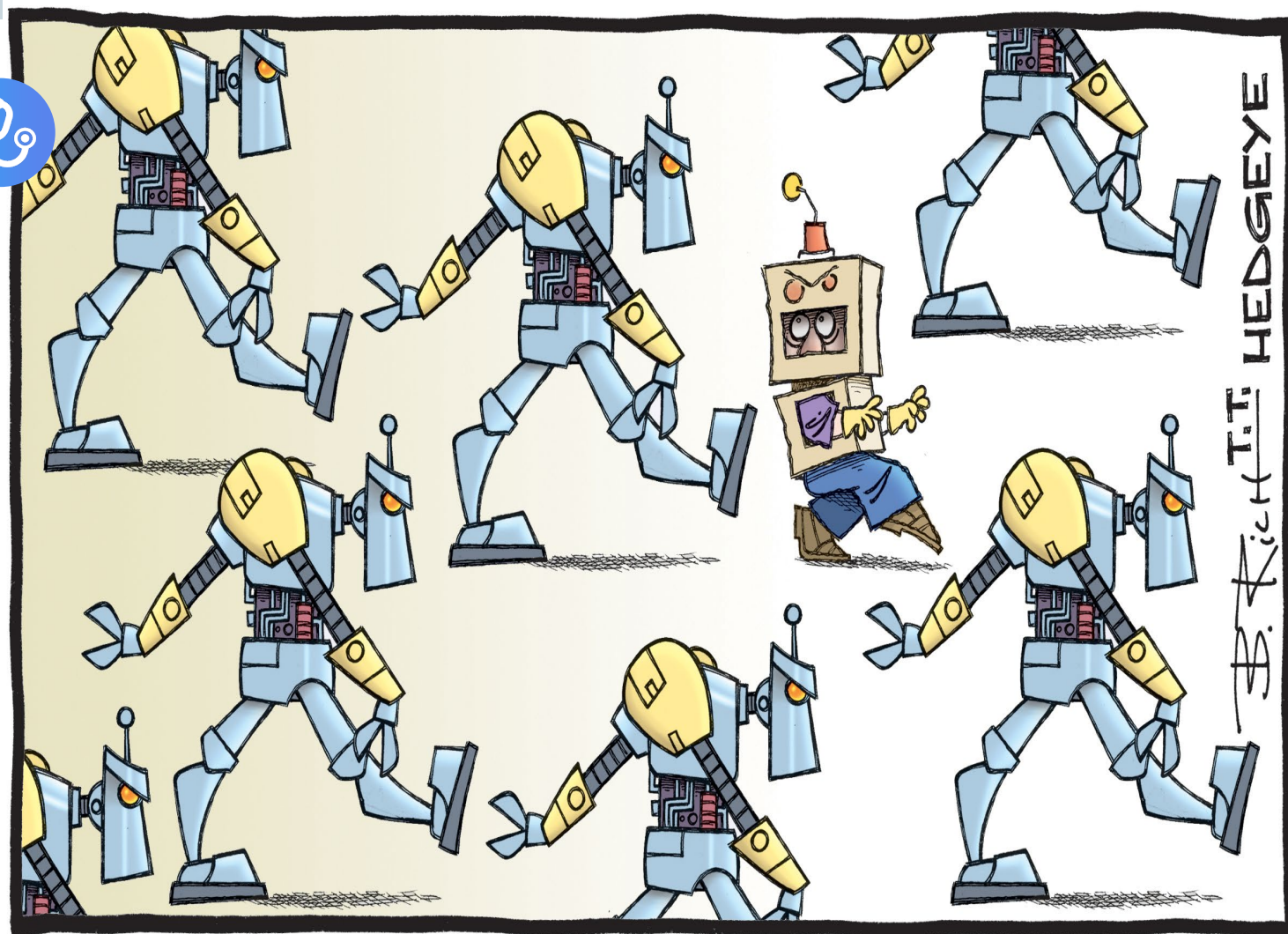


HEDGEYE

Position Monitor Update

ADP & BLS Employment Reports and
Stock Quad Back Test

January 13, 2020



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Please submit questions* to
qa@hedgeye.com

