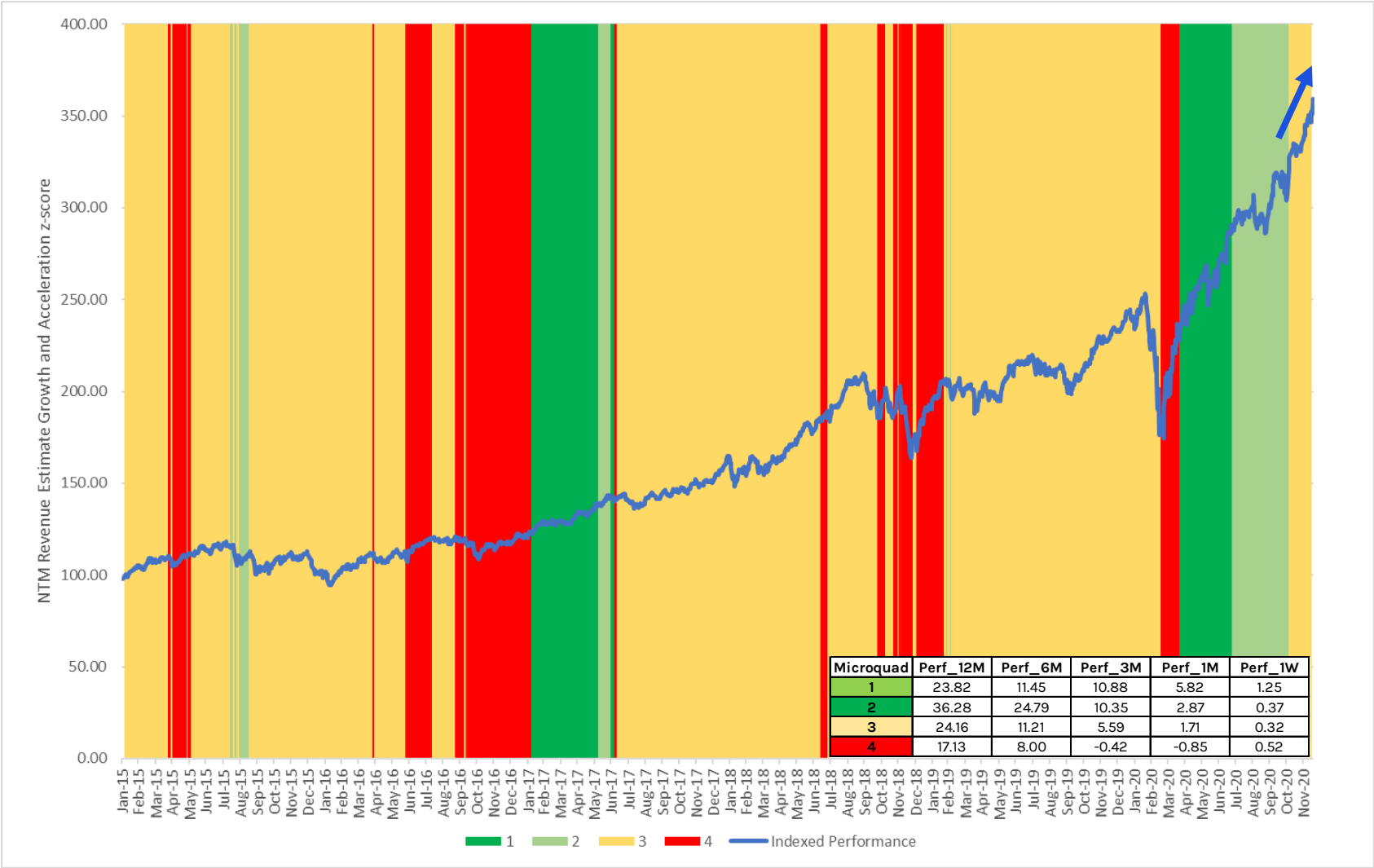


As of 12/18/2020 the average trend continue to progress deeper into MicroQuad 3, lower probability of positive performance and lower average performance compared to MicroQuad 2. Estimate trend has been flat since 11/25/2020

COVID-19 vaccine will release substantial deferred care and pent-up demand, lead to reacceleration, but evidence won't emerge until the vaccine distribution is further into the at-risk population.

Price Index

Past the peak for the post-COVID19 recovery?



As of 12/18/2020 performance has been increasingly volatile but remains positive. On average, performance metrics, batting averages, deteriorate in MicroQuad 3, but at the same time will be overwhelmed by Macro Quad 2, forecast to extend through 2Q21.

Despite Slowing estimates, performance has been driven by vaccine news, rather than the negative impact of rising COVID19 cases.

We transform the next twelve-month revenue estimate (NTM) across our universe of Healthcare companies into 2 vectors that describe growth and acceleration.

This chart displays the average of the estimate trend across our Healthcare universe and assigns a one of 4 MicroQuads based on the +/- positioning of the two factors.

After a sharp MicroQuad4 downturn, the impact from COVID19 peaked on 4/16/2020, marking the beginning of the fundamental recovery.

MicroQuad Screen | December 18, 2020

Active Long	Active Short
Bench Long	Bench Short

MicroQuad1	MicroQuad2	MicroQuad3	MicroQuad4
EHC	ADPT	A	ABBV
HMSY	AMN	EXAS	AMGN
HRC	BAX	ABMD	ANTM
HUM	CERN	ABT	BDX
LHCG	ENSG	ALGN	CHE
PRGO	HAE	AMED	EYE
	ICUI	ATRC	GH
	ILMN	BEAT	GILD
	OMCL	BIO	MASI
	UNH	BSX	MEDP
		CNMD	NEO
		COO	VRTX
		CRL	
		CVET	
		DGX	
		DHR	
		DXCM	
		EW	
		MTD	
		NEOG	
		NSTG	
		NTRA	
		NVTA	
		ONEM	
		OPK	
		PDCO	
		PEN	
		PKI	
		PODD	
		PRAH	
		Q	
		QDEL	
		RCM	
		RGEN	
		RMD	
		SEM	
		STAA	
		STE	
		SYK	
		TDOC	
		TECH	
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		TXG	
		VEEV	
		WAT	
		WST	
		ZTS	

