

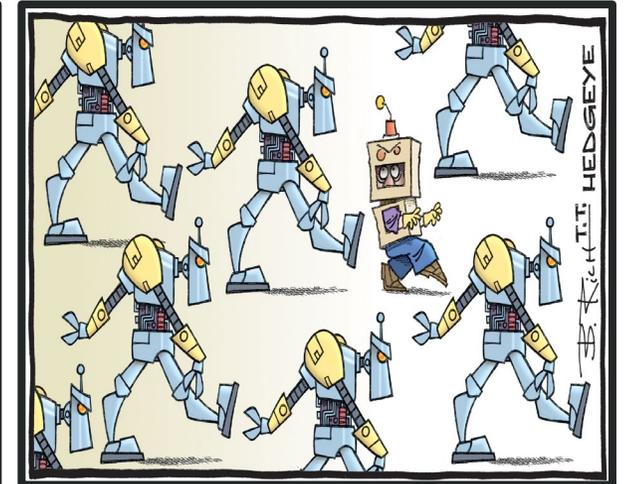
HEDGEYE



# Health Care Position Monitor Update

Telehealth Field Notes, ONEM Tracker, ILMN Results, Microquad & Macro Data Update

November 2, 2020



## Hedgeye Health Care

Tom Tobin, Managing Director, Health Care

Ttobin@Hedgeye.com

@HedgeyeHC

William McMahon, Analyst, Health Care

Wmcmahon@Hedgeye.com

@HedgeyeMed

Justin Venneri, Director, Primary Research

Jvenneri@hedgeye.com

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# Health Care Position Monitor

For Week of November 2, 2020

Best Ideas - Longs					Best Ideas - Shorts						
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
<b>Active Longs</b>					<b>Active Shorts</b>						
ONEM	1Life Healthcare, Inc.	\$ 28.21	\$3.6B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 65.28	\$3.1B	×	×
TXG	10x Genomics Inc Class A	\$ 136.90	\$10.7B	✓	✓	EXAS	Exact Sciences Corporation	\$ 123.83	\$19.7B	×	×
GH	Guardant Health, Inc.	\$ 106.66	\$10.6B	✓	✓						
TDOC	Teladoc Health, Inc.	\$ 196.46	\$16.6B	✓	✓						
<b>Long Bias</b>					<b>Short Bias</b>						
NTRA	Natera, Inc.	\$ 67.26	\$5.7B			HRC	Hill-Rom Holdings, Inc.	\$ 91.07	\$6.1B		
ILMN	Illumina, Inc.	\$ 292.70	\$42.8B			MASI	Masimo Corporation	\$ 223.82	\$12.3B		
						AMWL	American Well Corporation Class A	\$ 25.81	\$5.1B		
						NVTA	Invitae Corp.	\$ 39.21	\$5.8B		

## 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.

# Field Work Update | November 3, 2020

We spoke with 3 telehealth/RPM executives, a lab director, and an executive at Color last week, as well as hosted a live interview & Q&A w/ Amnon Givesh on 10/30...

## Liquid Biopsy & NGS

- **Consistent feedback on early detection challenges and the need for improved sensitivity data and prospective studies.** That said, everyone is working on it, and EXACT's acquisition of Thrive Early Detection looks like a good deal.
  - **There are a plethora of new sensors and tests coming to the market over the next 12 months.**
  - Capital continues to flow into the space.
  - **Questions and anticipation mounting around Grail/Galleri data (it's a "black box").**
  - Guardant360's momentum appears to be sustainable near term, and Natera's moat around Signatera looks defensible for now.

**We're hosting a live discussion & Q&A with former Myriad CEO Mark Capone on Tuesday, Nov 3. Discussion topics include, but are not limited to:**

- Reactions to Illumina's 3Q results and Exact's acquisition of Thrive.
- Overall outlook for liquid biopsy tests like Guardant's Guardant 360 (and Lunar), Grail's Galleri, and Thrive's, and others.
- "End markets" like early detection, companion diagnostics/therapy selection, and recurrence monitoring/residual disease.
- Sensitivity, specificity - what do you think clinicians need to see?
- Pharma / clinical trials market opportunity.
- Policy developments and risks to watch.