*Answered at the end of the call

Health Care Position Monitor

For Week of January 13, 2019

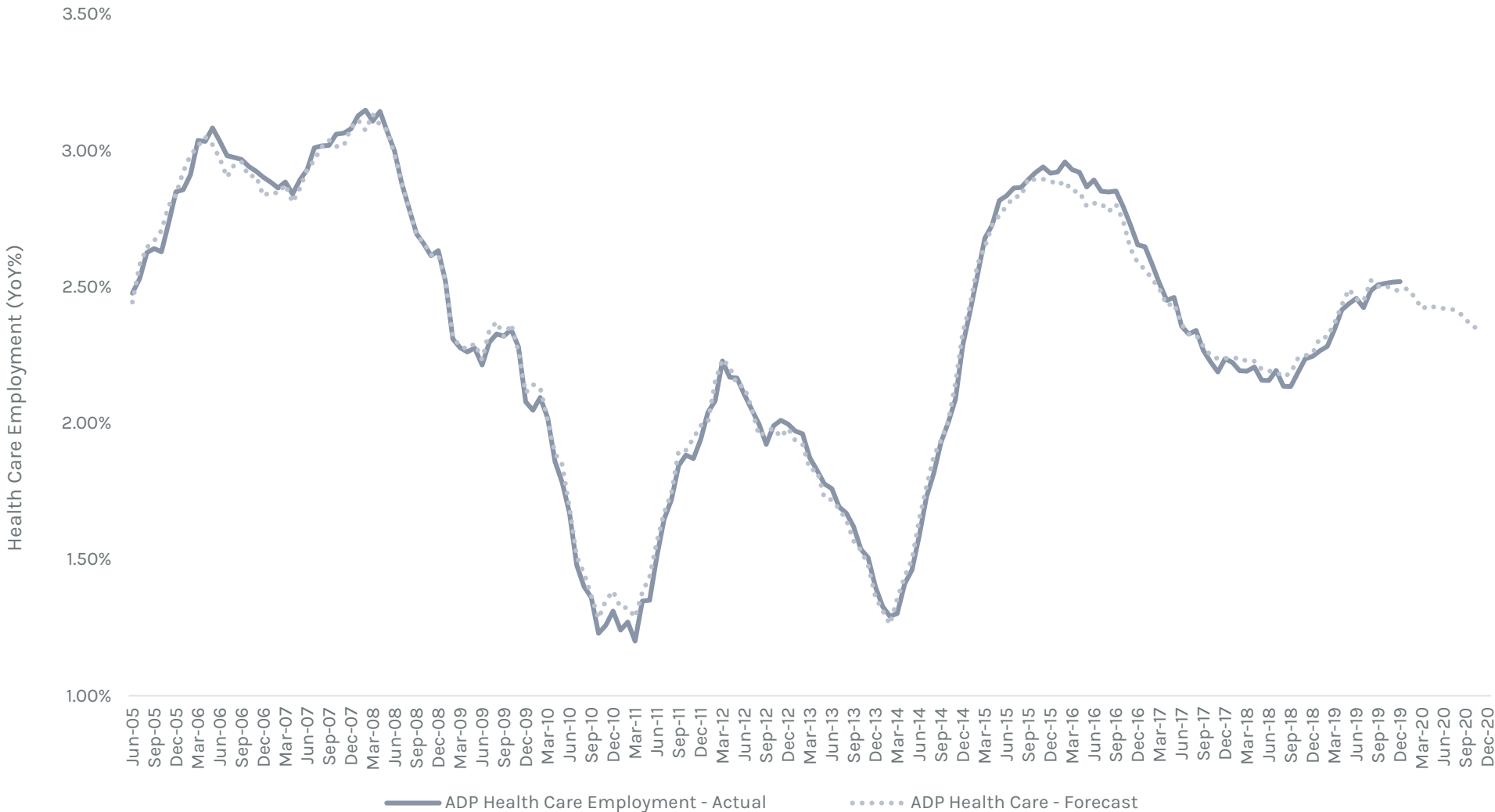
Best Ideas - Longs						Best Ideas - Shorts					
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs						Active Shorts					
MD	MEDNAX, Inc.	\$ 26.86	\$2.3B	✓	✓	NVTA	Invitae Corp.	\$ 16.72	\$1.6B	×	×
THC	Tenet Healthcare Corporation	\$ 36.18	\$3.8B	✓		HQY	HealthEquity Inc	\$ 73.94	\$5.2B	×	×
AMN	AMN Healthcare Services, Inc.	\$ 62.65	\$2.9B	✓		DXCM	DexCom, Inc.	\$ 237.30	\$21.6B	×	×
ANTM	Anthem, Inc.	\$ 307.74	\$78.0B	✓	✓						
ILMN	Illumina, Inc.	\$ 335.53	\$49.3B	✓	✓						
GH	Guardant Health, Inc.	\$ 78.45	\$7.4B	✓	✓						
ZBH	Zimmer Biomet Holdings, Inc.	\$ 149.99	\$30.9B	✓	✓						
Long Bias						Short Bias					
TDOC	Teladoc Health, Inc.	\$ 85.16	\$6.2B			MYGN	Myriad Genetics, Inc.	\$ 28.12	\$2.1B		
TXG	10x Genomics Inc Class A	\$ 79.75	\$1.7B			EXAS	Exact Sciences Corporation	\$ 104.44	\$15.4B		
SGRY	Surgery Partners, Inc.	\$ 15.25	\$0.8B			UNH	UnitedHealth Group Incorporated	\$ 295.13	\$279.6B		
UHS	Universal Health Services, Inc. Class B	\$ 146.05	\$11.7B		---	DVA	DaVita Inc.	\$ 75.95	\$9.7B		
						HCA	HCA Healthcare Inc	\$ 148.14	\$50.2B		

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.