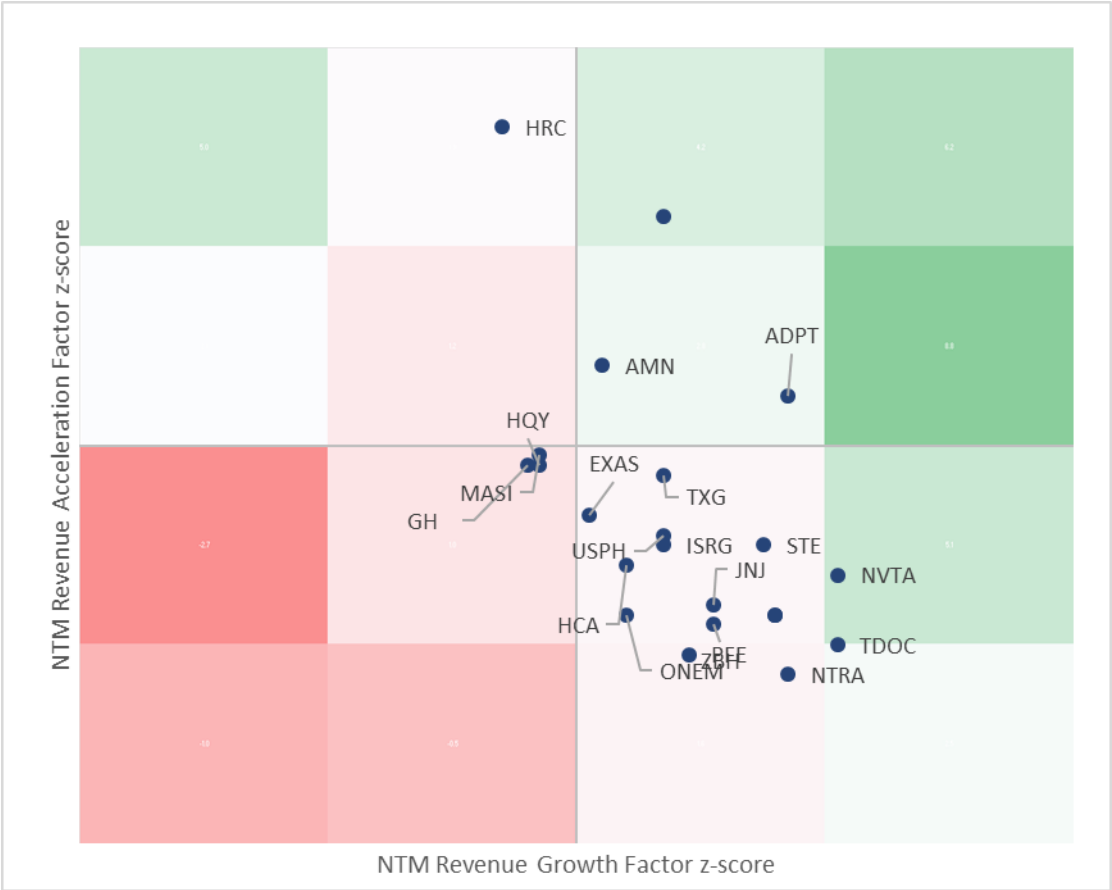
Position Monitor Prospective Performance

MicroQuad average forward 1M performance in all Macro Quad environments

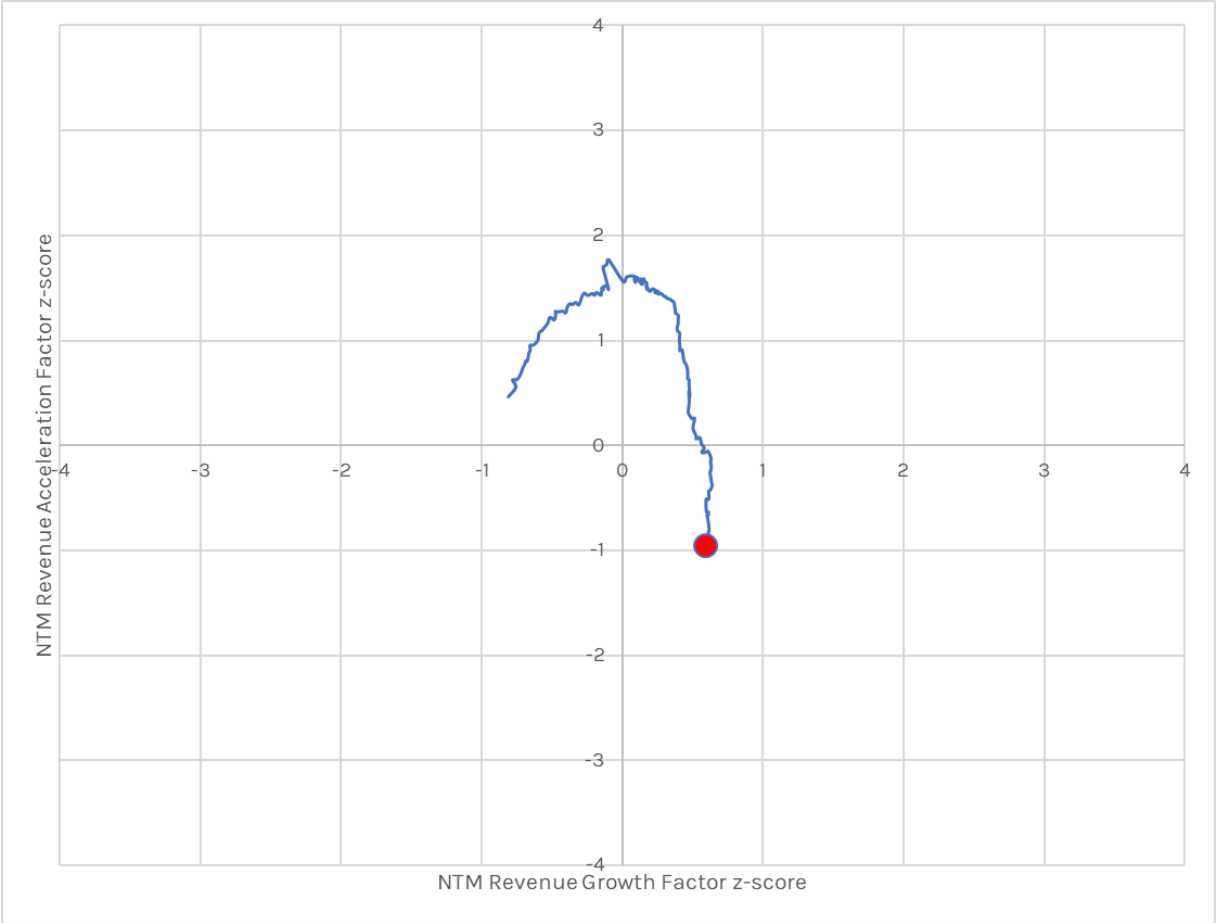
POSITION MONITOR		12/18/2020			Performance				Sales			
Ticker	Name	Price	EV	MCAP	Performance Trailing 1W Actual	Performance Trailing 1M Actual	Performance Trailing 1M Expected	Performance Forward 1M Expected	Correlation	Growth Factor z-score	Acceleration Factor z-score	Sales Quad
NVTA	Invitae Corp.	\$47.56	6,272	8,404	-15.97%	4.25%	4.24%	5.30%	0.85	2.12	-1.30	3
TDOC	Teladoc Health, Inc.	\$196.34	16,240	28,462	-1.62%	7.96%	1.43%	4.29%	0.92	2.12	-2.02	3
NTRA	Natera, Inc.	\$101.67	7,694	8,680	5.29%	25.78%	1.97%	3.76%	0.94	1.70	-2.27	3
EXAS	Exact Sciences Corporation	\$137.05	21,026	21,795	5.83%	21.97%	2.29%	3.15%	0.82	0.12	-0.69	3
ONEM	1Life Healthcare, Inc.	\$40.28	4,897	5,358	4.70%	20.78%	0.68%	2.65%	0.52	0.45	-1.69	3
TXG	10x Genomics Inc Class A	\$152.90	14,729	12,256	3.35%	9.29%	2.04%	2.35%	0.91	0.68	-0.30	3
GH	Guardant Health, Inc.	\$127.30	11,763	12,726	2.59%	17.91%	1.09%	2.06%	0.74	-0.44	-0.15	4
AMN	AMN Healthcare Services, Inc.	\$68.44	4,190	3,219	0.85%	12.57%	2.18%	1.94%	0.82	0.22	0.82	2
MASI	Masimo Corporation	\$265.66	14,789	14,626	0.25%	8.72%	1.52%	1.37%	0.97	-0.28	-0.09	4
HRC	Hill-Rom Holdings, Inc.	\$100.45	8,410	6,711	4.53%	6.54%	1.78%	0.72%	0.93	-0.61	3.21	1
ILMN	Illumina, Inc.	\$366.06	52,758	53,445	7.03%	23.99%	2.63%	-0.93%	0.93	0.74	2.30	2