## Telehealth & RPM

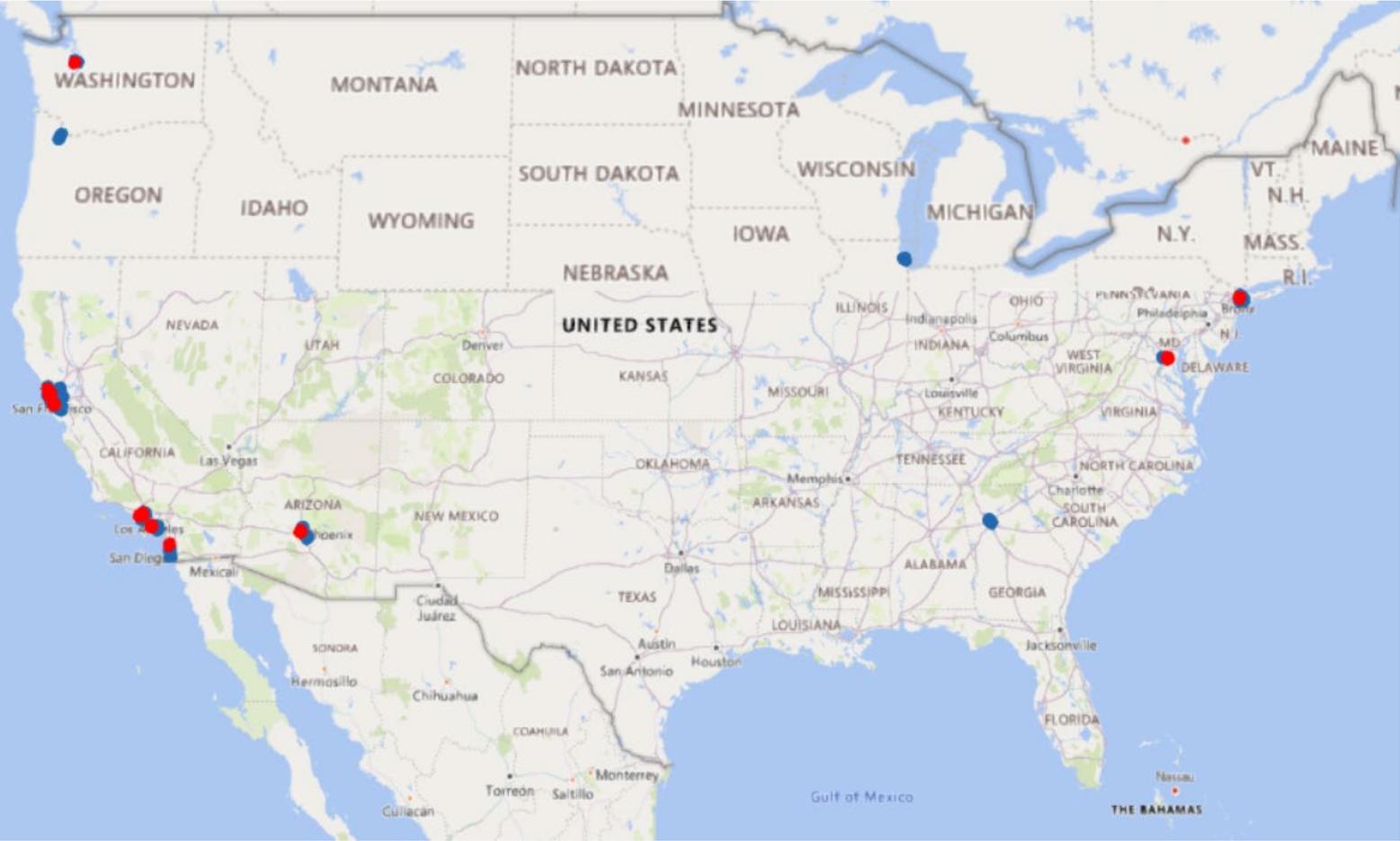
- Amwell continues to dominate the health system market but faces imminent competition from Epic as the EMR provider launches/pushes its own platform (heard 2x).
- Doximity picked up some major visit volume at the peak of the pandemic opportunistically (150k+ visits per day). With the benefit of hindsight, its simple, reliable solution was hugely helpful during the initial wave.
- Core RPM and telehealth names: TDOC/LVGO and AMWL are well-positioned, but Teladoc is playing catch-up as it pivots its model from a "doctor in the cloud" service offering to patient engagement (chronic care, w/ Livongo).
- While at very early stages, remote patient monitoring (RPM), artificial intelligence (AI), and natural language processing (NLP) are maturing rapidly and will extend the physician's reach from the exam room, through the smartphone, and ultimately to passive monitoring and chronic care systems that prompt patients and providers.
  - 98point6 mentioned favorably 2x last week, with the AI-based chat -> human system offering a clean patient experience.
  - There's a huge opportunity for PT and niche apps like SWORD Health, Kaia, and Hinge Health, as well as other specialty care (Hims, Roman, etc.).

**Telehealth & Remote Monitoring | Keep It Simple** - [CLICK HERE](#) to access the associated note.

**Telehealth & Remote Monitoring | American Well-Positioned** - [CLICK HERE](#) to access the associated note.

# Provider Tracker | November 2020

## ONEM Continues to Add Roughly 20 Providers/Month Throughout the Muted Flu Season



1life Healthcare Inc. (ONEM) Provider Tracker						
	June	July	August	September	October	November
Existing	577	603	612	618	635	645
New	6	0	7	20	18	21
Turnover	0	3	1	3	8	0
<b>Total</b>	<b>583</b>	<b>600</b>	<b>618</b>	<b>635</b>	<b>645</b>	<b>666</b>

**Legend:** Red dots indicate a new provider has been added during October 2020 (may be more than one/location). Blue dots show existing ONEM providers. ONEM currently operates in 12 markets, has targeted 4 more (Next: Houston).