ADP Employment Report | December 2019

Health Care Employment YoY%



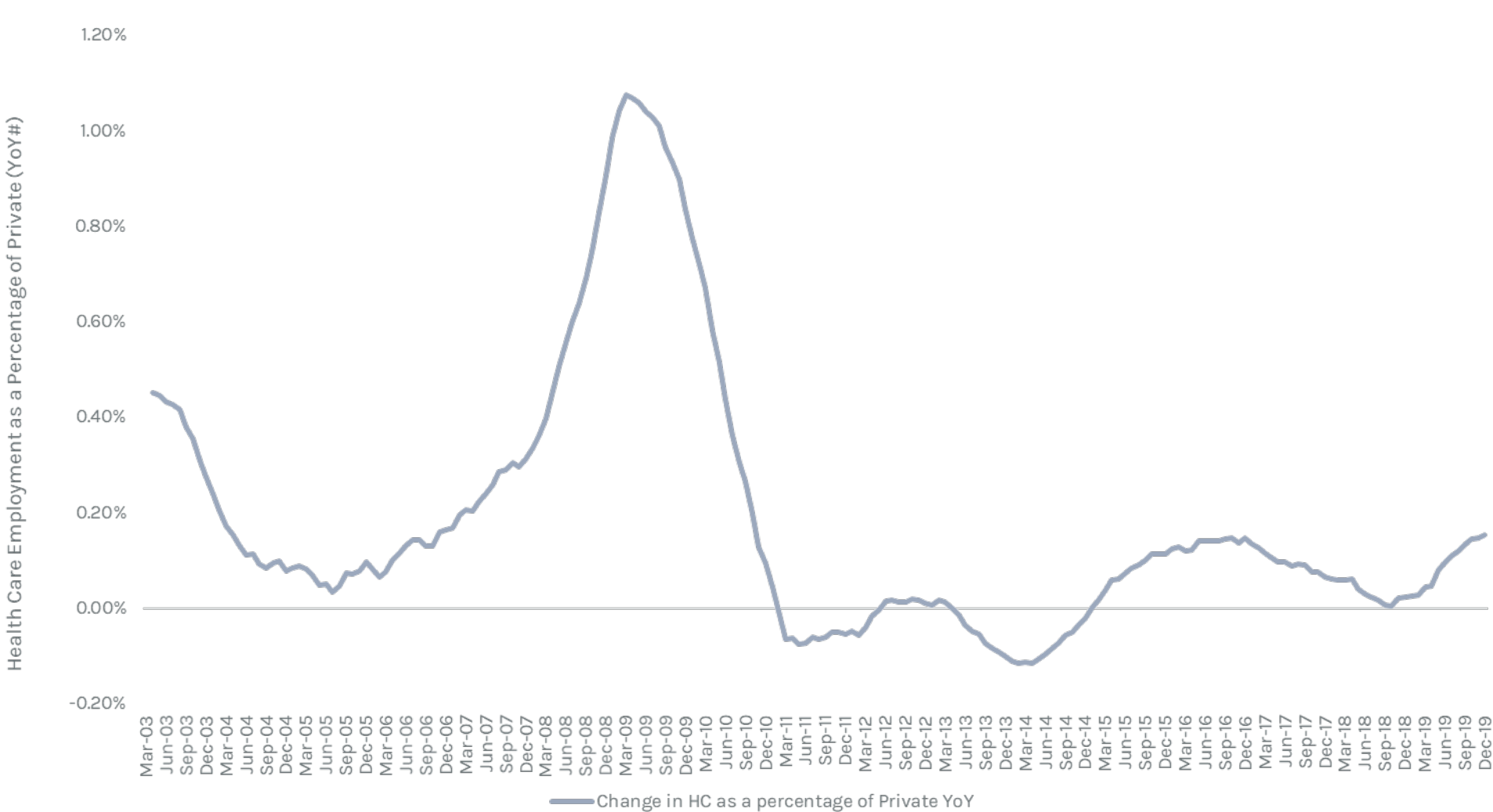
At 2.52%, growth is accelerating, but only modestly. Under the current trend line, we expect 4Q19 results or 1Q20 guidance to be inline or better than consensus estimates.

Comparisons become more difficult as we exit 1Q20 and move into 2Q20, which is where we would target the timing of any negative fundamental read through.

Company results across the Health Care Sector are more likely to show negative or positive divergences versus expectations depending on the slope of the growth rate.

ADP Employment Report | December 2019

Health Care Employment as a Percentage of Private Payrolls

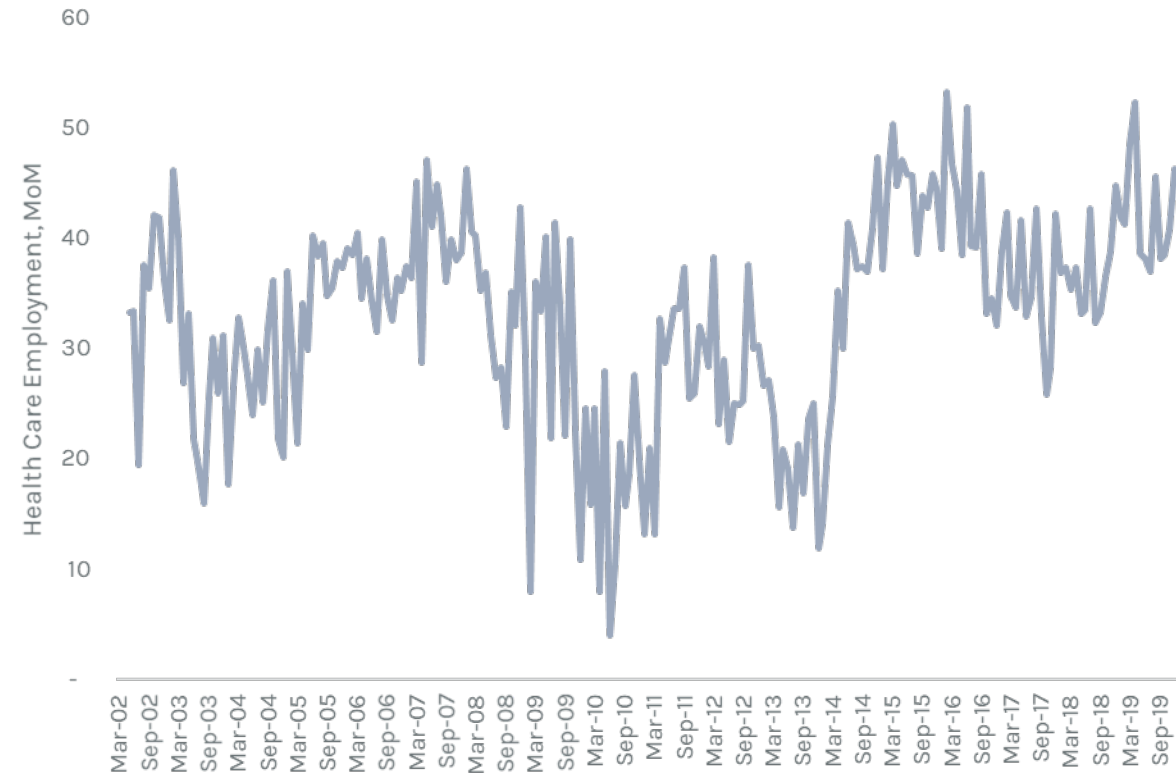


As economic data slow, Health Care employment typically accelerates relative to Private Payrolls.