The sigma chart coordinates for growth/acceleration (1st and 2nd Derivative of the estimate trend) is associated with a forward price return over the following 1M and 3M. For each of our Position Monitor stocks, we've calculated the average forward return within 0.5 STDEV of the stocks most recent estimate growth(x) and acceleration(y) coordinates. We also compare the actual and expected stock performance over the trailing 1 month to look for instances of over or undershooting the probable outcome.

Sigma Positioning – Current Position Monitor



Sigma Positioning –Universe Average



MicroQuad | Watch List

Forward performance based on MicroQuad coordinates and Macro Quad 2

Ticker	Number of Estimates Total	Number Revision Positive 30D	Number Revision Negative 30D	MicroQuad Growth	MicroQuad Acceleration	Correl to Estimate	Performance Trailing 1M - Actual %	Performance Trailing 1M - Expected %	Performance Forward 1M - Expected %	Probability Positive Performance - Current Macro Quad
NVTA	7	1	0	2.10	-1.30	0.80	4.25	0.81	2.94%	67.47%
NTRA	9	4	0	1.70	-2.30	0.90	25.78	0.61	3.39%	64.97%
JNJ	15	7	0	1.10	-1.60	0.80	4.84	0.56	1.45%	62.03%
HRC	8	0	2	-0.60	3.20	0.90	6.54	1.20	0.50%	61.85%
ONEM	11	8	0	0.40	-1.70	0.50	20.78	0.45	1.62%	61.81%
EXAS	14	2	0	0.10	-0.70	0.80	21.97	0.44	2.59%	61.81%
STE	6	2	0	1.50	-1.00	0.80	-3.67	1.18	2.08%	61.68%
AMN	9	4	0	0.20	0.80	0.80	12.57	0.68	3.41%	60.93%
ADPT	8	1	0	1.70	0.50	0.50	22.92	0.99	2.49%	60.59%
HQY	12	0	0	-0.30	-0.20	0.40	-3.52	0.33	1.88%	60.31%
MASI	8	1	0	-0.30	-0.10	1.00	8.72	0.36	1.75%	59.83%
GH	8	3	1	-0.40	-0.20	0.70	17.91	0.35	1.78%	59.59%
TDOC	15	7	0	2.10	-2.00	0.90	0.08	0.01	3.38%	59.44%
TXG	7	1	0	0.70	-0.30	0.90	9.29	0.64	2.04%	58.40%
PFE	12	4	1	0.90	-2.10	0.10	3.74	0.53	0.73%	57.96%
HCA	20	2	1	0.40	-1.20	0.90	8.66	0.50	1.45%	57.58%
ZBH	26	8	1	1.10	-1.80	0.20	2.47	0.59	0.20%	57.08%
ISRG	18	4	1	0.70	-1.00	0.90	7.60	0.49	1.40%	56.83%
USPH	5	2	0	0.70	-0.90	0.90	11.55	0.53	1.16%	55.88%
ILMN	16	7	1	0.70	2.30	0.90	23.99	0.92	1.28%	52.45%
GDRX	12	5	0	1.60	-1.70	-0.80	32.14	1.14	0.96%	52.00%
AMWL	9	3	0	1.60	-1.70	-0.60	19.63	1.14	0.96%	52.00%

Performance Forward 1M – Expected % is calculated by averaging the forward performance for the consensus estimate MicroQuad coordinates in a Macro Quad 2 and ranked high to low.

