

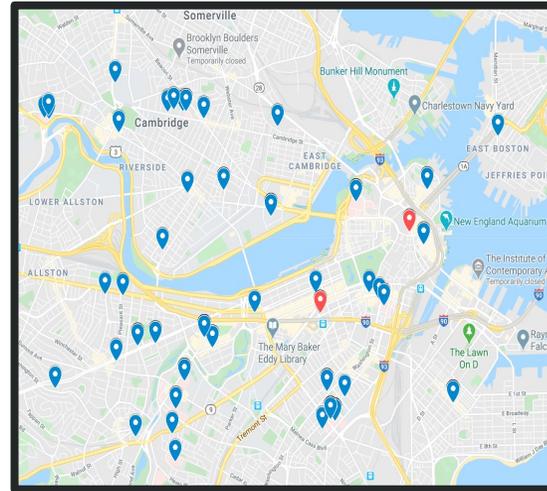
HEDGEYE



Health Care Position Monitor Update

ONEM App Downloads, Individual Market Analysis, & TDOC App Downloads

June 1, 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 June 1, 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.	\$ 33.94	\$4.3B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 45.17	\$2.1B	×	×
TDOC	Teladoc Health, Inc.	\$ 170.31	\$12.7B	✓	✓	GH	Guardant Health, Inc.	\$ 90.34	\$8.5B	×	×
						EXAS	Exact Sciences Corporation	\$ 85.16	\$12.8B	×	×
						HQY	HealthEquity Inc	\$ 61.26	\$4.4B	×	×
						NVTA	Invitae Corp.	\$ 17.14	\$2.1B	×	×
Long Bias					Short Bias						
TXG	10x Genomics Inc Class A	\$ 77.08	\$4.5B			HCA	HCA Healthcare Inc	\$ 110.20	\$37.2B		
						DVA	DaVita Inc.	\$ 81.39	\$9.9B		
						ILMN	Illumina, Inc.	\$ 362.59	\$53.3B		

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1

Background | One Medical (ONEM) is a closely held and recent Health Services IPO. At its core it is a Primary Care physician practice, an industry with a checkered past (PhyCor). One Medical is a slick update that comes with an app, modern looking offices, telehealth, on time and thorough appointments when you need them. As the COVID-19 crisis emerged, the benefits of a blended in person and digital practice have become apparent.

The company makes money in three ways; directly billing for patient care, membership fees by employers or individuals, and partnership PMPM fees from health care systems looking to offload lousy margin business and secure high value referrals. COVID-19 has hit ONEM through the direct billing revenue line, which is trending at 55% of pre-COVID, partnership fees, where ONEM is likely to have to rebate PMPM fees to their partners where shelter in place has depressed patient volume, while membership fees have remained stable. The company currently serves 7000 enterprise across an expanding number of cities.

2

Thesis | As shelter in place restrictions are lifted and cities re-open, ONEM is likely to emerge as partner that can screen and test returning employees, provide telehealth services for anyone who might have symptoms, and generally manage what will be a difficult process in the urban areas where ONEM has practices. Their two biggest markets are San Francisco and New York City, both of which have a significant need across a host of enterprises. The per member fee of \$200 per year is a nominal cost for many enterprises in these densely packed cities.

We expect a significant opportunity to gain market share is emerging as a result of COVID-19. According to surveys, 10% of physicians are expecting to leave medicine or join a large group practice as a result of COVID-19. This number is likely lower as the recessionary impacts of reduced patient volume, pressures on in-person care, and integrating telemedicine create a jump ball for market share. ONEM claims to have 3% market share within their markets. If ONEM experiences a 10% decline inline with the reduction in the commercially insured patient population but picks up 10% market share of the 10% of the market share available from attrition, they net 27% growth, or their 300bps share -30bps attrition + 100bps market share gain.

3

Valuation | ONEM raised \$280M in their recent IPO. The stock has traded in a range of 6X to 10 EV to forward consensus revenue. As estimates trend toward our above consensus view, ONEM should maintain a Fundamental Equity Quad 1 or 2 as estimates accelerate into 2021/2022. We can push the model well ahead of consensus 2020 as well as 2021 revenue estimates of \$300M and \$416M, respectively. Revenue of \$525M in 2021 appears to be a reasonable scenario where we think ONEM can hit \$40, or 30% higher from here.

4

Catalysts | We've developed several tools to track the progress of our thesis.

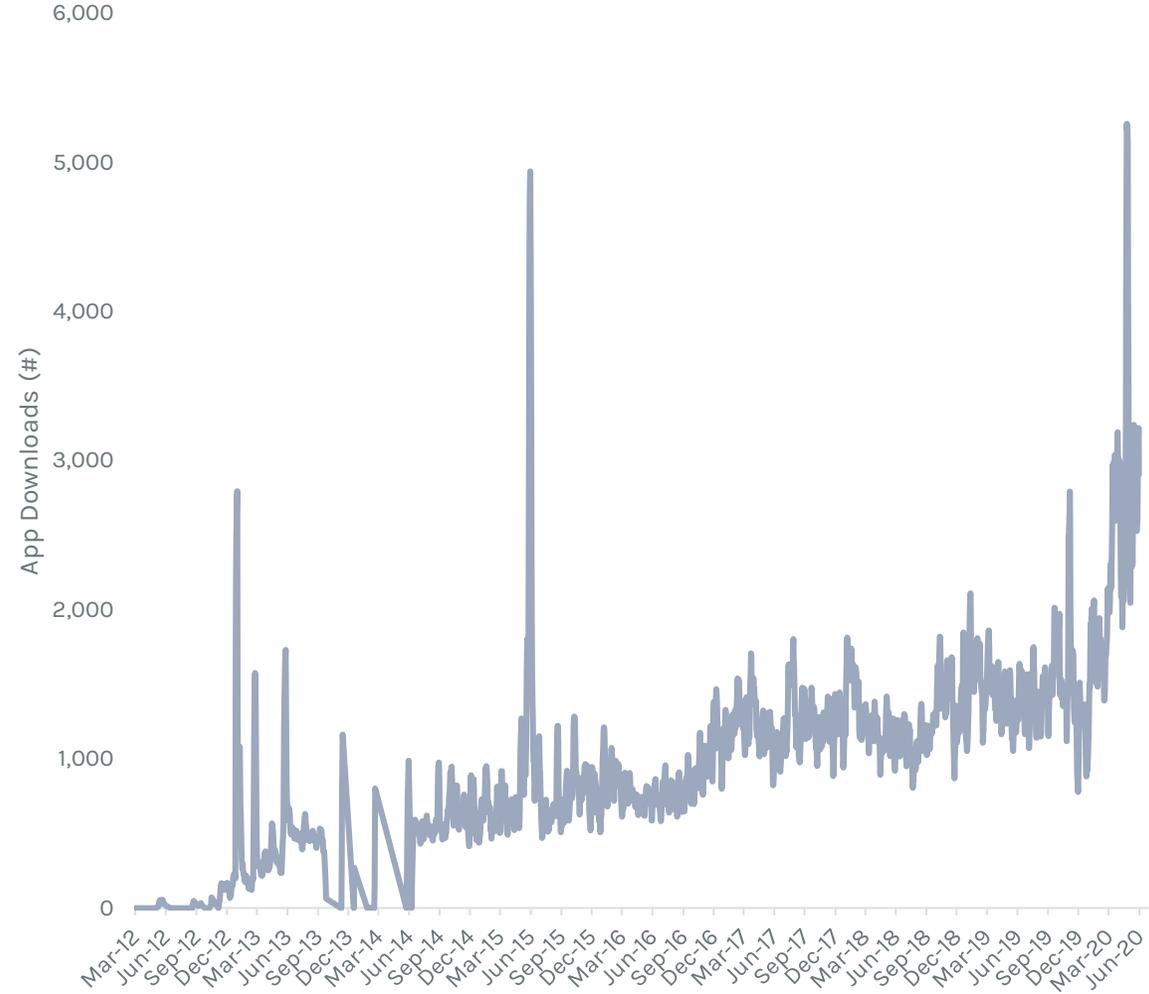
- App download data closely tracks their membership, this can be updated daily, weekly, or monthly, depending.
- Patient volume can be derived using inputs from former employees and public data. Based on scheduling and utilization information we gathered in interviews with former physician employees we have the data needed to convert physicians census data into an indirect indicator of volume. This can be updated daily/weekly/monthly as needed.
- To track the re-openings in key cities of NYC, SF, DC, etc., we will be watching mobility data, app utilization, COVID-19 case volume, and anything that indicates increased commercial activity or infection rates locally.
- Market share gains can be indirectly tracked using public data on physician NPI billing reassignment. Based on our initial work, we will be able to monitor the status of Family and General Practitioners in their markets who are moving to larger group practices, or leaving medicine altogether, as surveys have suggested is likely for some physicians.