Before and during the Great Recession, and during the mid cycle slowdown of 2015-2016, and currently through 2019, Health Care employment has accelerated as economic data has decelerated.

ADP Employment Report | December 2019

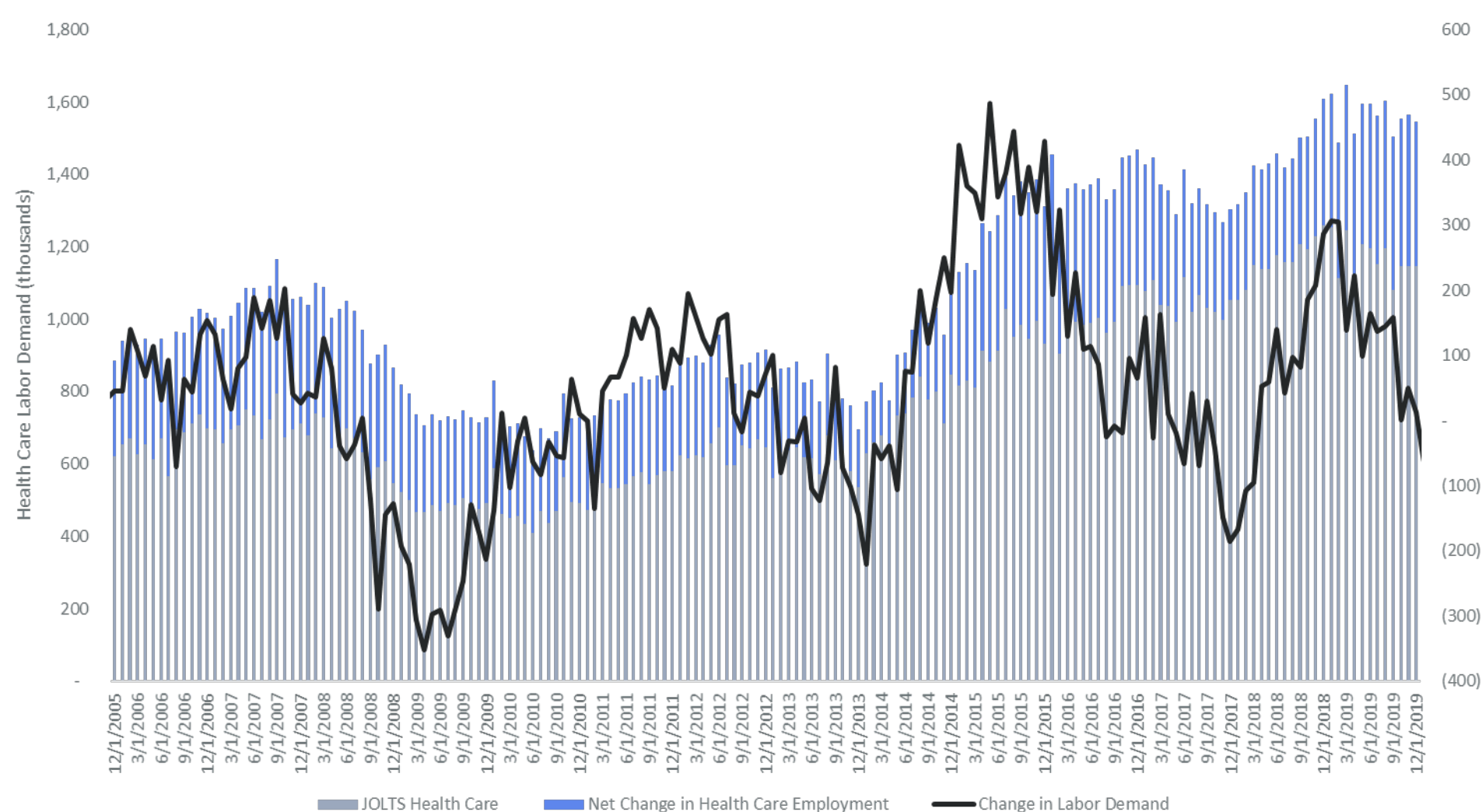
Health Care Employment MoM#



Month over month Health Care employment continues to run at or near the highs of the last 20 years, including the Affordable Care Act, the largest expansion of the insured population of the last 30 years.