We added NTRA to our active Longs last week. The MicroQuad coordinates appear well positioned for the current MicroQuad set up AND we're positive on fundamentals.

Revenue Revision | Top 20

Trailing 30 day change in consensus NTM revenue estimates

Rank	Ticker	Market Cap	Sales Correlation	Sales Estimate Change	Growth	Acceleration	Microquad Forward Performance - Expected	1W-Return	1M-Return	3M-Return	1Y-Return
1	TNDM	5,301.93	62%	45%	0.06	-1.77	1.67%	-1%	-5%	-15%	49%
2	OSUR	577.23	40%	21%	1.06	-2.91	2.53%	-14%	-9%	-12%	32%
3	ZBH	38,989.63	24%	6%	1.13	-1.83	1.68%	7%	2%	13%	2%
4	MYL	21,087.08	-6%	6%	2.25	-1.50	3.27%	2%	10%	20%	-8%
5	VREX	1,059.75	30%	5%	0.11	2.42	0.91%	5%	20%	44%	-44%
6	ADPT	7,217.14	54%	4%	1.69	0.54	1.96%	6%	23%	26%	97%
7	TXG	14,728.55	91%	4%	0.68	-0.30	1.27%	3%	9%	25%	148%
8	RGEN	10,086.12	94%	4%	1.49	-2.02	1.19%	7%	5%	37%	115%
9	TMO	199,729.32	95%	4%	0.87	-3.11	2.16%	-1%	3%	10%	44%
10	ONEM	4,896.55	52%	4%	0.45	-1.69	1.21%	5%	21%	48%	0%
11	CMD	4,076.75	-26%	3%	0.52	-0.48	1.25%	3%	39%	78%	7%
12	A	38,317.60	90%	3%	0.89	-1.15	2.20%	1%	13%	22%	41%
13	VEEV	43,053.92	96%	3%	0.54	-0.43	1.25%	4%	4%	2%	97%
14	MDT	173,686.59	51%	3%	1.17	-1.19	1.20%	4%	7%	11%	3%
15	ADUS	1,770.97	97%	3%	0.22	-1.02	1.26%	10%	19%	22%	25%
16	GKOS	3,108.71	73%	3%	0.50	-0.70	1.21%	7%	8%	52%	28%
17	EXAS	21,026.32	82%	2%	0.12	-0.69	0.93%	6%	22%	86%	43%
18	CUTR	368.16	60%	2%	0.89	-1.00	2.32%	2%	2%	12%	-41%
19	ATRS	650.11	66%	2%	0.60	-1.54	1.47%	13%	33%	39%	-19%
20	ILMN	52,757.88	93%	2%	0.74	2.30	1.72%	7%	24%	36%	13%

ZBH should be a #covidcomp(+) name as the vaccine releases pent up demand among their core patient population of 65+ year-olds.

MDT may be even more exposed to #covidcomp(+) with their focus on cardiac care, which generally skews older and seems tied to COVID-19 infections. There could be a wave of COVID-19 related cardiac care emerging in 2021 and beyond.

Revenue Revision | Bottom 20

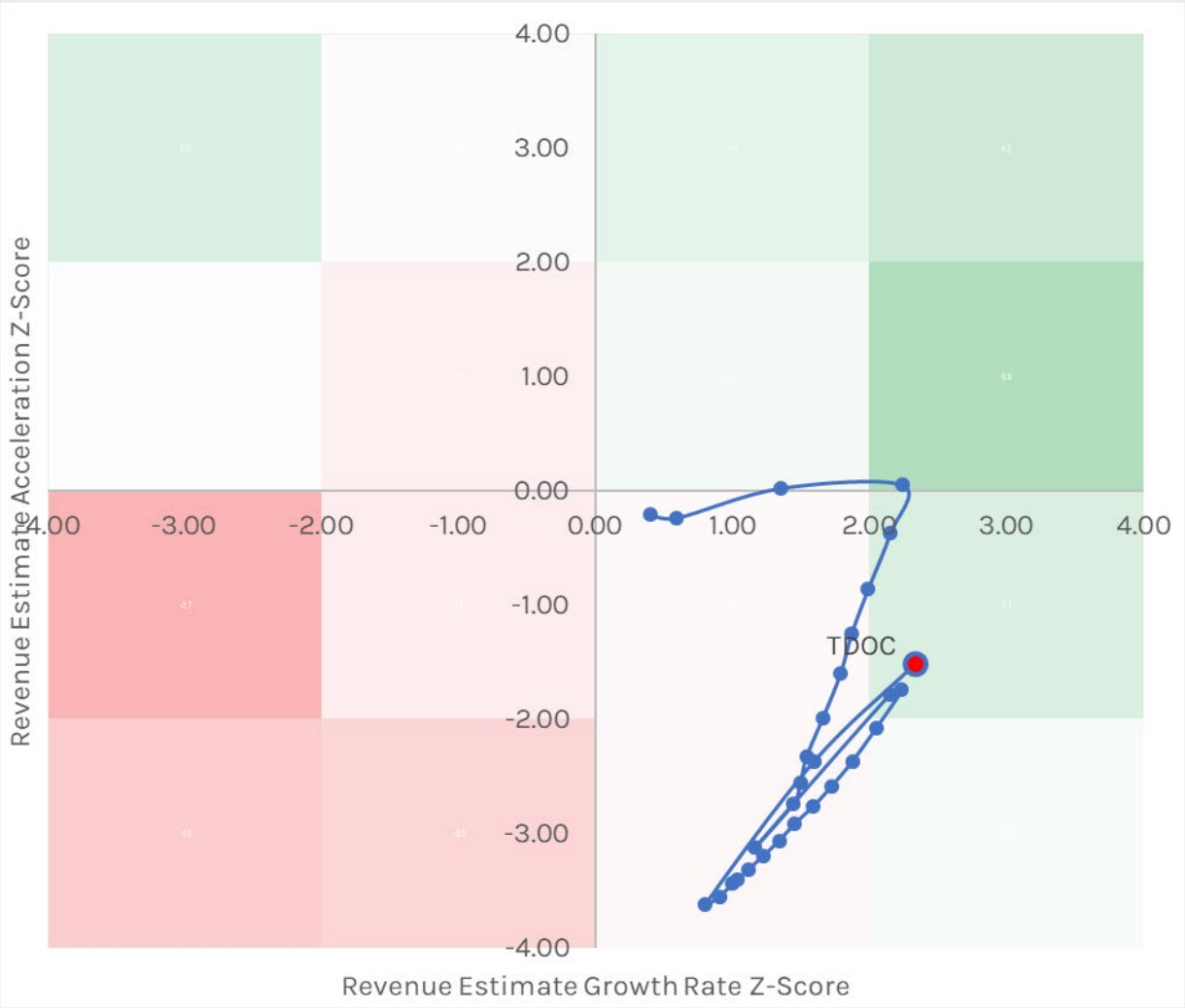
Trailing 30 day change in consensus NTM revenue estimates