5

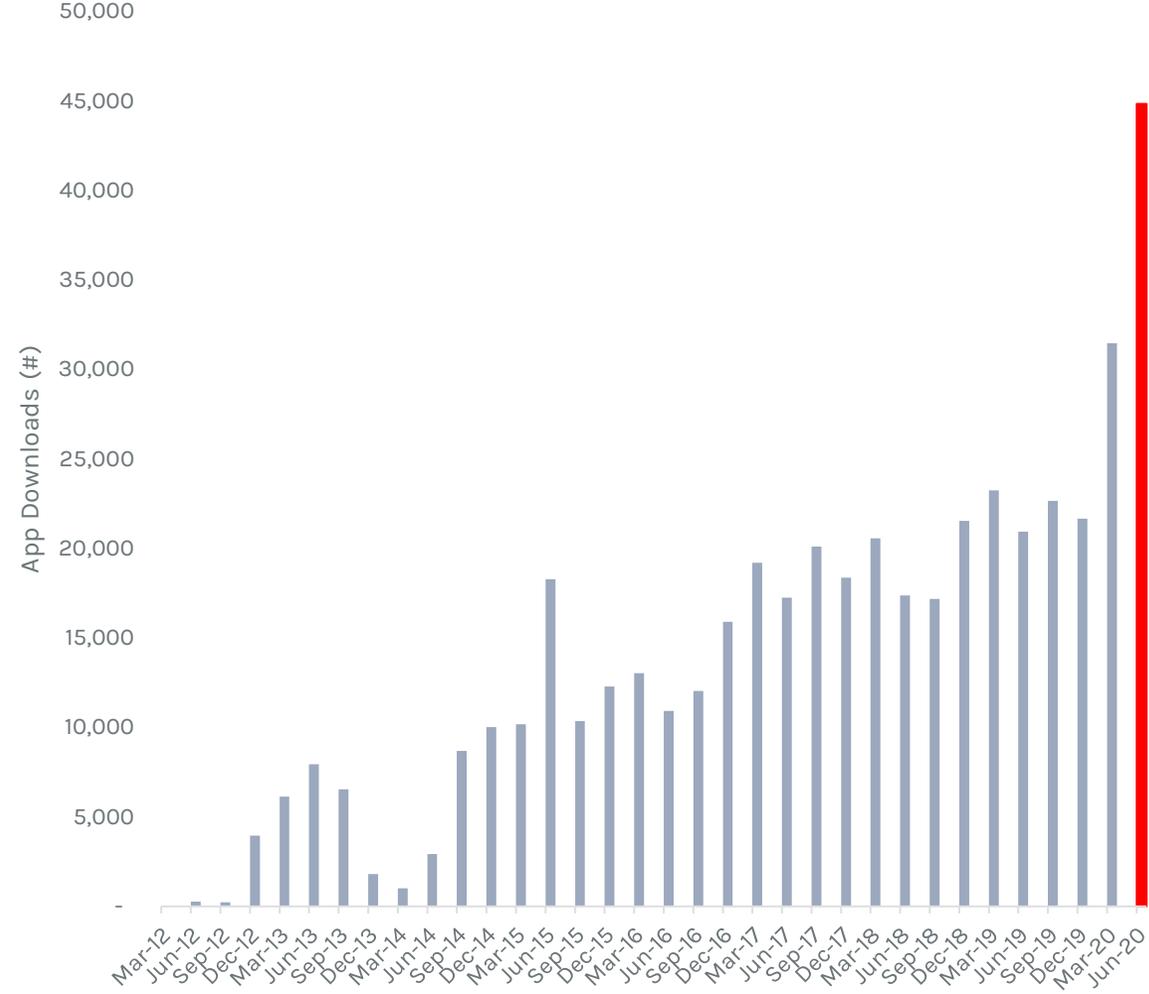
Risks | Traditional brick and mortar practices may manage to transition to a blended in-person and telehealth model, effectively neutralizing One Medical's main selling point; NYC and SF may never truly reopen and recover from COVID-19; and management proves to be inadequate propelled by all the markings of new age technology goofiness that includes a highly promotional 10-K.

App Downloads Continue to Accelerate

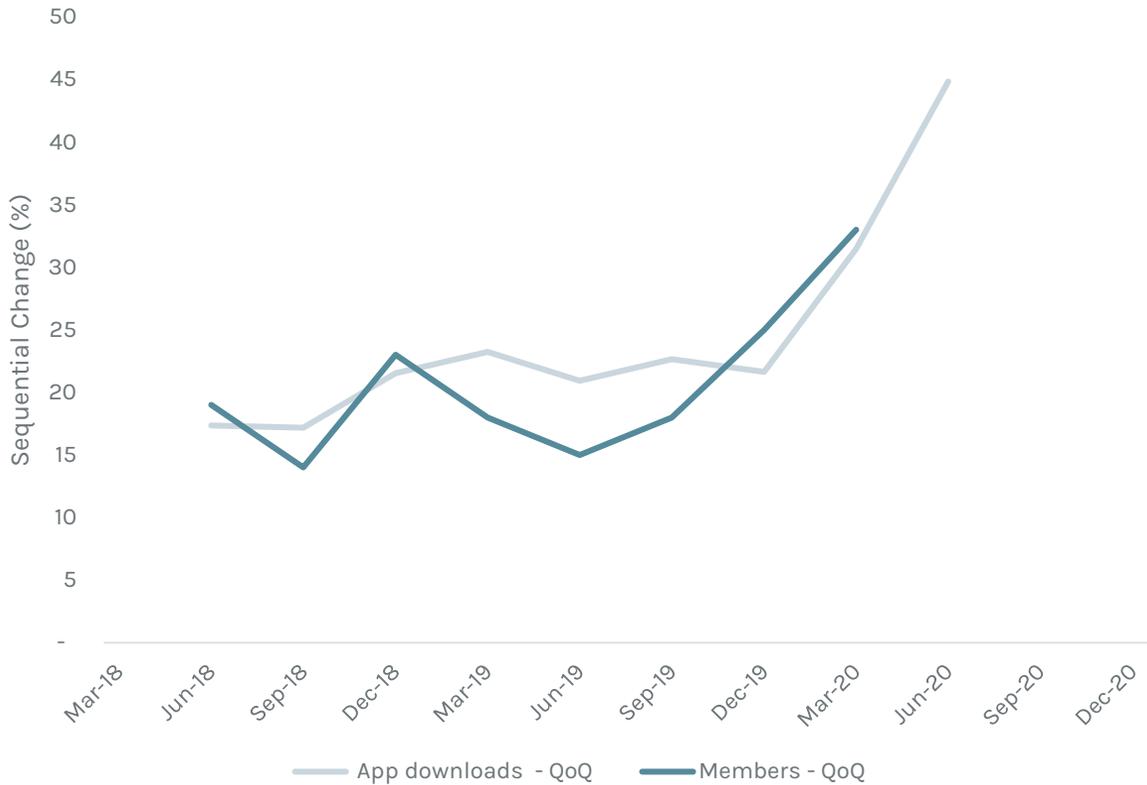
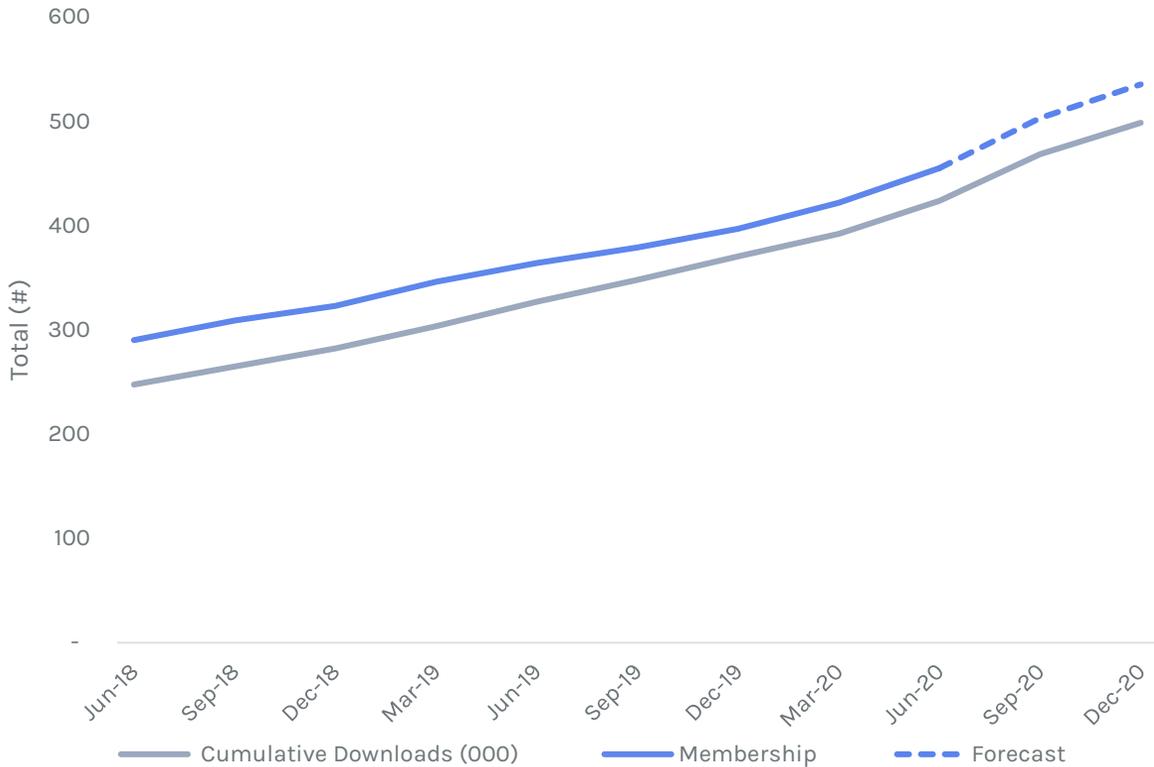
Sustained Uptick as Economies Re-Open