**Tracker Note:** ONEM opened 3 new offices in New York, California, and Washington during September and October.

# Provider Tracker | 3Q 2020 Results

One Medical added 45 providers in 3Q20 sequentially

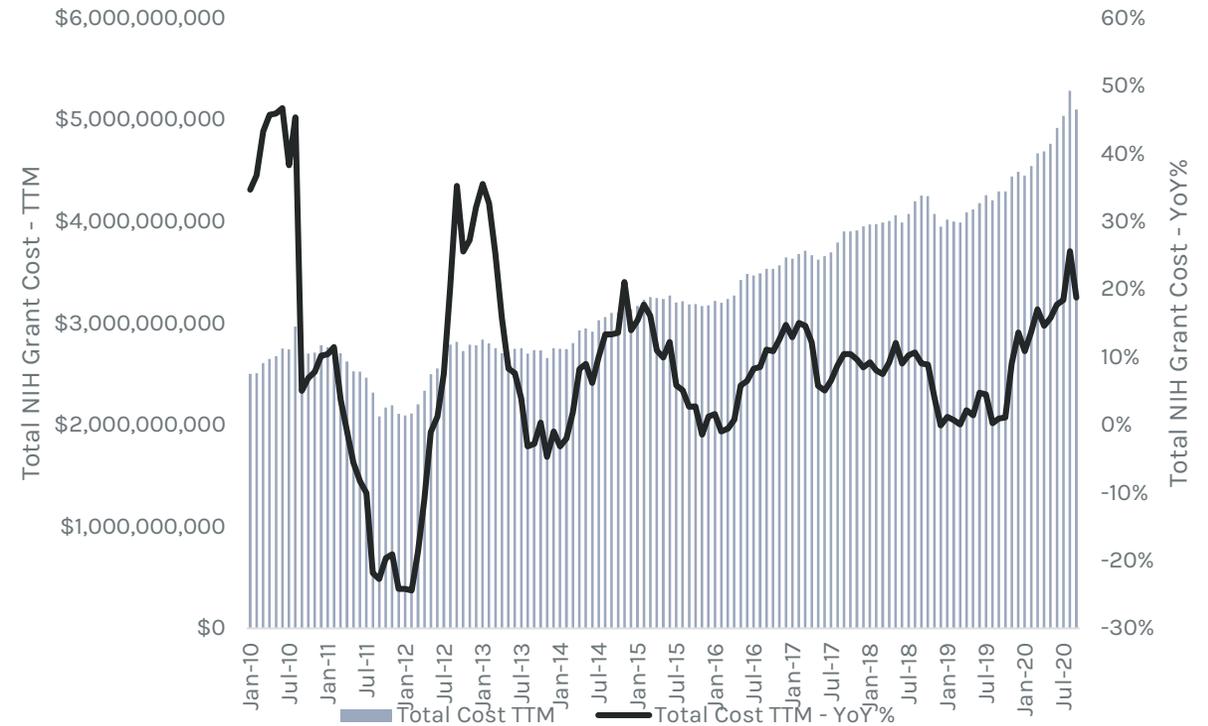
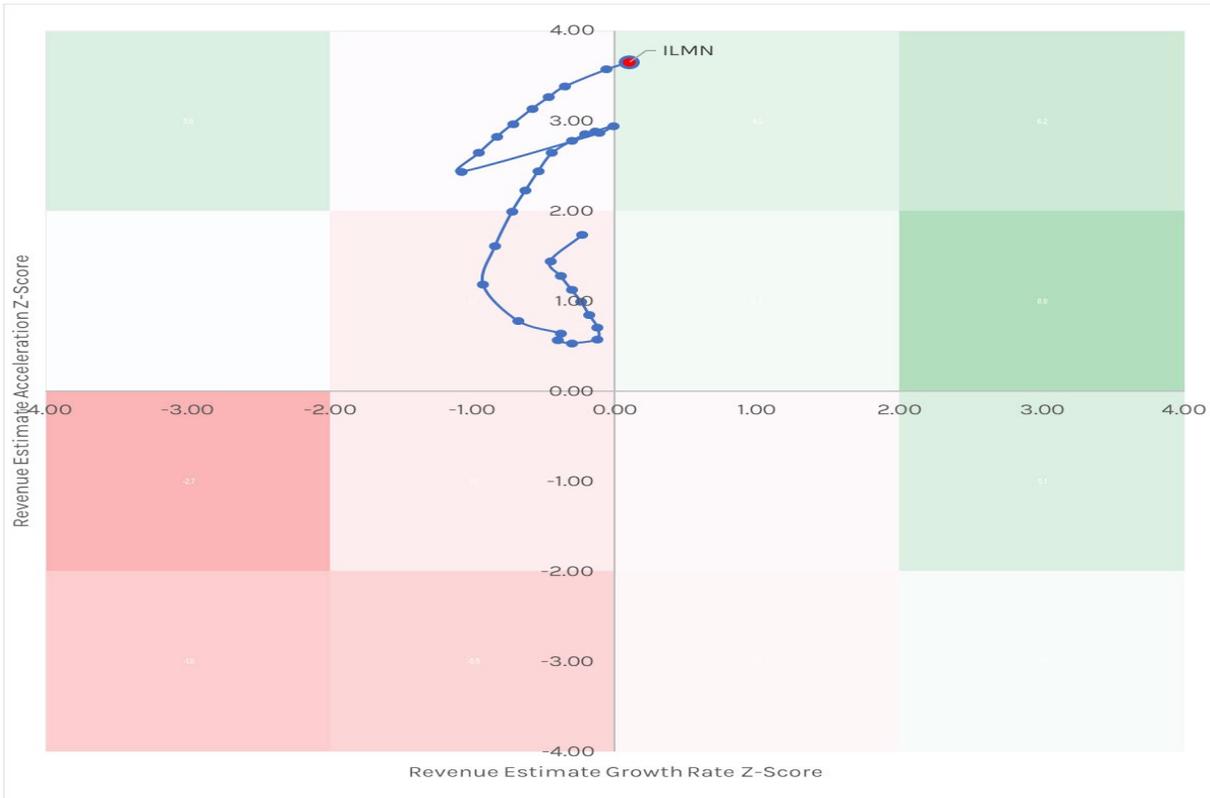
Provider Tracker	May 19, 2020	June 1, 2020	June 8, 2020	June 16, 2020	June 24, 2020	June 29, 2020	July 15, 2020	August 5, 2020	August 31, 2020	September 29, 2020	October 28, 2020
Active	577	577	583	580	592	603	600	612	618	635	645
Active - New	0	6	0	16	11	0	13	7	20	18	21
Inactive	0	0	3	4	0	3	1	1	3	8	0
<b>Total - End</b>	<b>577</b>	<b>583</b>	<b>580</b>	<b>592</b>	<b>603</b>	<b>600</b>	<b>612</b>	<b>618</b>	<b>635</b>	<b>645</b>	<b>666</b>

Specialty/Taxonomy	May 19, 2020	June 1, 2020	June 8, 2020	June 16, 2020	June 24, 2020	June 29, 2020	July 15, 2020	August 5, 2020	August 31, 2020	September 29, 2020	October 28, 2020
Family Medicine	135	135	135	139	139	139	144	146	150	155	161
Internal Medicine	71	72	72	72	71	71	71	72	77	78	79
Physician Assistant	110	111	111	112	115	115	123	126	129	131	131
Registered Nurse	7	7	7	7	7	7	7	7	8	8	10
Nurse Practitioner	116	118	118	116	118	118	120	119	121	129	128
Other	138	140	137	146	153	150	147	148	150	144	157
<b>Total</b>	<b>577</b>	<b>583</b>	<b>580</b>	<b>592</b>	<b>603</b>	<b>600</b>	<b>612</b>	<b>618</b>	<b>635</b>	<b>645</b>	<b>666</b>

Through the end of 3Q20 we identified 645 providers, an increase of 45 providers, or 7.5% sequentially. The increase reflects expansion on both a same practice basis, and through new practice openings.