Rank	Ticker	Market-Cap	Sales Correlation	Sales Estimate Change	Growth	Acceleration	Microquad Forward Performance - Expected	1W-Return	1M-Return	3M-Return	1Y-Return
1	CODX	301.26	77%	-9.26%	-1.00	-0.45	1.55%	9%	-3%	-27%	1033%
2	PEN	6,396.59	93%	-4.08%	0.04	-1.08	0.97%	-5%	-30%	-10%	14%
3	IRTC	6,307.51	77%	-2.87%	0.75	-2.15	1.90%	23%	6%	3%	279%
4	LIVN	3,809.03	-27%	-2.02%	0.73	-0.97	1.85%	13%	34%	56%	-9%
5	CHE	8,840.09	98%	-1.49%	-1.53	-0.62	2.04%	11%	13%	12%	25%
6	HOLX	22,233.41	85%	-1.45%	0.56	-3.54	1.44%	1%	7%	15%	43%
7	MD	3,447.17	31%	-1.45%	-0.18	1.98	1.01%	5%	27%	38%	-14%
8	BIIB	43,480.56	26%	-1.43%	-1.31	3.26	1.83%	3%	4%	-7%	-16%
9	GILD	78,854.88	64%	-1.22%	-0.34	-2.00	1.23%	-3%	-3%	-8%	-10%
10	MDRX	3,256.98	17%	-0.84%	0.07	0.52	0.90%	-2%	10%	77%	44%
11	CSLT	151.93	8%	-0.66%	0.58	0.92	1.53%	-6%	2%	14%	-8%
12	EVH	1,292.53	-46%	-0.56%	-0.72	0.91	1.82%	2%	9%	33%	100%
13	HQY	5,872.43	36%	-0.35%	-0.30	-0.25	1.08%	1%	-4%	35%	-15%
14	CCRN	408.06	64%	-0.20%	0.98	1.99	2.10%	-1%	8%	46%	-18%
15	AMN	4,190.25	82%	-0.06%	0.22	0.82	1.37%	1%	13%	24%	15%
16	FLGT	972.00	88%	0.00%	0.86	-3.32	2.44%	-11%	2%	18%	226%
17	SGRY	5,536.51	-29%	0.00%	0.75	-1.54	1.84%	5%	17%	32%	78%
18	NVTA	6,271.59	85%	0.00%	2.12	-1.30	2.83%	-16%	4%	17%	181%
19	VIVO	913.75	46%	0.00%	0.66	-1.31	1.51%	6%	12%	19%	105%
20	NTRA	7,694.02	94%	0.00%	1.70	-2.27	1.87%	5%	26%	62%	181%

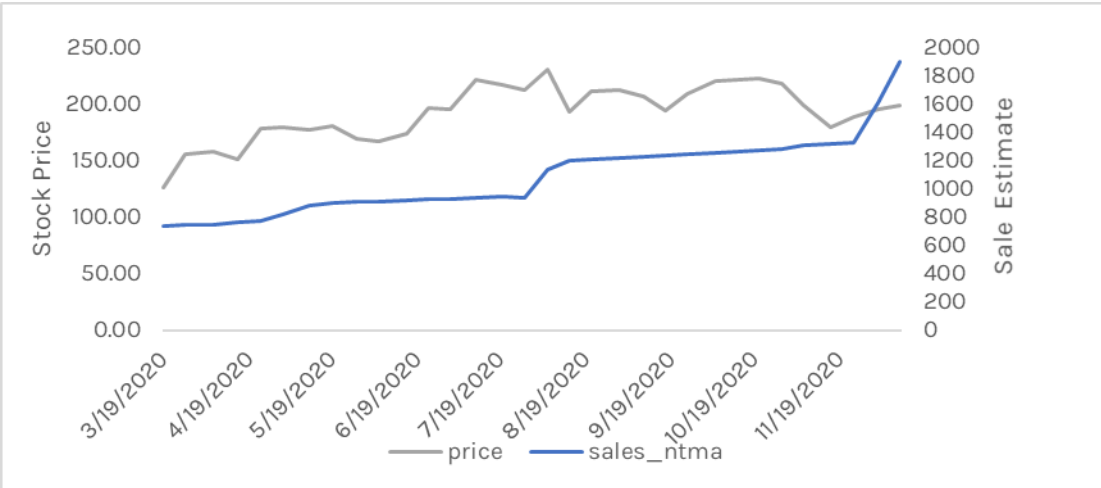
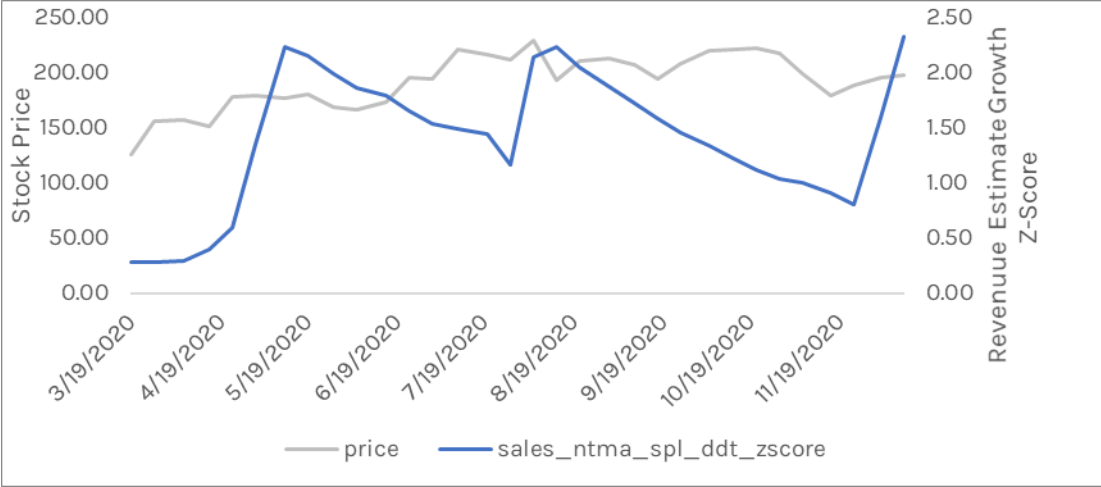
PEN has been painting Twitter with accusations of fraud and death and finally action by the regulators.