Quarterly Pace is Elevated



App Download Data Tracking Membership

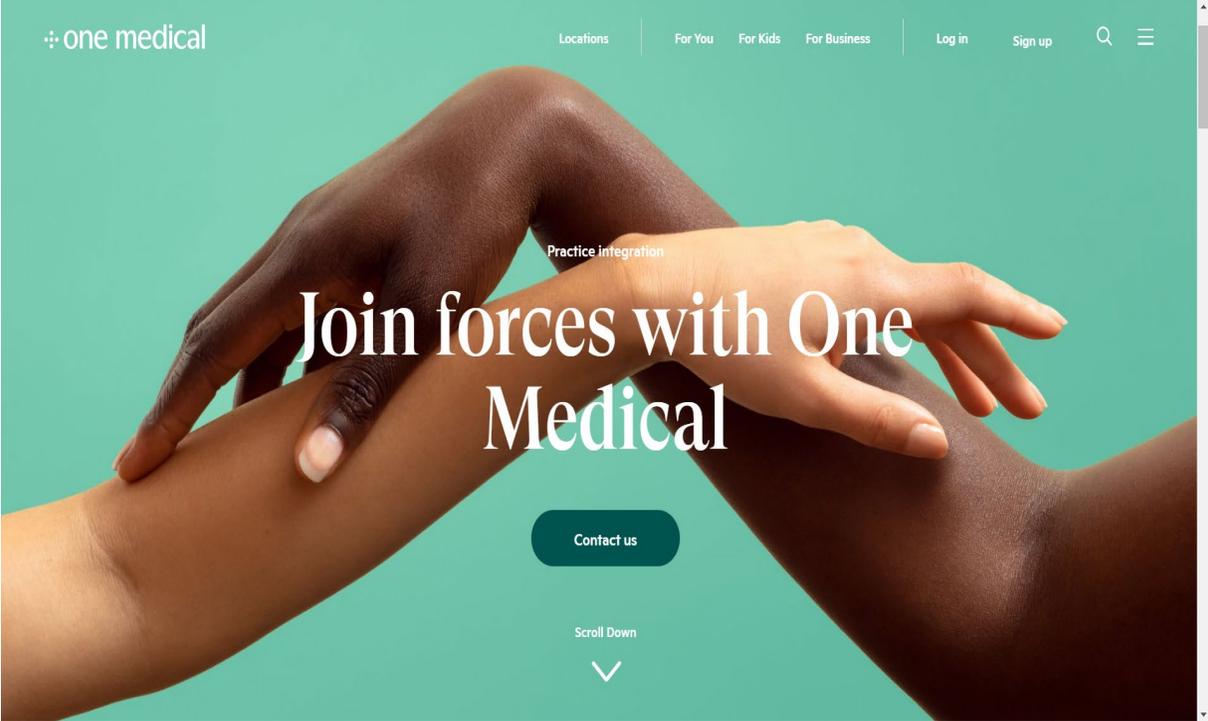
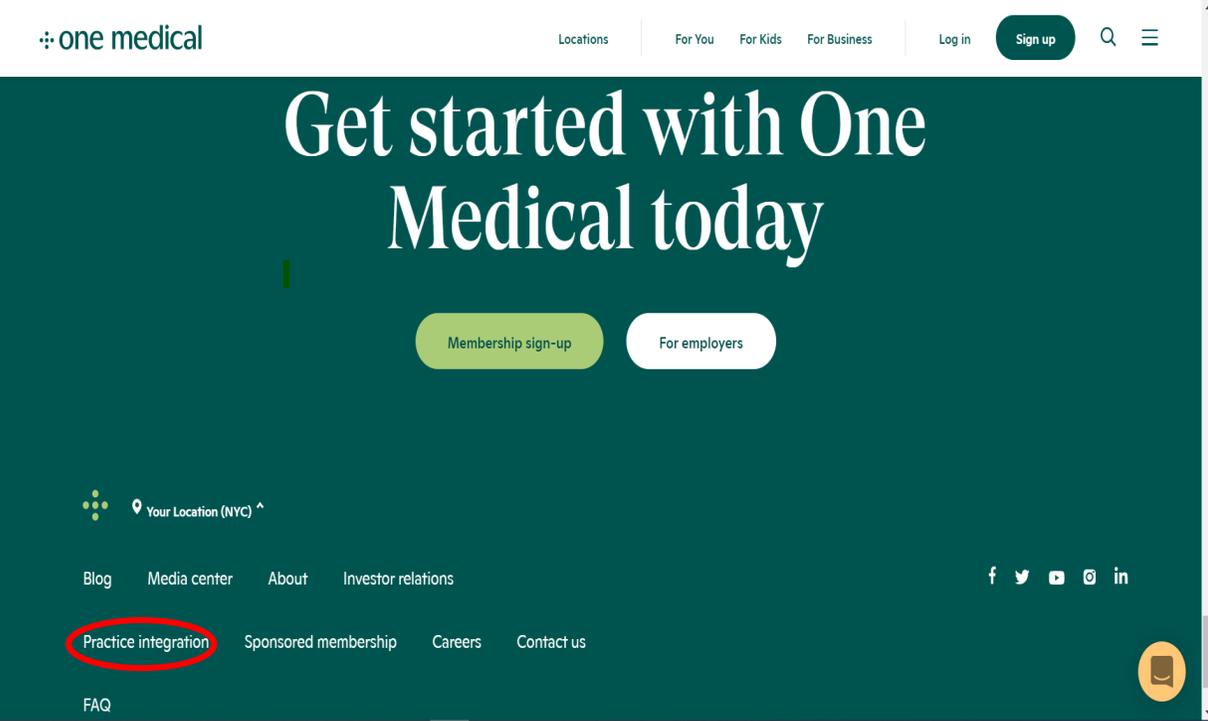


The relationship between app downloads and members remains solid.

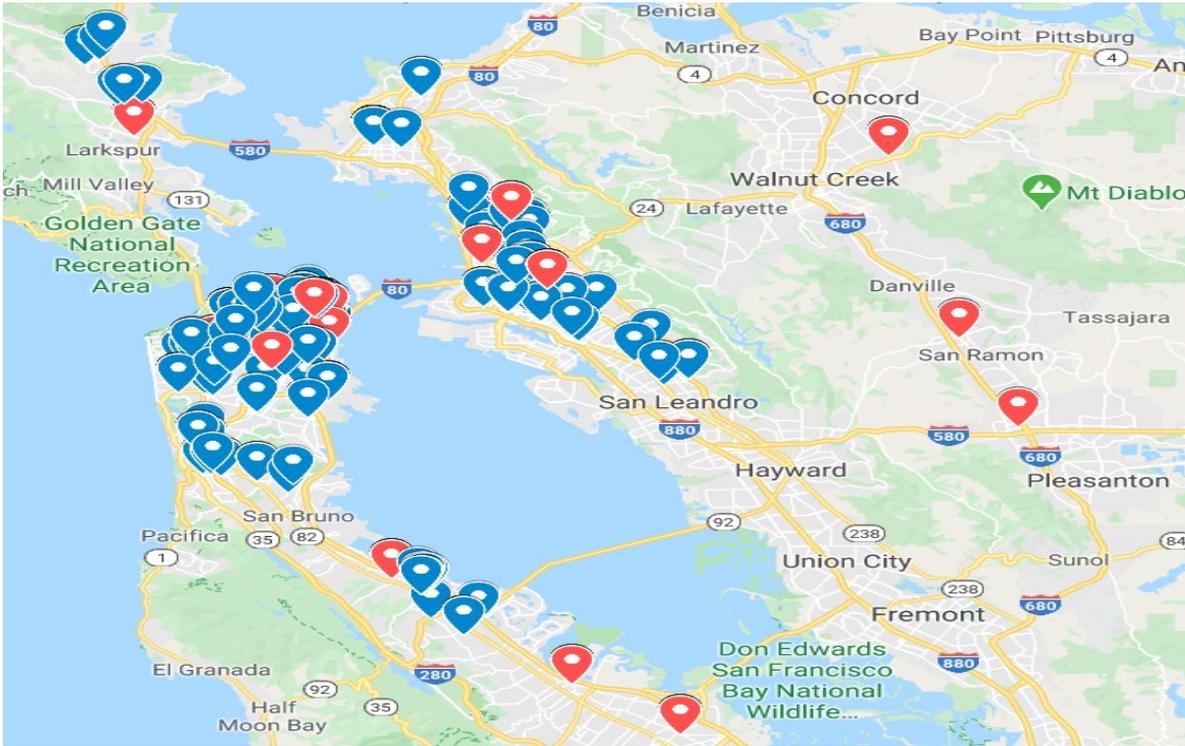
Based on the current pace through June 1, member growth or activation should be significantly higher sequentially, and ahead of the guidance range.