BLS Employment Report | December 2019

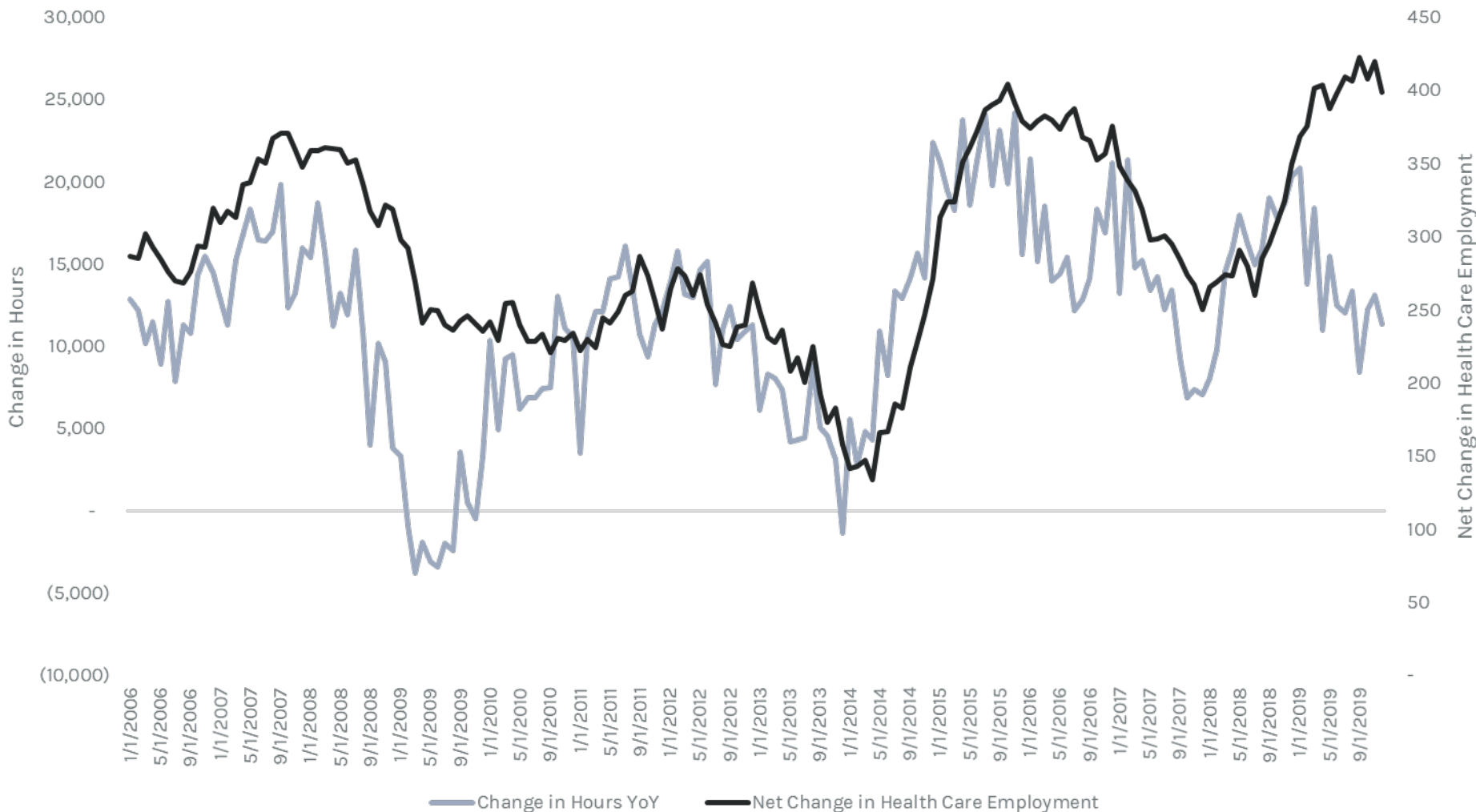
Health Care Labor Demand, +2.5% in December 2019, rate of change is negative



Consistent with ADP earlier in the week, Health Care employment slowed year over year and in rate of change terms.