CODX, the small cap COVID-19 testing company, may be racing into the jaws of #covidcomp(-).

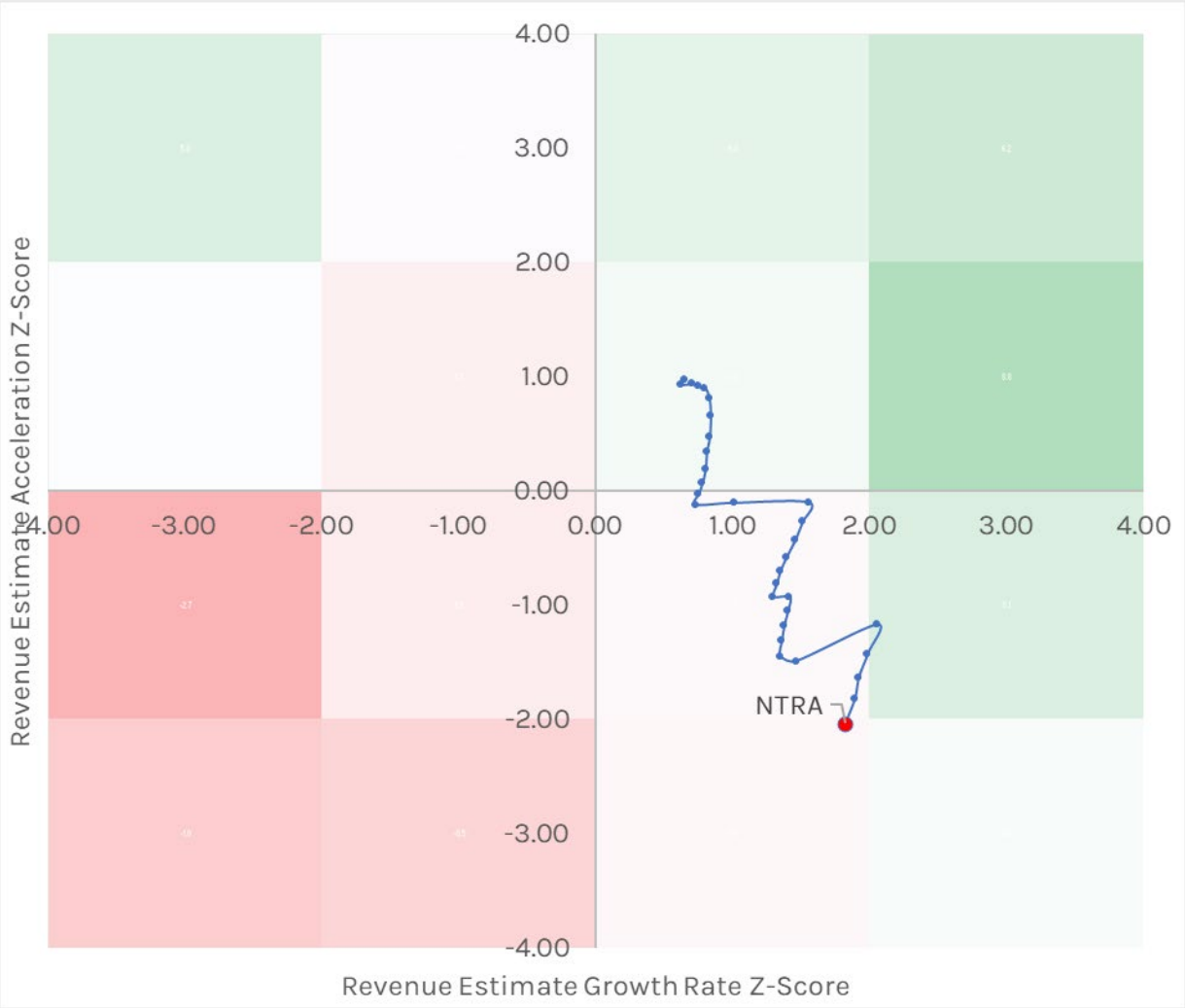
Sigma Positioning – Sales Estimate Slope/Growth