# ILMN 3Q20 | NIH Tailwind

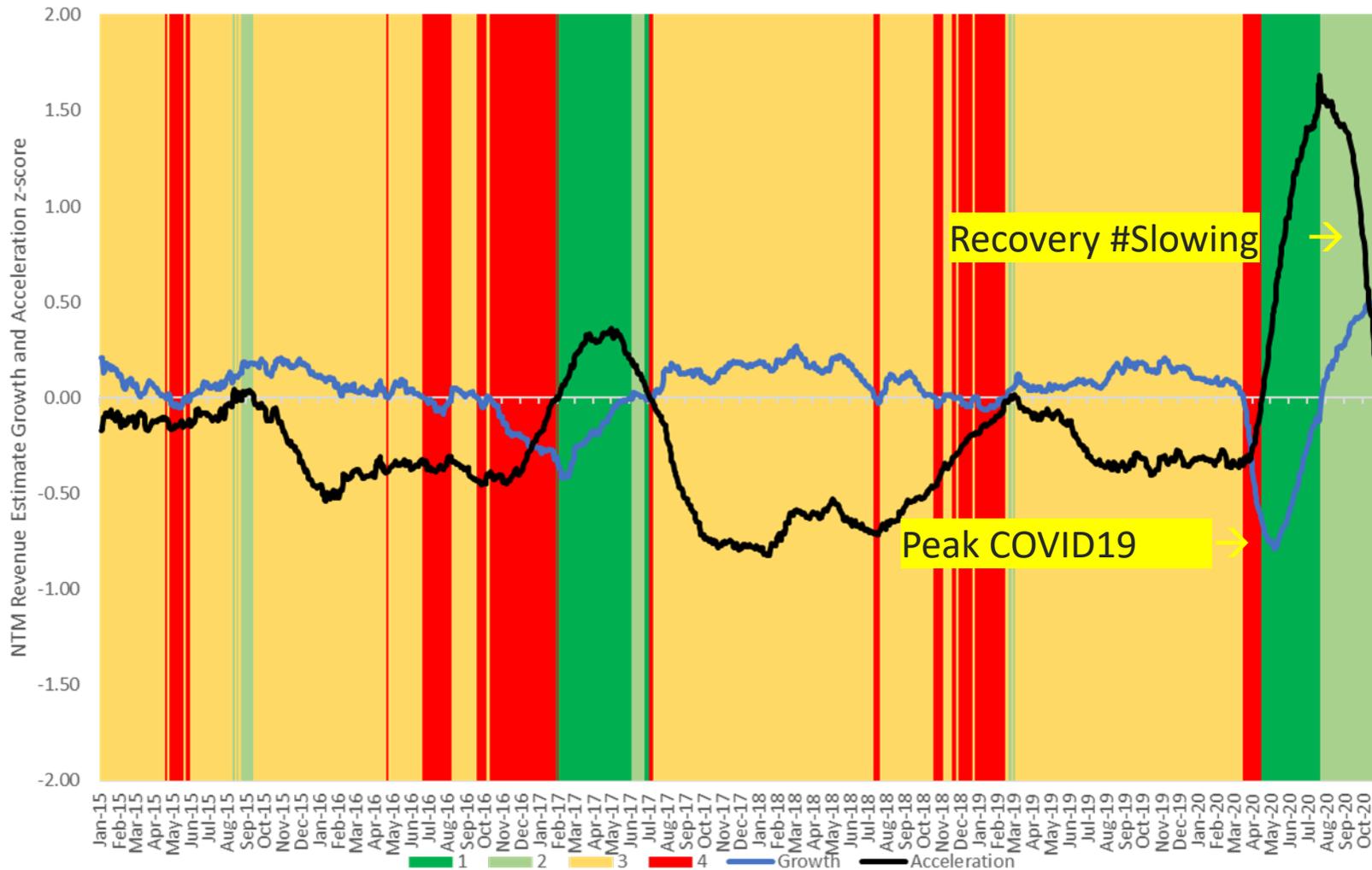
Capital raising in 'Genomics' and strong NIH grant trend, Grail/Galleri questions building



Last week, ILMN beat their lowered guidance, and the recovery seems to have multiple tailwinds into 2021. The long-term opportunity for Grail, while quite expensive to acquire, continues to look attractive as we run our checks.

# Estimate Revision Trend is Decelerating

Past the peak for the post-COVID19 recovery



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

The output employs a standardized method to describe and compare estimate trends for revenue, EBITDA, and EPS.