BLS Employment Report | December 2019

Change in demand for Health Care labor and hours

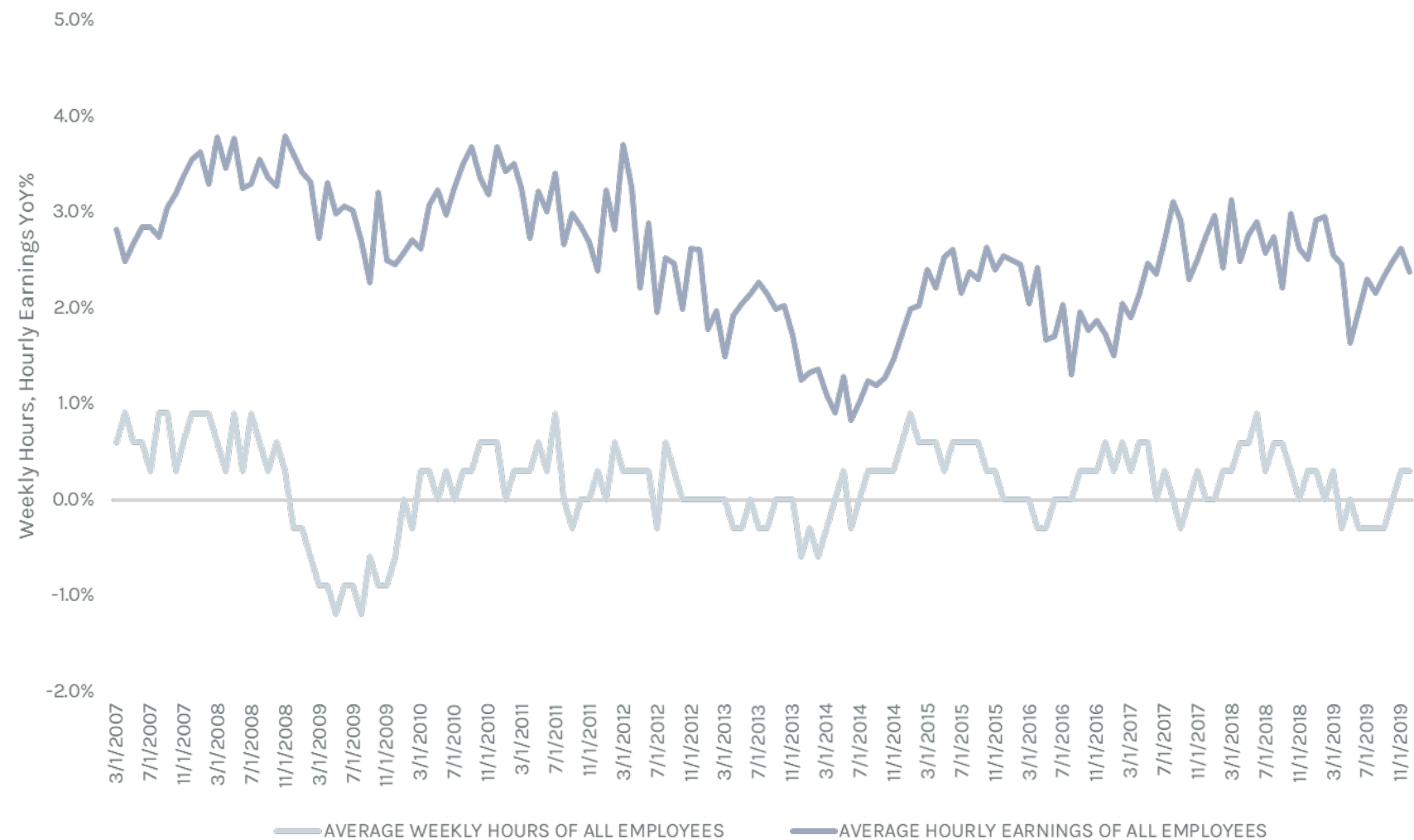


Health Care Labor is positive year over year, but in rate of change terms growth is slowing.

Total demand for hours may indicating slowing demand across the delivery system, but has yet to impact net hiring.

BLS Employment Report | December 2019

Weekly Hours uptick typically leads Hourly Earnings



Weekly Hours ticked positive in December indicating labor capacity utilization is high and likely to push labor rates higher sequentially.

Wage inflation has not spiked above 3.0% despite incremental utilization and an extremely tight Health Care labor market.

Fundamental Quadrants

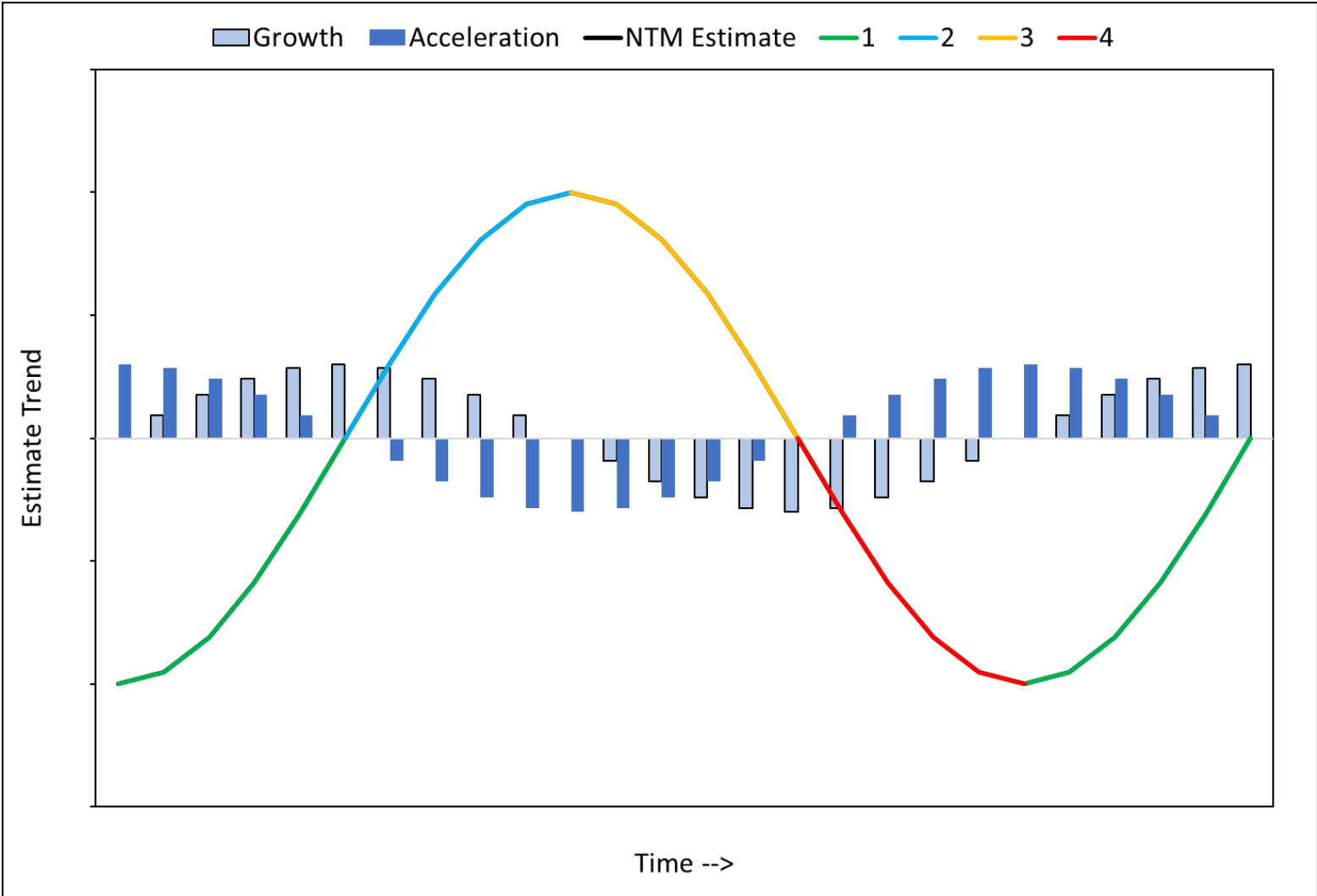
Similar to Macro Quads, stock estimates follow a pattern of growth and acceleration.

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.