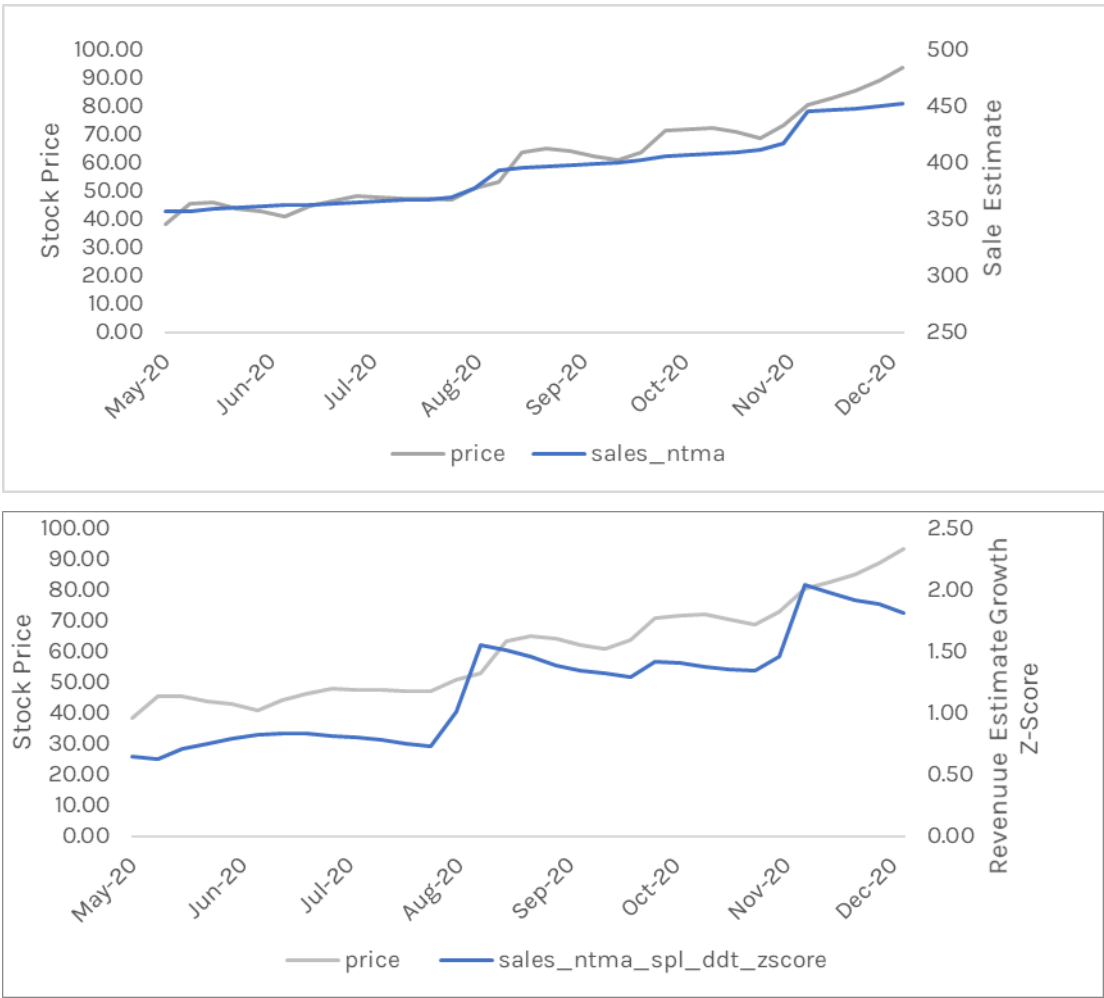
Revision trend reaccelerating after closing Livongo



Sigma Positioning – Sales Estimate Slope/Growth

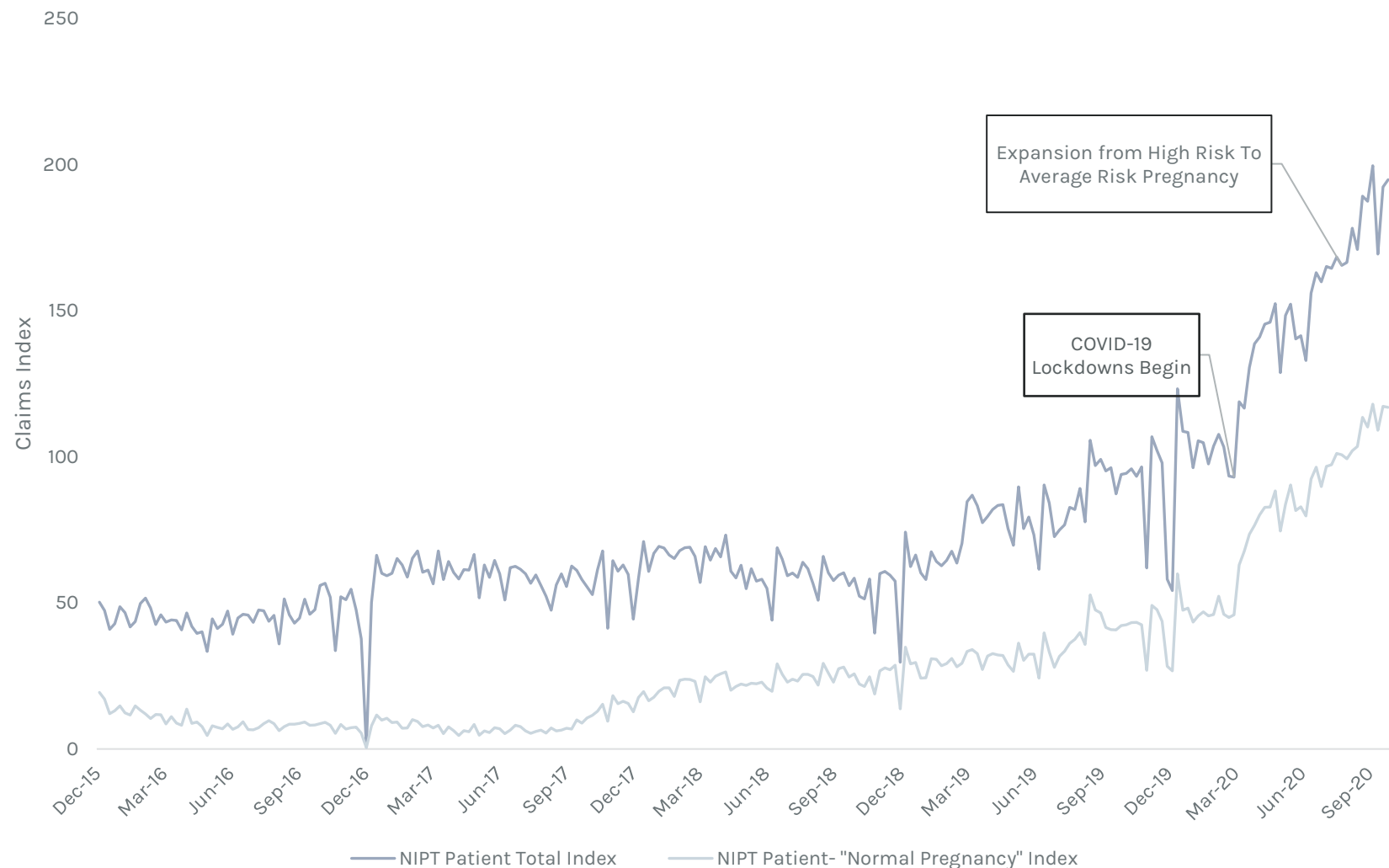


Near term upside likely reverts to MicroQuad2



NIPT Claims Index | Tough Comp or New Trajectory?