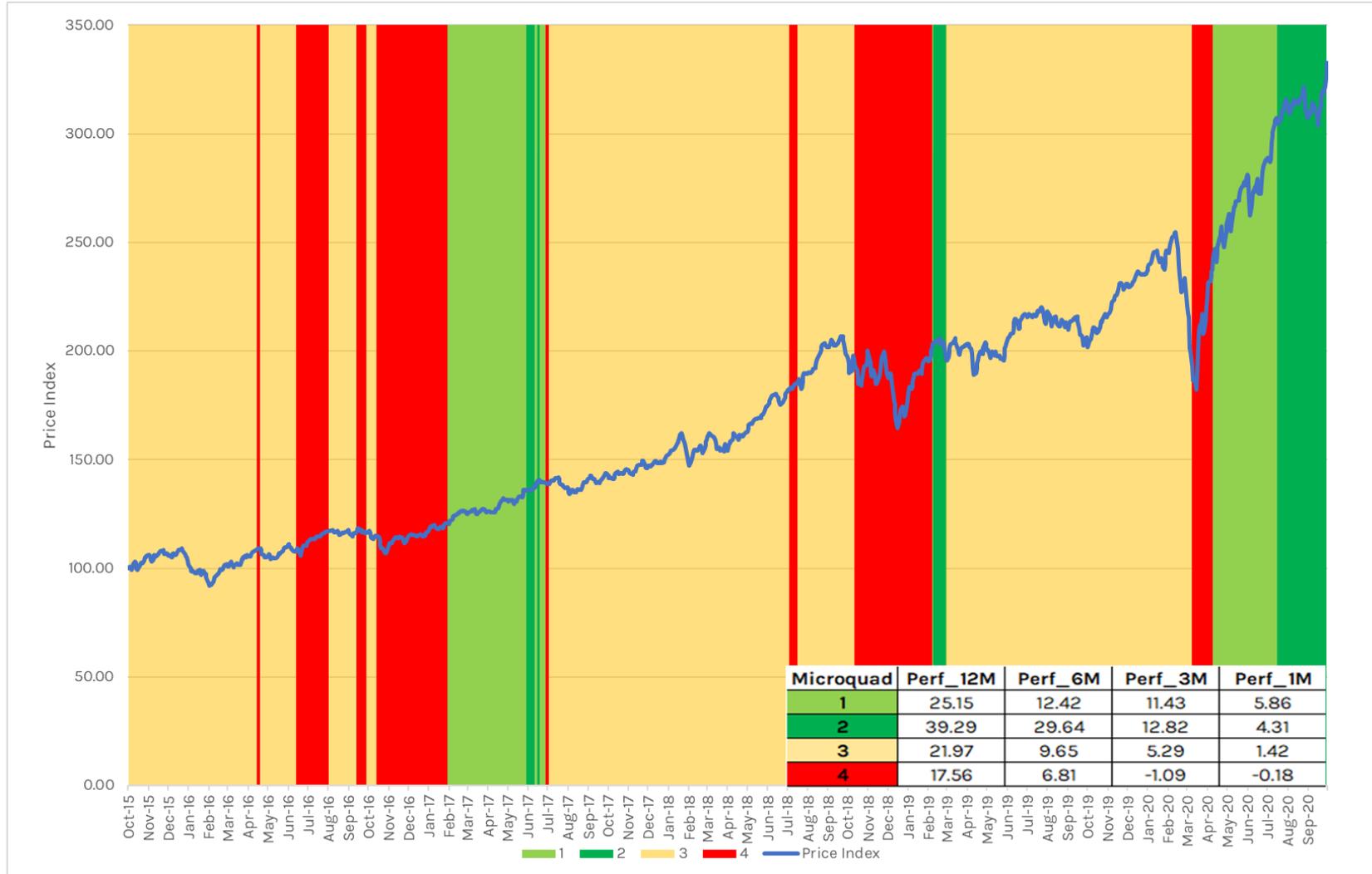
This chart displays the average of the estimate trend across our Healthcare universe and assigns a one of 4 microquads based on the +/- positioning of the two factors.

After a sharp Microquad4 downturn, the impact from COVID19 peaked on 4/16/2020, marking the beginning of the fundamental recovery.

As of 10/30/2020 the recovery is near complete and passing into Microquad 3.

# Price Index

## Past the peak for the post-COVID19 recovery?



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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.

As of 10/16/2020 the recovery is ongoing but showing signs of slowing.

# Microquad Screen | October 30, 2020

## Microquad1

AMGN
AMN
CERN
EHC
EXAS
HMSY
HRC
HUM
LHCG
PRAH
PRGO

## Microquad2

A	HCA	PEN	WAT
ABMD	IART	PODD	ZTS
ALGN	ICUI	RMD	
AMED	ILMN	SEM	
BAX	IRTC	STAA	
BSX	ISRG	STE	
CNMD	LLY	SYK	
COO	MDT	TECH	
EW	MMSI	TFX	
GKOS	MRK	TXG	
GMED	OMCL	UNH	
HAE	PDCO	VEEV	