Practice Integration at One Medical

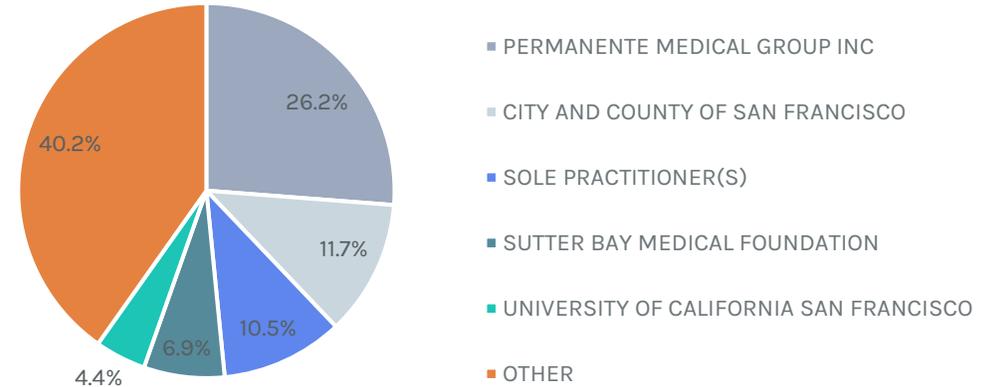
New website offering to integrate existing practices with their network



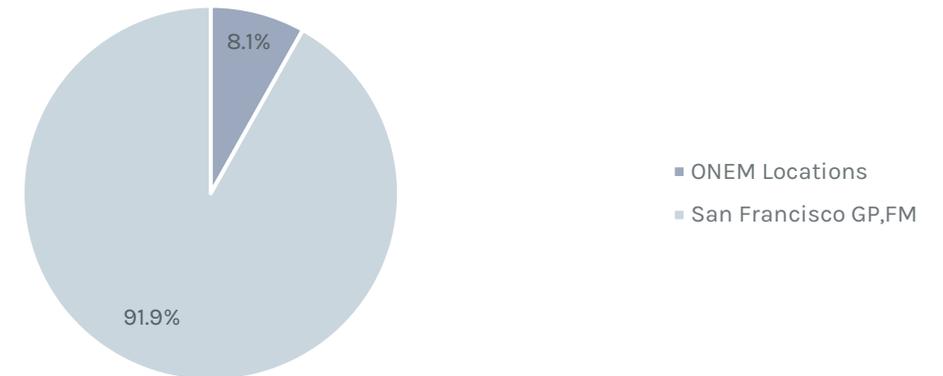
San Francisco, CA



Top 5 Organizations



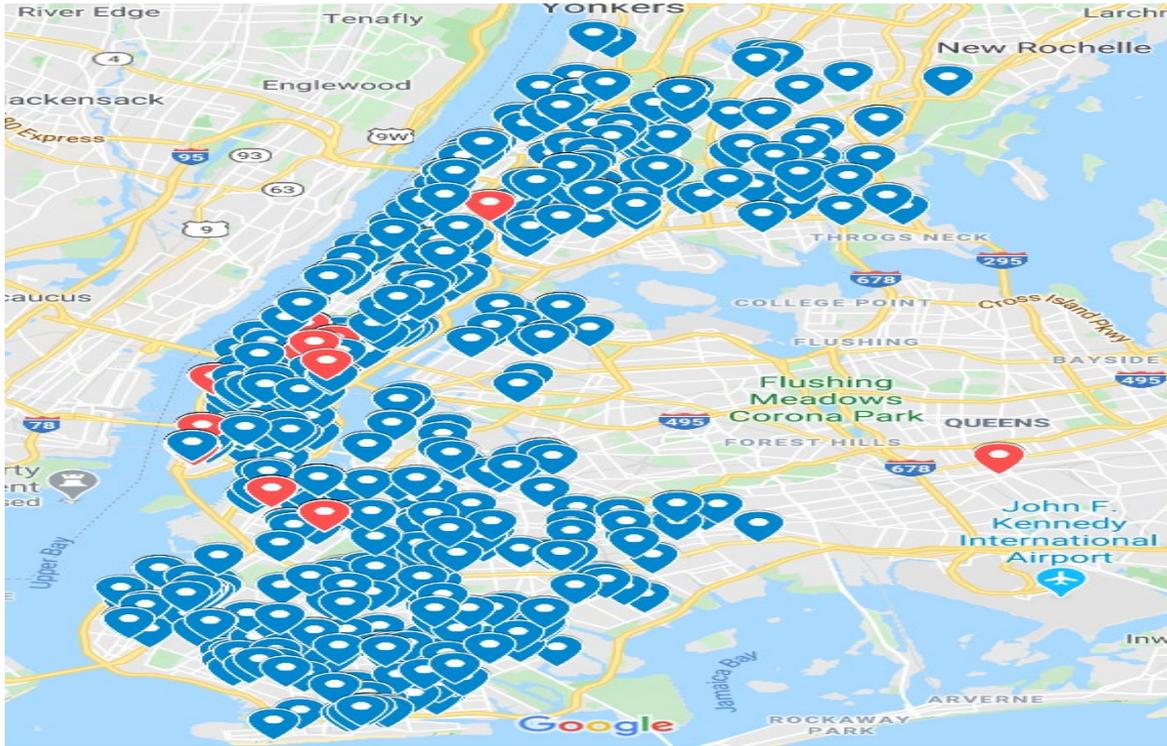
Market Penetration



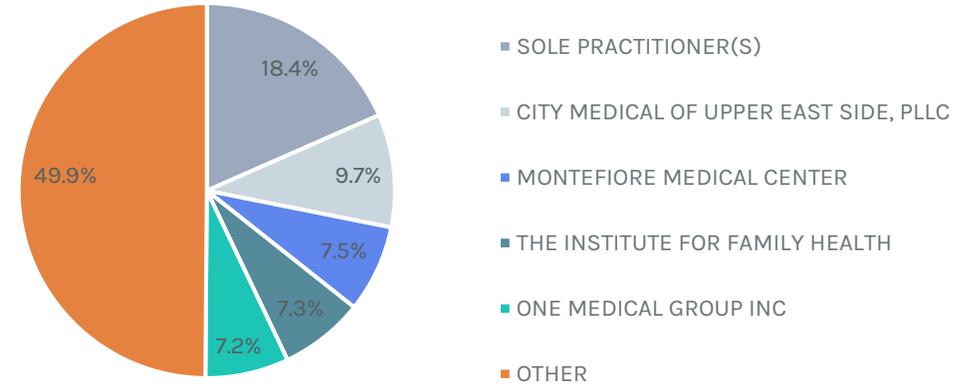
City Commentary

- San Francisco is one of the first and most important markets to ONEM's early success. Positive patient and enterprise client experiences in this market propelled the business's early success.
- Primary Partner Health System: UCSF Health
- Known ONEM Reassignment Organizations: Providence Saint Johns Medical Foundation, University Of California San Francisco, Regents Of The University Of California, Sutter Bay Medical Foundation, Permanente Medical Group Inc, University of California SFGH Medical Group, UCSF Pediatrics Associates, Dignity Health Medical Foundation, Alameda Health System, Lifelong Medical Care, and 18 more