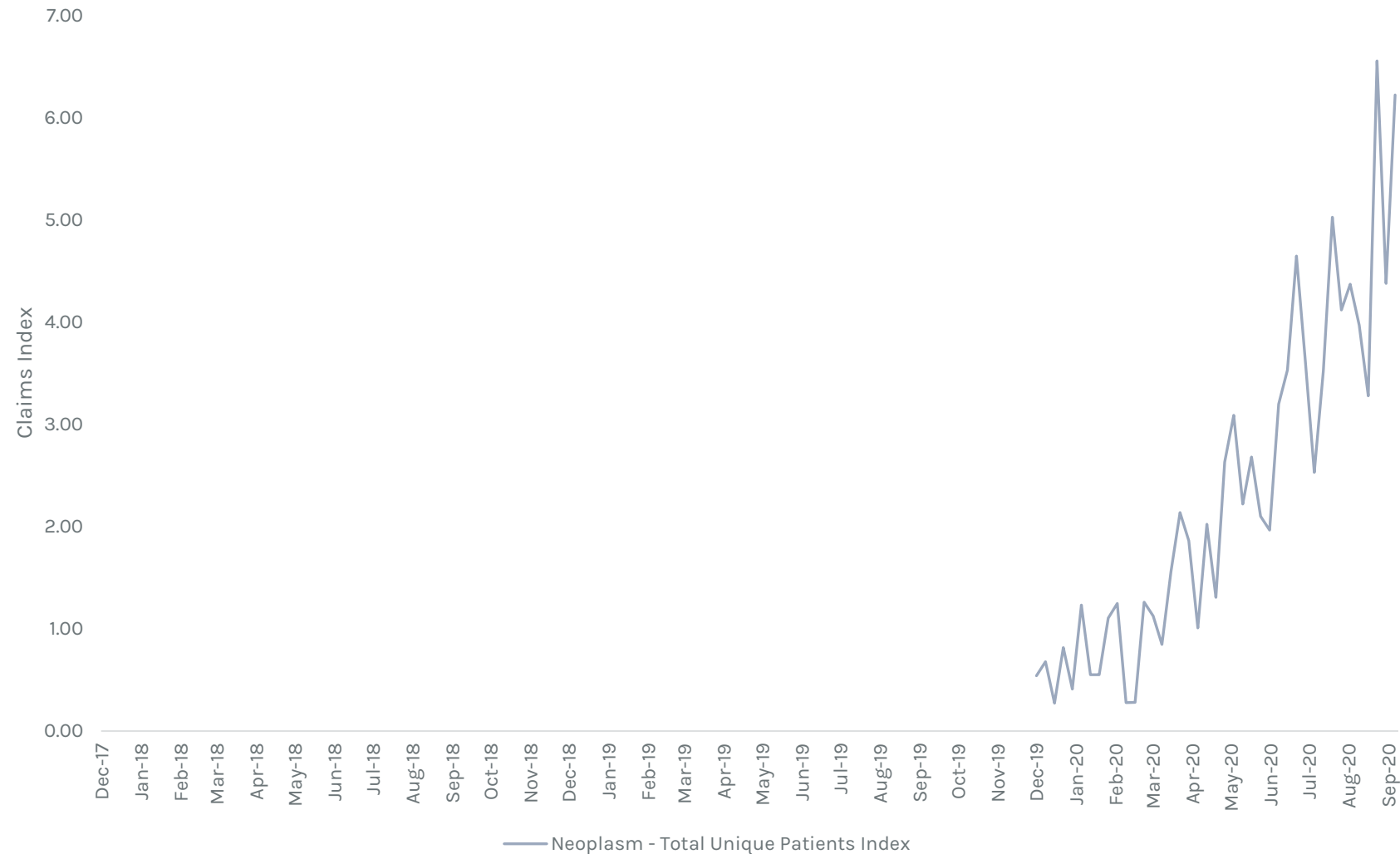
COVID-19 boosted growth followed by expansion to average risk patients



- COVID-19 had minimal impact on Natera's NIPT volume in the first weeks of lockdowns. Tests for Trisomy are typically done within the first Trimester, or between week 11 and 14 of a pregnancy. Testing delays would have been rare even in the pandemic.
- As the pandemic advanced the demand for the blood based NIPT test has sustained the new trajectory.
- In August 2020, the recommendation for NIPT was expanded to average risk women. Since 2016, the mix of NIPT coded as 'Normal Pregnancy' has steadily increased, but society guidelines will
- Natera's Panorama franchise is potentially #covidcomp(-) if physician and patient testing reverts to amniocentesis or ultrasound methodologies, although this seems unlikely. We will monitor these new indicis for signs of weakness, though.

Neoplasm Claims Index | Signatera

Diagnosis Code: Neoplasms 'C' Code



- Natera has been slowly rolling out their Signatera test in the initial indication in colon cancer stage II and III patients.
- The Neoplasm Claims Index screens for patients with a diagnosis code falling the Neoplasm category. The vast majority of the current volume is coded as C18, or “malignant neoplasm of the colon.”
- The volume represents low single digits of total and have had almost no impact on volume.

Total Volume Upside for 4Q20

Model average volume of 277K versus consensus of 249K



Correlation

Claims Data & Reported Claims

91.7%

Forecast

Q4-2020

Revenue	\$380-\$390
Implied Volume	240K-265K
Consensus	249K

Hedgeye

Method 1: Seasonal Wkly Distr.	284,669
Method 2: Avg Per Day x Total	293,390
Method 3: QTD Vol / Ratio Days	268,390
Method 4: Last Wkly Data Pt	273,913
Method 5: Avg Wkly Vol Carry	268,390

Average	277,750
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- We've combined the methods above to arrive at a forecast for total volume for Natera. Guidance implies 240K-265K versus consensus of 249K. The average across Hedgeye methods is 277K.
- Individual updates for Signatera, including any neoplasms outside of colon cancer, NIPT will remain key focus items for future updates.

For more information, contact us at:

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