## Microquad3

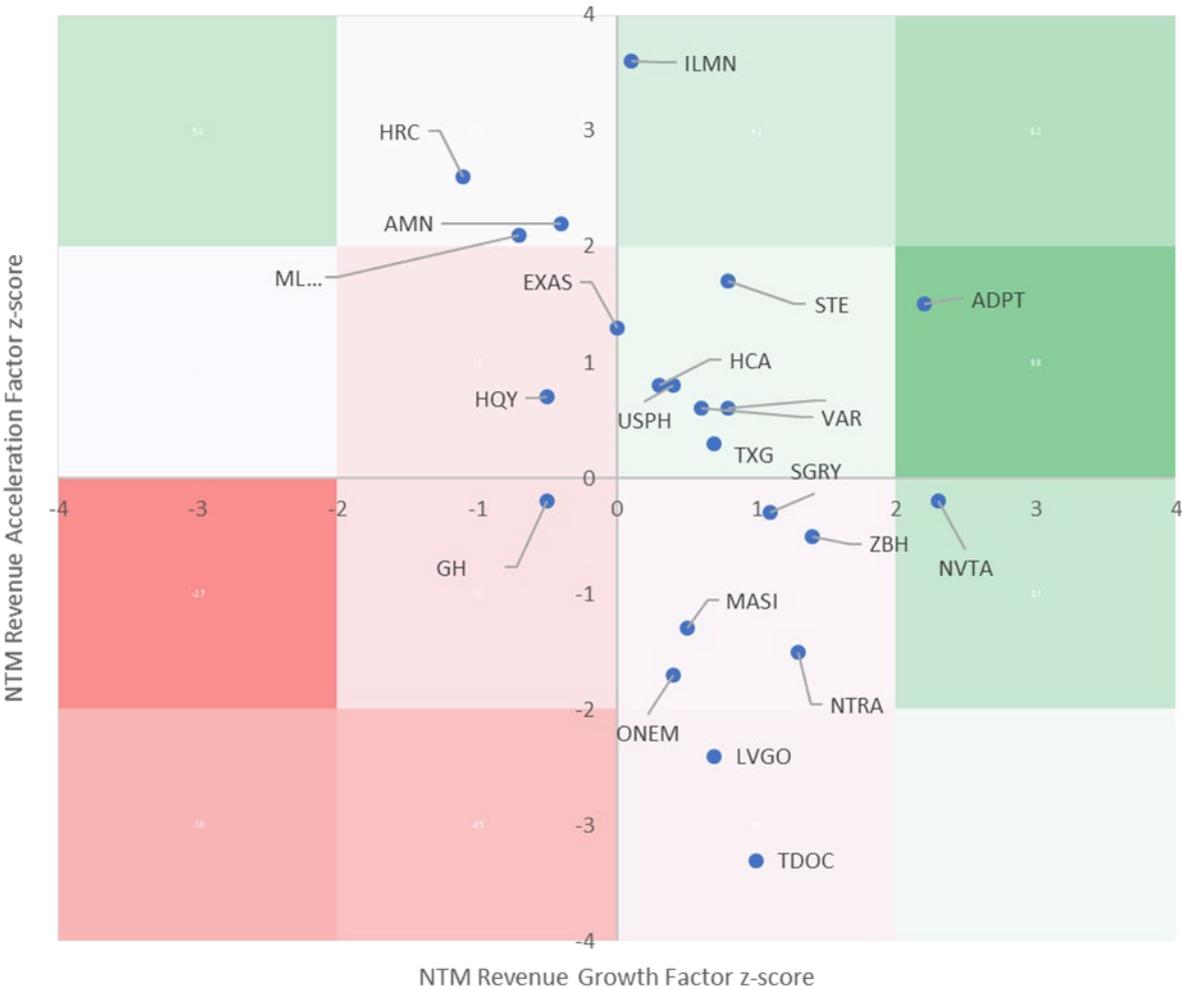
ABBV	JNJ	QDEL
ABT	LH	REGN
BIO	LVGO	RGEN
CRL	MASI	TDOC
CVET	MEDP	TMO
DGX	MTD	TNDM
DXCM	NEOG	WST
ENSG	NTRA	
GILD	NVTA	
HOLX	OPK	
IDXX	PKI	
IQV	Q	