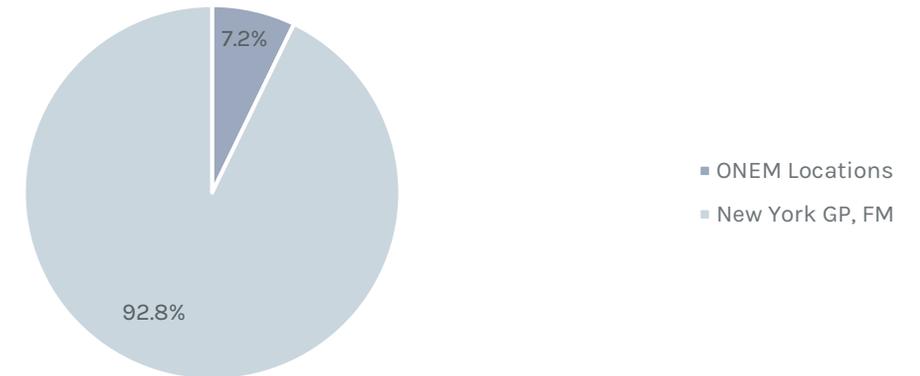
New York, NY



Top 5 Organizations



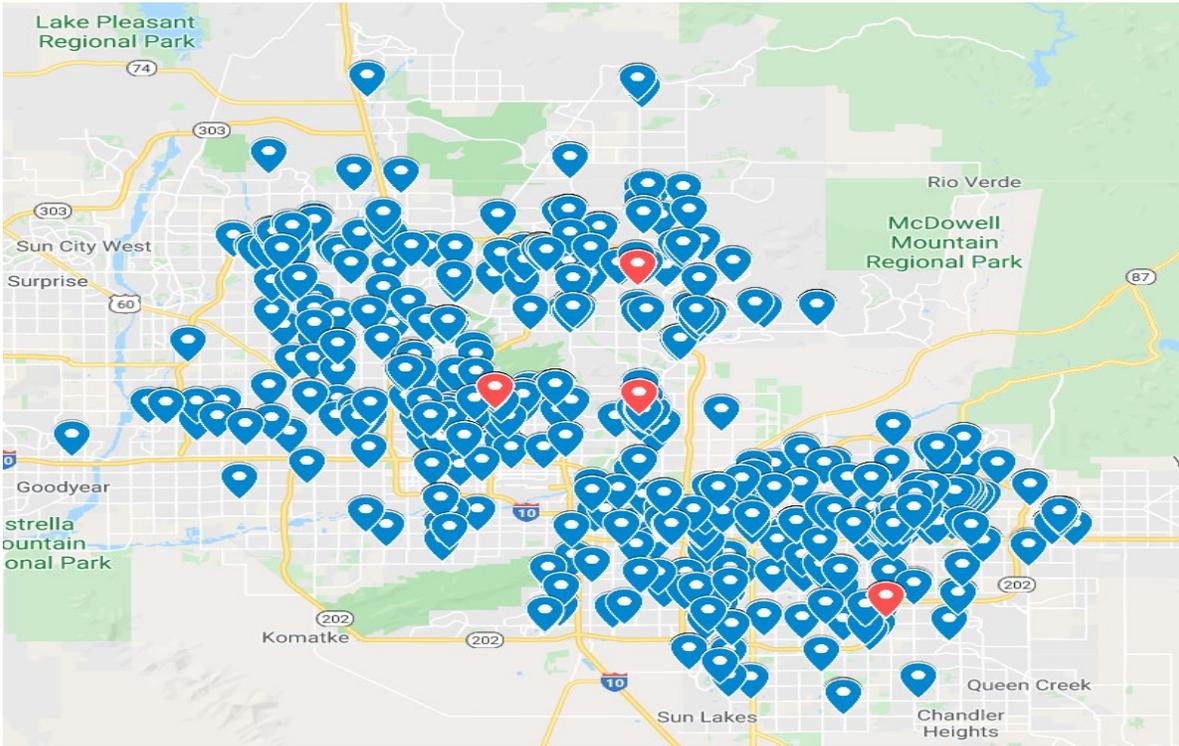
Market Penetration



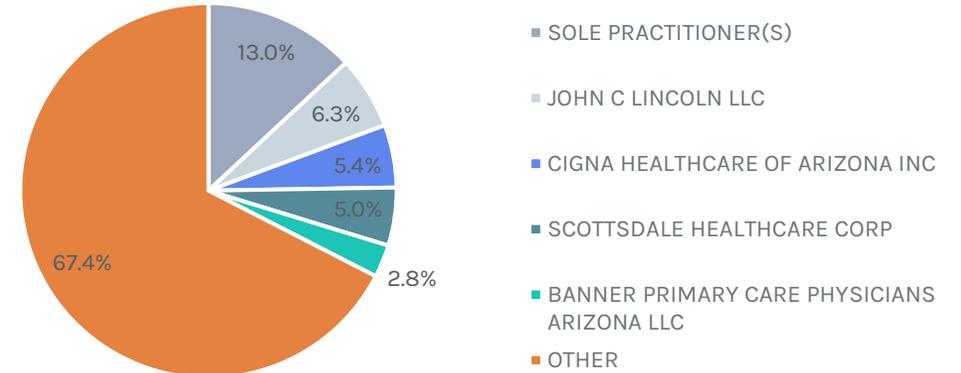
City Commentary

- Primary Partner Health System: Mount Sinai School of Medicine
- Known ONEM Reassignment Organizations: Mount Sinai School of Medicine, The Institute for Family Health, Community Healthcare Network Inc, City Medical of Upper East Side, PLLC, New York University, Hemant Patel Physicians PLLC, St. Claire Medical, PLLC, AdvantageCare Physicians PC, Icahn School Of Medicine At Mount Sinai, and 13 more

Phoenix, AZ



Top 5 Organizations



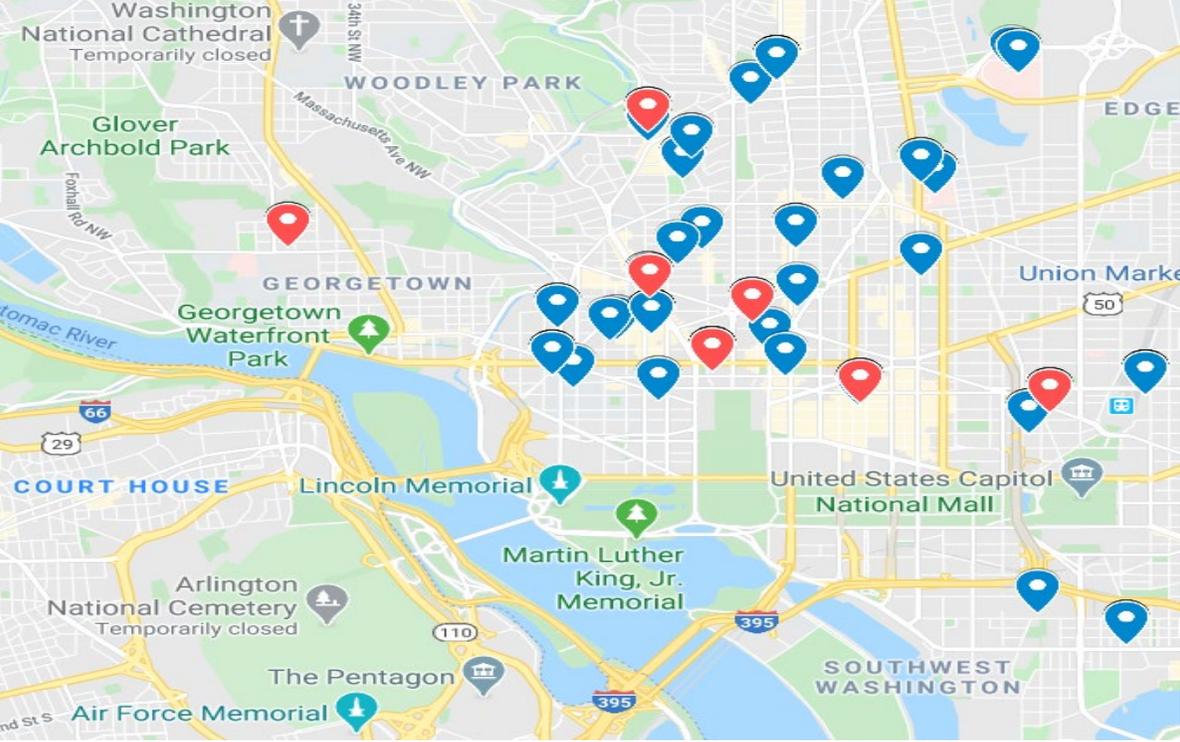
Market Penetration



City Commentary

- Phoenix was the city our experts were most excited about given the unique penetration of sole practitioner practices in the area (13%).
- Primary Partner Health System: Dignity Health
- Known ONEM Reassignment Organizations: Cigna Healthcare Of Arizona Inc, Valle Del Sol Inc, Carlton A Richie III Do Plc, Tatum Ridge Internal Medicine PLC, Maricopa County Special Health Care District, SJHMC Physician Services C/O Dignity Health, and Hatfield Medical Group Inc