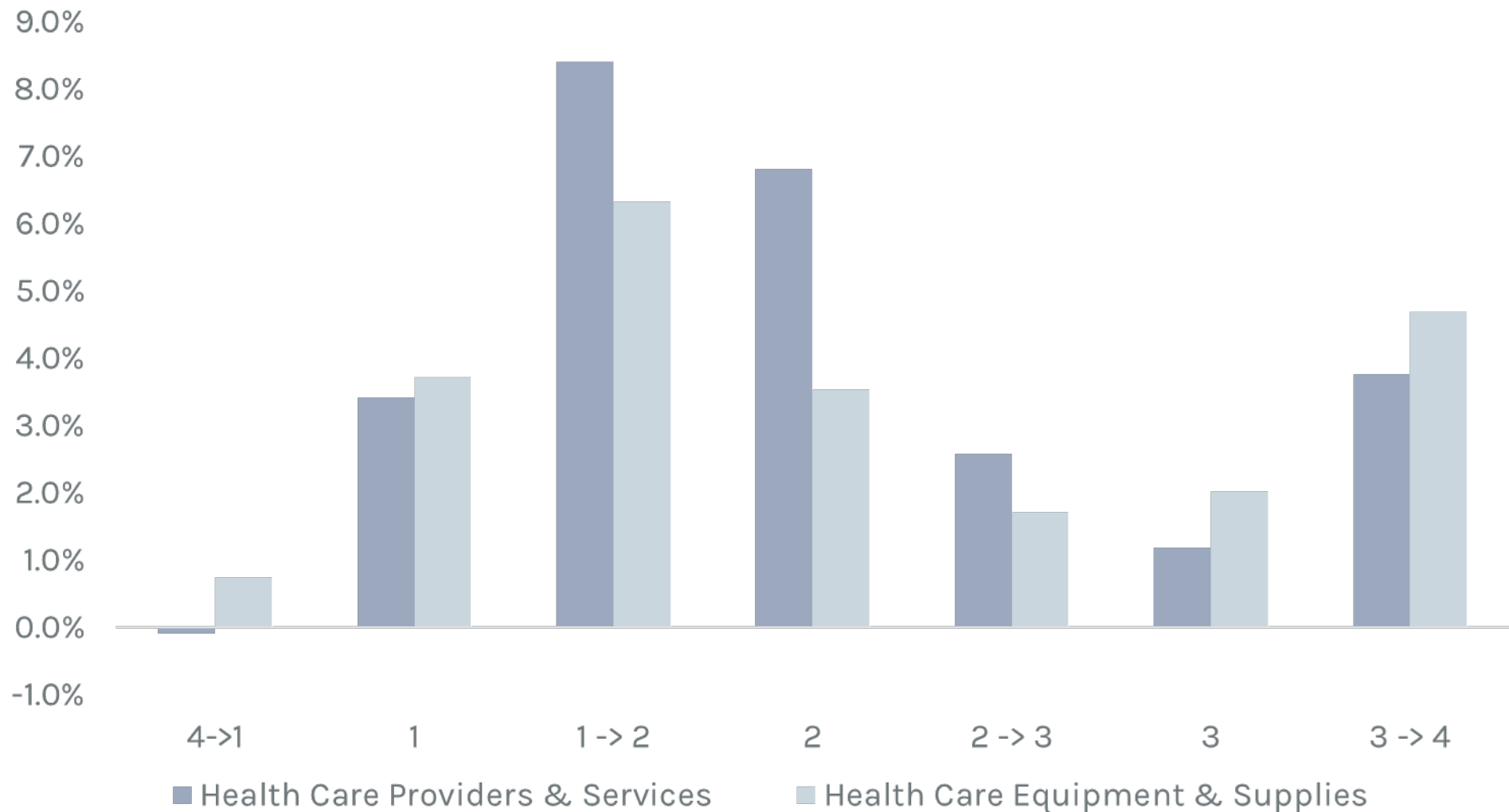
Stock Quadrant Back Test

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.