## Microquad4

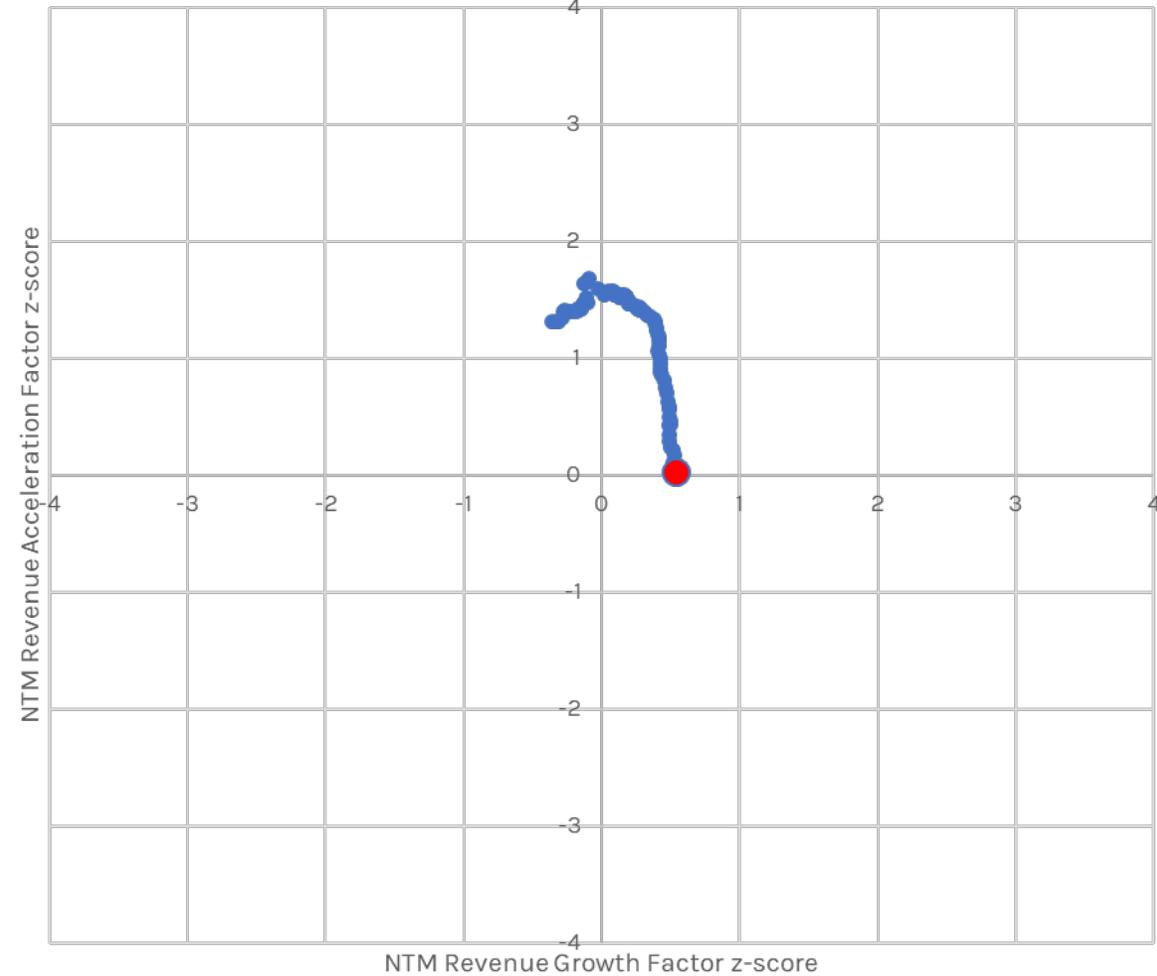
ANTM
BDX
BIOS
CHE
GH
NEO
VRTX

# Position Monitor | October 30, 2020

Sigma Positioning - Current

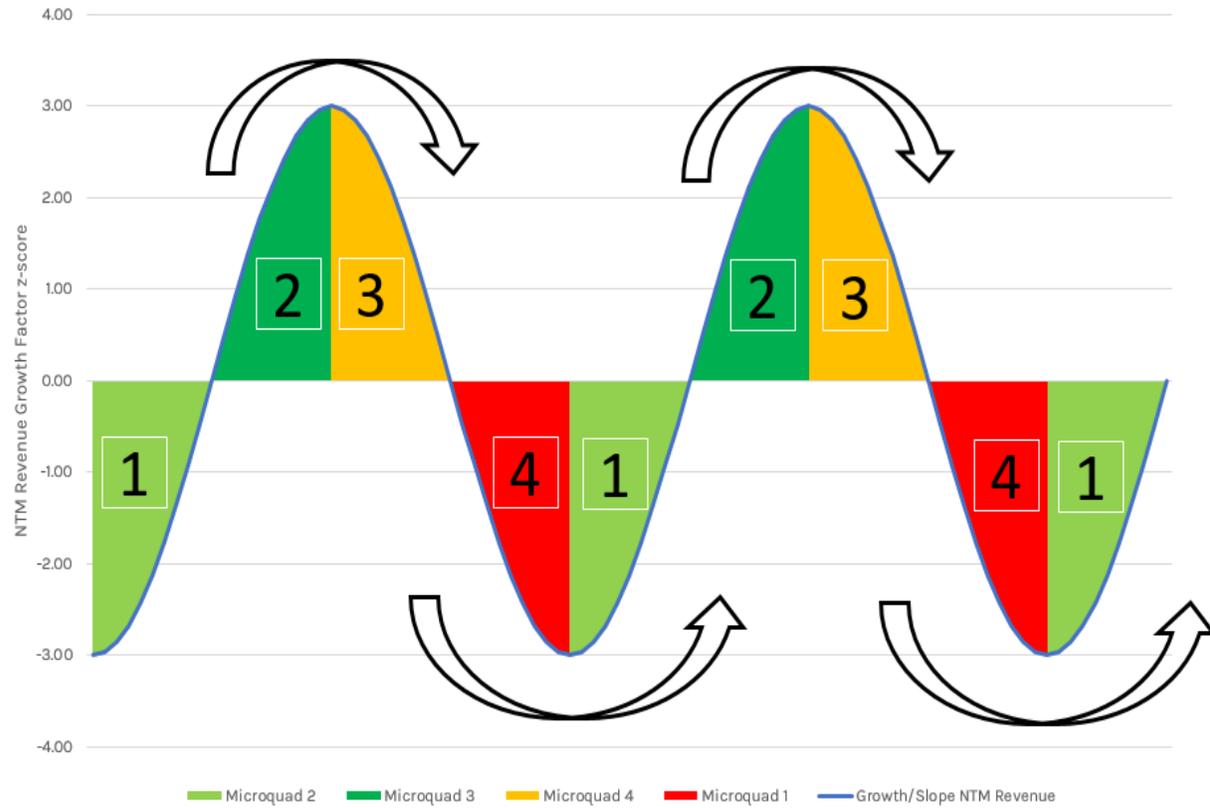


Sigma Positioning - Current Universe Average

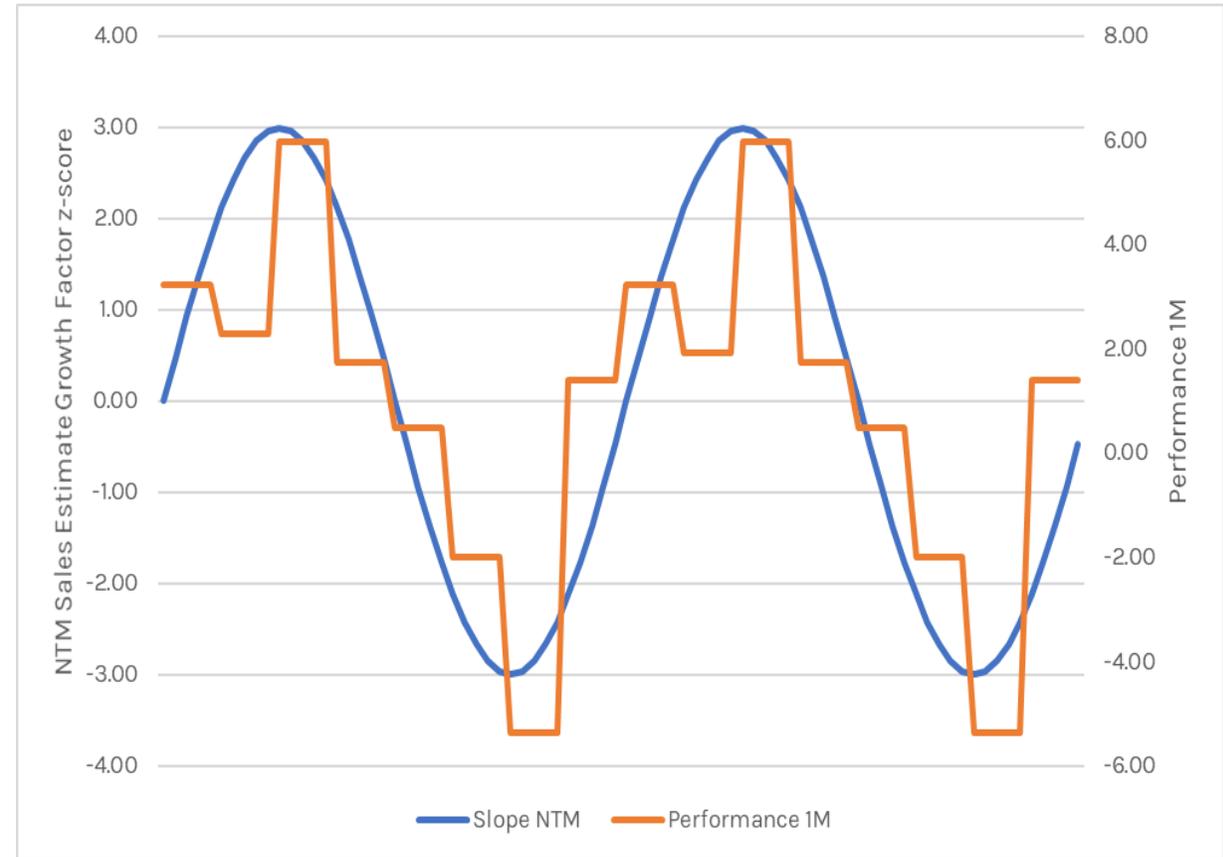


# Microquad | Model vs Actual

## Microquad – Generic Growth Curve Progression



## Microquad – Actual Performance vs Growth Curve



# Microquad Expected Return

Microquad average returns based on revenue estimate vectors

POSITION MONITOR		10/30/2020			Sales						
Ticker	Name	Price	EV	MCAP	Correlation	1st	2nd	Sales Quad	Perfromance 1M Actual	Expected 1M Performance	Expected 1M Performance Forward
ONEM	Life Healthcare, Inc.	28.21	3290.84	3561.03	0.35	0.45	-1.69	3	-4.50%	0.71%	1.36%
TXG	10x Genomics Inc Class A	136.90	13211.60	10684.47	0.86	0.67	0.25	2	8.25%	3.18%	1.23%
TDOC	Teladoc Health, Inc.	196.46	16242.56	16573.04	0.94	1.03	-3.34	3	-10.98%	2.52%	2.34%
LVGO	Livongo Health, Inc.	139.77	13608.34	14198.59	0.96	0.65	-2.35	3	-0.81%	-0.21%	0.94%
NTRA	Natera, Inc.	67.26	5023.76	5653.50	0.92	1.32	-1.48	3	-7.72%	3.18%	-1.50%
ILMN	Illumina, Inc.	292.70	41900.60	42839.69	0.93	0.15	3.60	2	-5.46%	3.37%	2.96%
GH	Guardant Health, Inc.	106.66	9402.46	10625.14	0.69	-0.49	-0.16	4	-1.68%	0.82%	1.62%
AMN	AMN Healthcare Services, Inc.	65.28	4109.57	3067.35	0.82	-0.40	2.21	1	13.97%	1.34%	-0.17%
EXAS	Exact Sciences Corporation	123.83	19041.27	19692.62	0.80	0.00	1.33	1	17.70%	1.75%	1.79%
HRC	Hill-Rom Holdings, Inc.	91.07	7899.16	6065.81	0.95	-1.10	2.61	1	10.93%	0.61%	2.67%