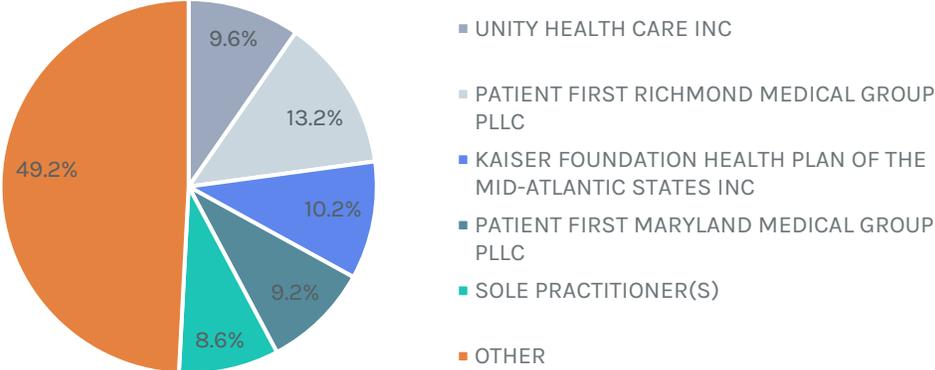
Washington, DC



City Commentary

- Primary Partner Health System: N/A
- Known ONEM Reassignment Organizations: Fairfax Family Practice Centers PC, Community of Hope, Inc, Minute Clinic LLC, Providence Health Services Inc, Medics USA Medical Center, Inc, Medical Faculty Associates, Inc, Family Healthcare, P.C., Unity Health Care Inc

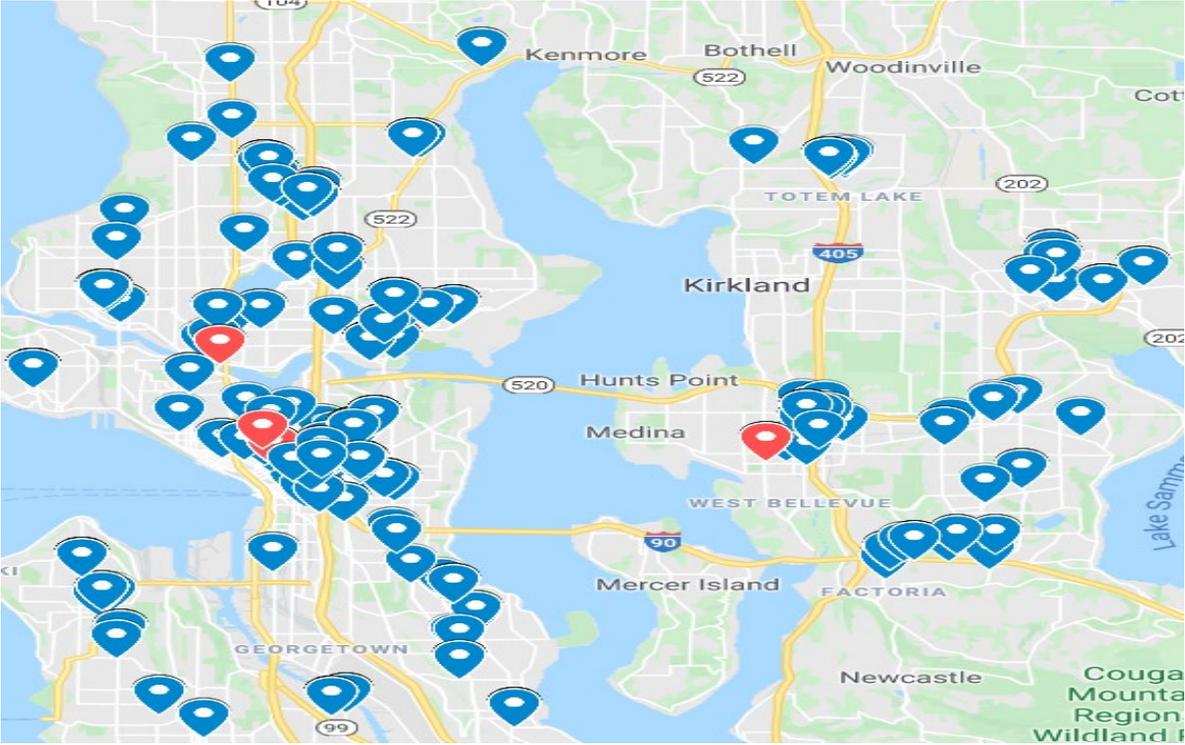
Top 5 Organizations



Market Penetration



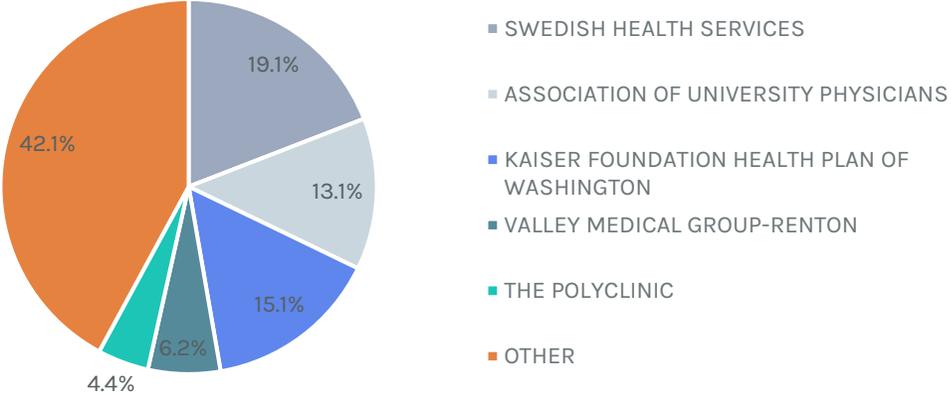
Seattle, WA



City Commentary

- Primary Partner Health System: Providence St. Joseph
- Known ONEM Reassignment Organizations: Swedish Health Services, Creekside Medical PS, Concerto Medical Group of Washington PC, and Douglas, Grant, Lincoln & Okanogan Counties Public Hospital District 6