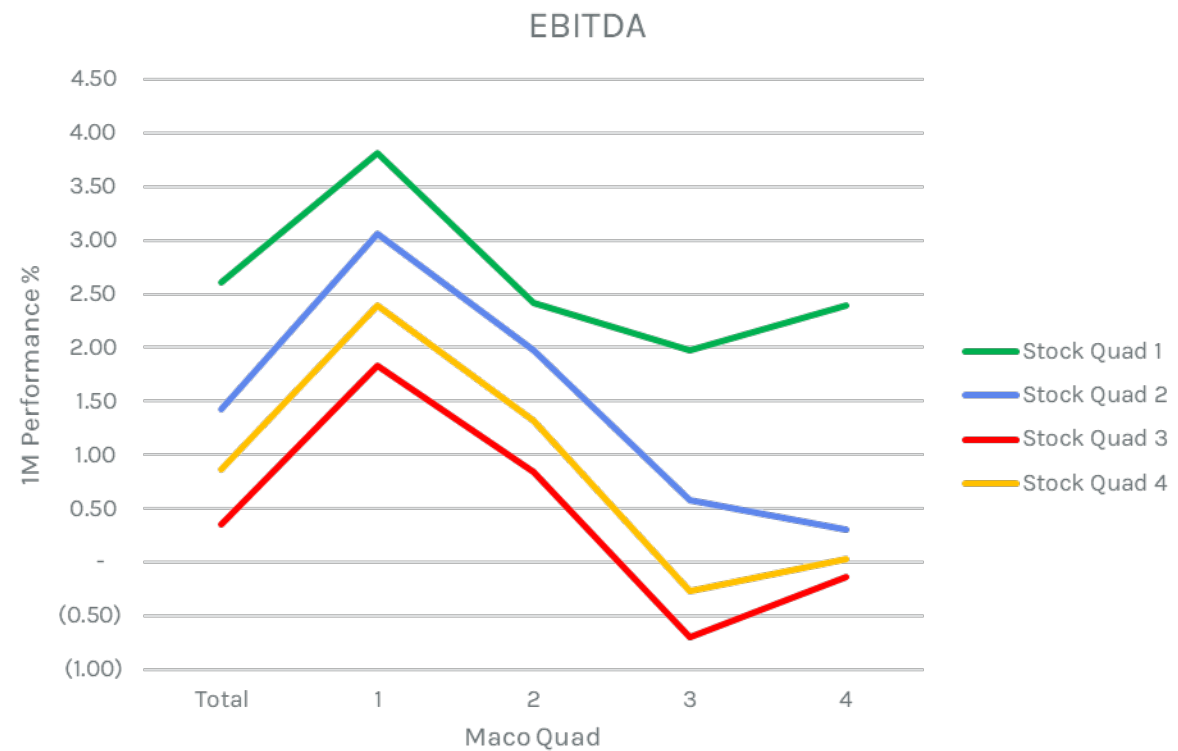
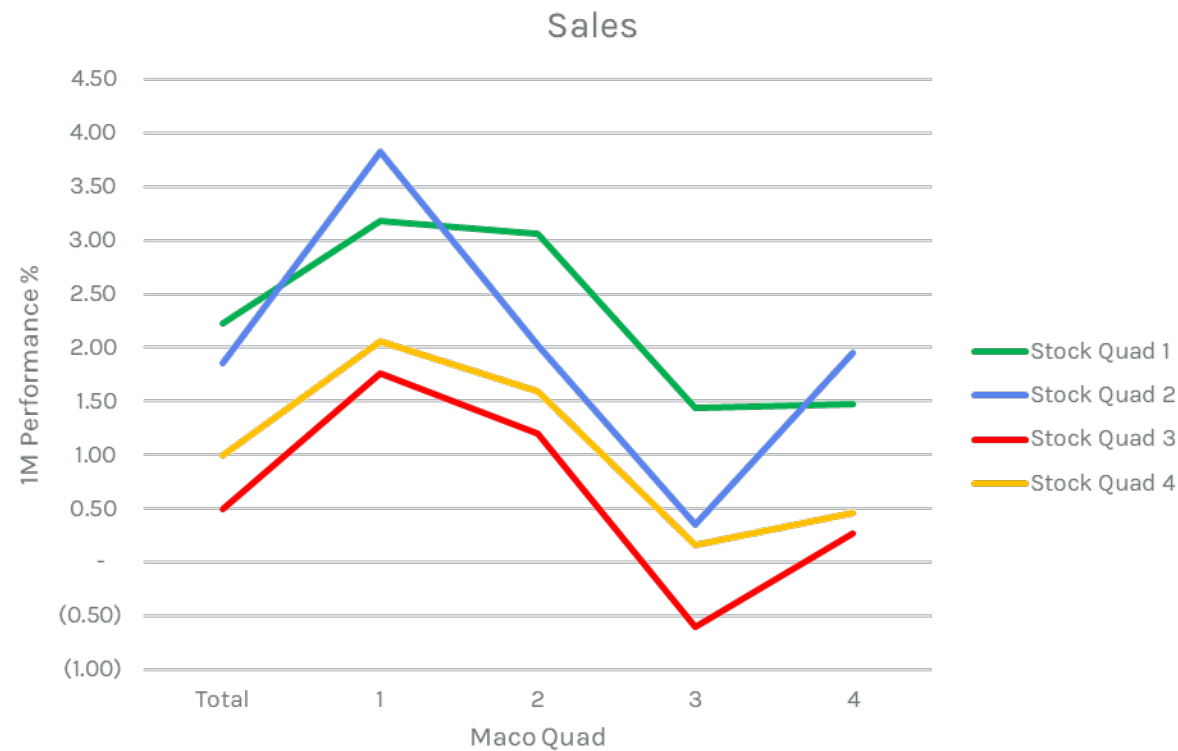
Back tests show that companies that make the transition from Fundamental Quad 1 to Quad 2 are the best performers.

Performance is weakest as Fundamental Quad 2 as companies transition into Quad 3 and 4.



Macro with Fundamental Equity Quads

We get timing, positioning, risk assessment, and a screening method



Macro Quads drive performance across all Fundamental Equity Quads, while the Fundamental Equity Quad defines the relative performance across specific stocks.

Stocks by Revenue Quad

Quad 1

BNFT	QSII
CAH	TECH
CRVL	XRAY
HRC	ZBH
ITGR	
LNTH	
MASI	
MD	
MDT	
NSTG	
NVTA	
PDCO	

Quad 2

AVNS	GMED	NUVA
BAX	HAE	OMCL
BSX	HQY	OPK
CHE	HSIC	PODD
CMD	HSKA	RMD
CUTR	HUM	STE
DGX	IRTC	THC
DHR	ISRG	UHS
DVA	LIVN	VAR
DXCM	LMAT	VEEV
EW	MCK	WST
EXAS	MOH	

Quad 3

BABY	HSTM	RGEN
BEAT	IART	SEM
BIO	INOV	SGRY
BIOS	LH	STAA
BKD	MEDP	TDOC
CBM	MLAB	TNDM
CERS	NTUS	WCG
CSII	NVRO	
EHC	PEN	
EVH	PINC	
GKOS	QDEL	
HOLX	RCM	

Quad 4

BDX	ILMN	SYK
CI	INGN	SYNH
CNC	IQV	TCMD
CNMD	LHCG	TFX
COO	LMNX	TMO
CRL	MGLN	TRHC
CRY	MMSI	TVTY
CVS	MTD	UNH
ENSG	NEOG	USPH
HCA	OFIX	VCRA
HCSG	PKI	WAT
HMSY	PRAH	WBA
ICUI	Q	
IDXX	SRDX	

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