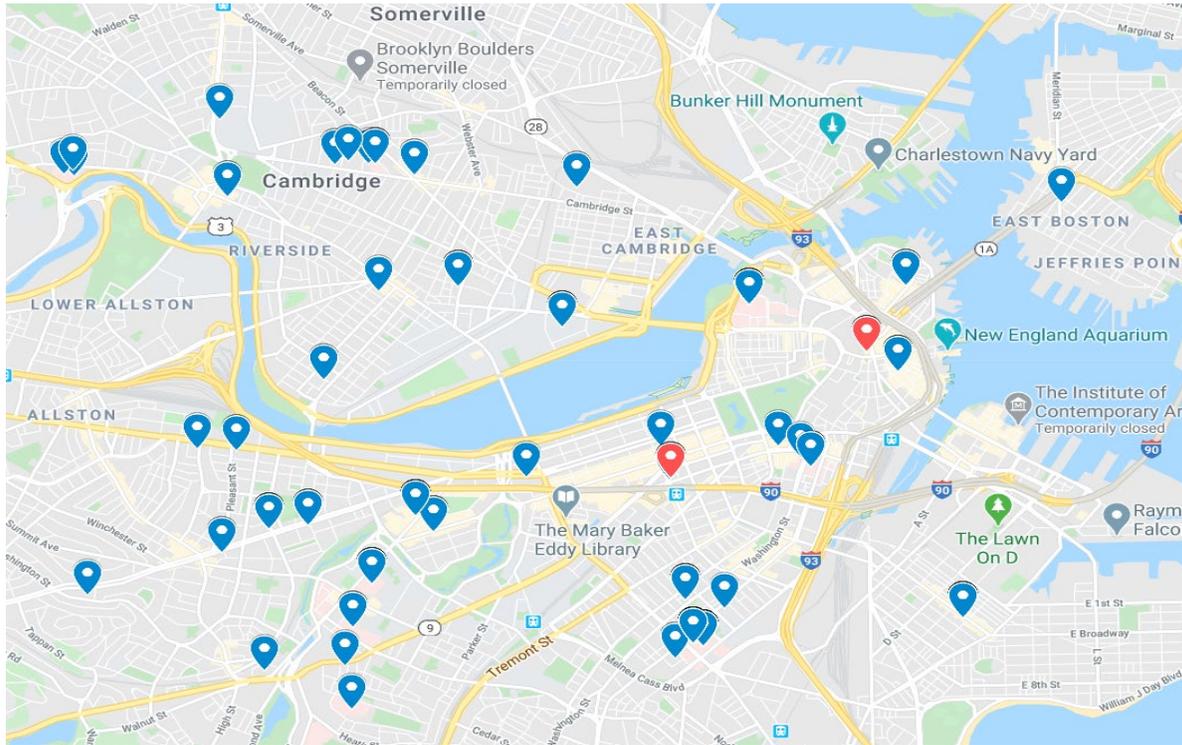
Top 5 Organizations



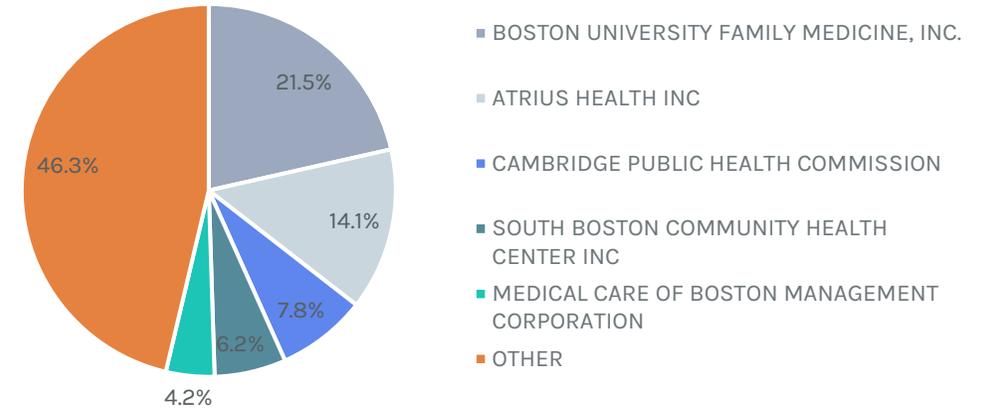
Market Penetration



Boston, MA



Top 5 Organizations



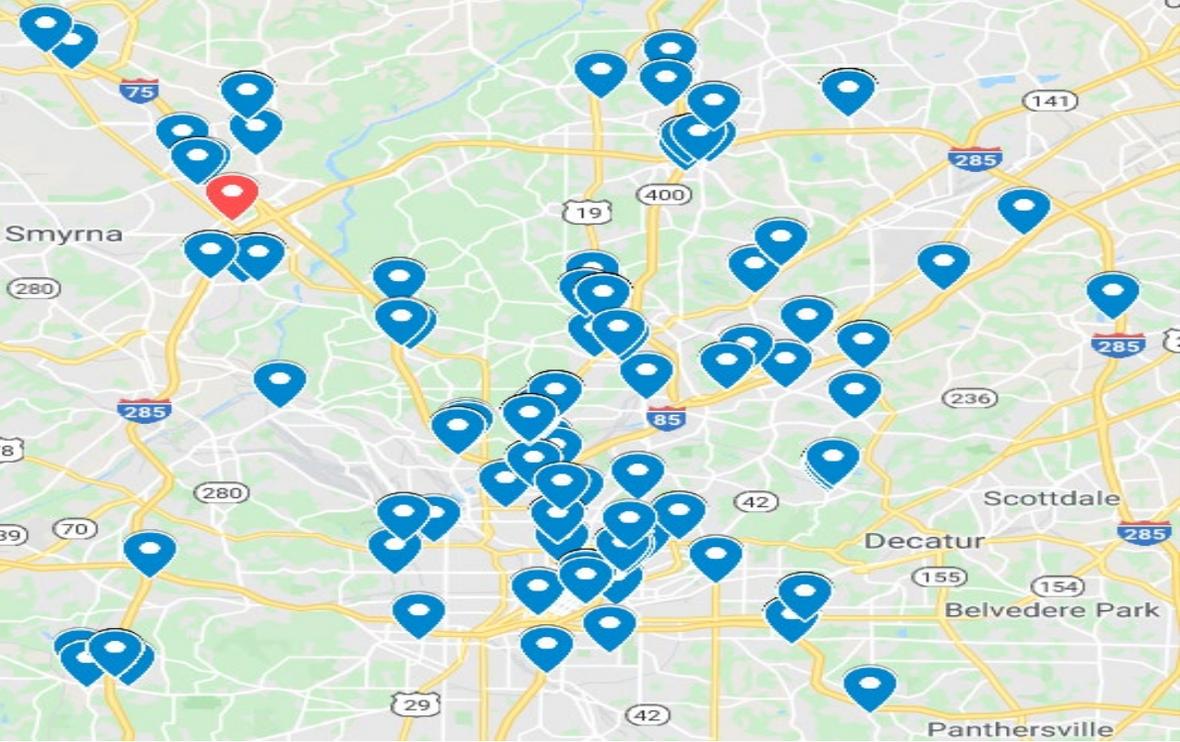
Market Penetration



City Commentary

- Despite minute ONEM penetration, Boston's General Practice and Family Medicine Landscape is dominated by many larger organizations. We believe this will make it hard for ONEM to grow their footprint in this market.
- Anecdotally, we have heard that Boston is a market that management once had high hope for given the potential for hospital partnerships and high-income establishments, but never really took off in its early stages of development.
- Primary Partner Health System: Massachusetts General Brigham
- Known ONEM Reassignment Organizations: Atrius Health Inc, Lynn Community Health Inc, Brigham & Womens Hospital Inc, Lahey Clinic Inc, Valley Medical Group, P.C., & Carewell Urgent Care Centers of MA, PC

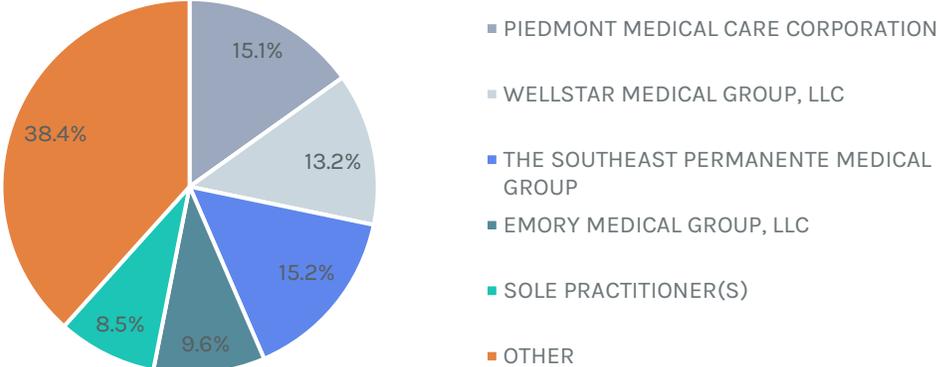
Atlanta, GA



City Commentary

- Atlanta has been targeted as an expansion market for this year. By June 1, 2020, ONEM has opened one office in the area operated by 1 known provider.
- Primary Partner Health System: Emory Healthcare
- Known ONEM Reassignment Organizations: South Fulton Emergency Physicians, LLC

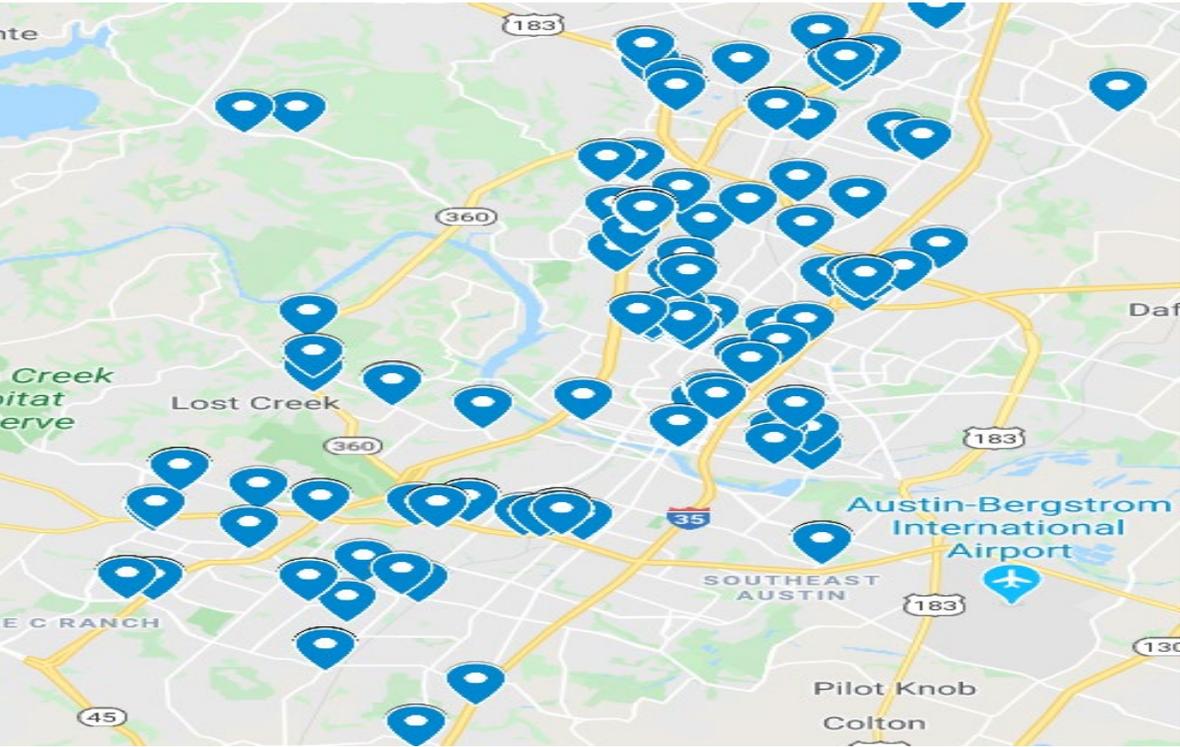
Top 5 Organizations



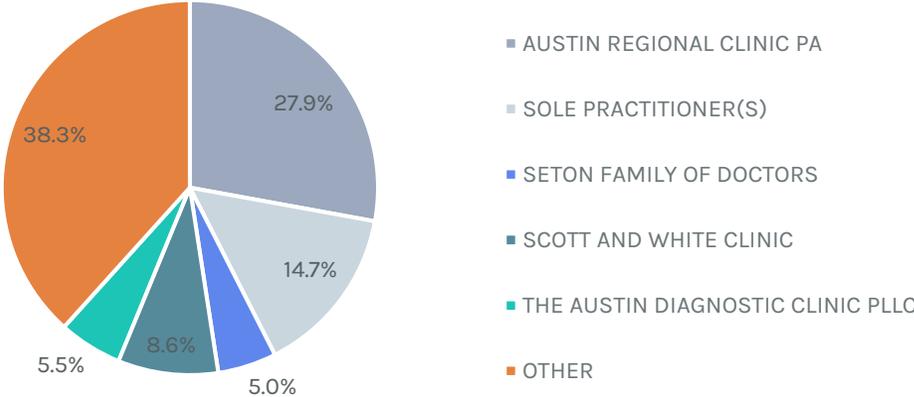
Market Penetration



Austin, TX



Top 5 Organizations



Market Penetration

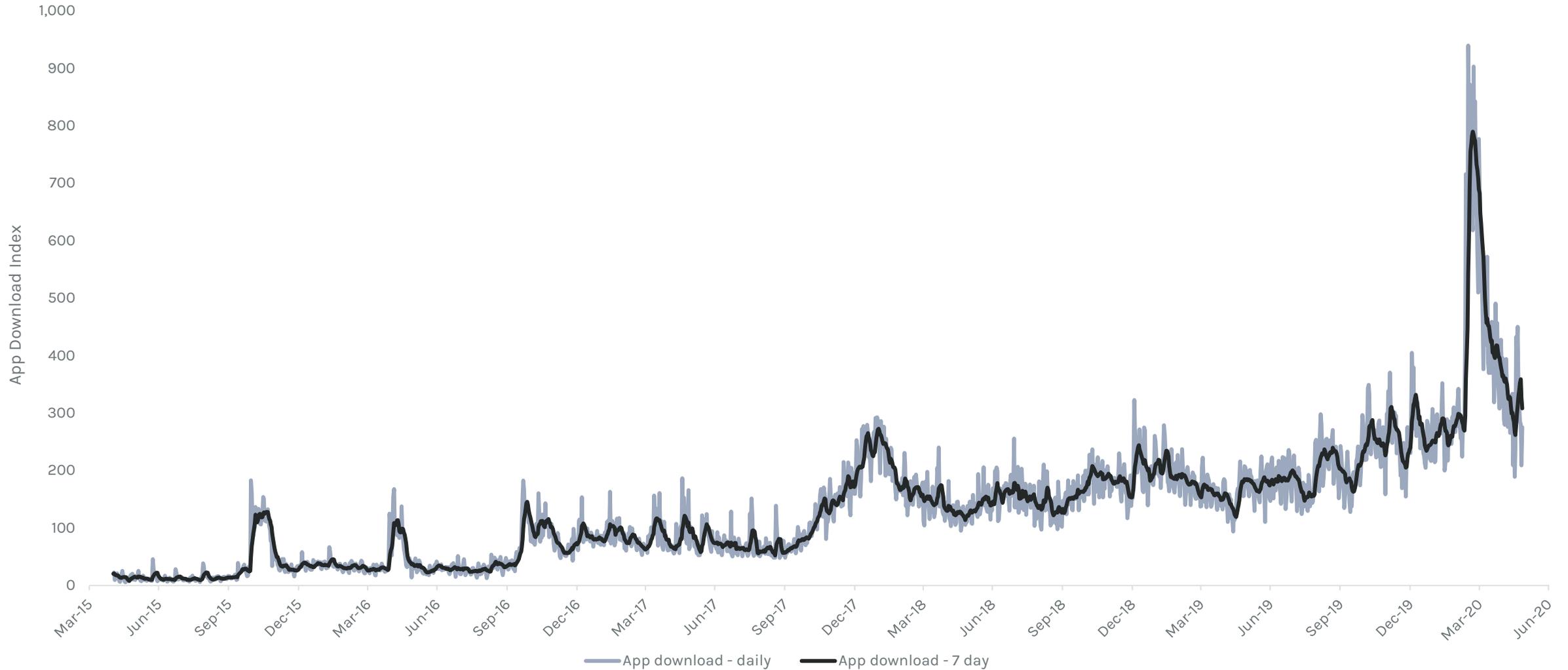


City Commentary

- Although One Medical has not yet opened an office in Austin, we will be able to use the screening tools we have developed to track its progress as it goes live later this year.
- Primary Partner Health System: Ascension Healthcare
- Known ONEM Reassignment Organizations: Ellis County Medical Associates

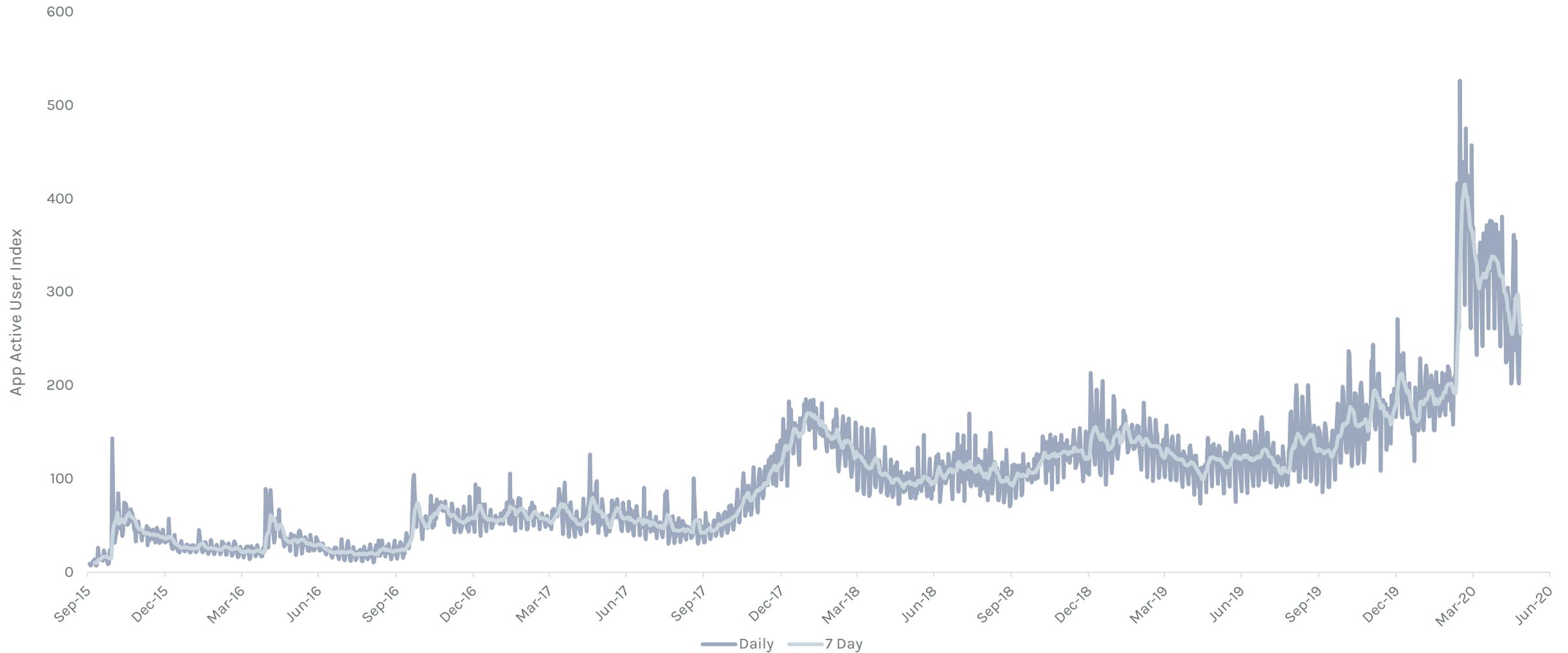
TDOC App Download Index

Daily and trailing 7-day app download user index, spiked to 5X pre-COVID



TDOC App Active User Index

Daily and trailing 7-day app active user index +40% versus January 2020



For more information, contact us at:

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