MASI	Masimo Corporation	223.82	12350.50	12322.46	0.97	0.47	-1.32	3	-5.34%	0.58%	2.46%
AMWL	American Well Corporation Class A	25.81	6484.91	5114.62	0.00	0.00	0.00		0.00%	1.75%	0.64%
NVTA	Invitae Corp.	39.21	4963.28	5816.68	0.83	2.30	-0.15	3	-11.03%	7.14%	0.77%

The sigma chart coordinates for growth/acceleration (1<sup>st</sup> and 2<sup>nd</sup> Derivative) is associated with a forward price return over the following 1M and 3M basis. 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 and acceleration positioning. We can also compare the actual and expected stock performance over the trailing 1 month to look for instances of over or undershooting the probable outcome.

# Negative Revision Trends

## Bottom 20 revenue revision trends

Rank	Ticker	Market-Cap	Sales Correlation	Sales Estimate Change	Growth	Acceleration	Microquad Expected Return	1W-Return	1M-Return	3M-Return	1Y-Return
1	BIIB	43,865.70	25%	-14%	-2.03	2.21	1.60%	-5%	-12%	-9%	-16%
2	MDRX	2,594.49	12%	-5%	-0.09	0.24	0.79%	-8%	23%	9%	-8%
3	GILD	46,929.25	69%	-4%	0.34	-2.25	1.26%	-4%	-8%	-19%	-9%
4	MD	2,658.84	20%	-4%	0.06	3.78	0.92%	-13%	-22%	-36%	-42%
5	TTOO	172.33	-25%	-4%	1.17	-1.81	0.40%	1%	2%	-17%	-45%
6	EVH	1,076.56	-44%	-3%	-1.02	1.08	1.59%	-10%	-21%	-17%	30%
7	ITGR	2,719.77	-69%	-3%	0.36	0.51	1.26%	-12%	0%	-11%	-25%
8	HRC	7,899.16	95%	-2%	-1.10	2.61	1.93%	-1%	11%	-5%	-13%
9	SPNE	263.45	36%	-2%	1.44	0.71	0.67%	-13%	-11%	24%	-8%
10	RCM	3,744.01	95%	-2%	-0.34	0.59	1.22%	3%	2%	27%	69%
11	BDX	82,085.26	89%	-1%	-0.17	-0.59	0.82%	-4%	0%	-19%	-10%
12	TCMD	686.32	66%	-1%	-0.15	3.15	0.78%	-7%	-1%	-15%	-19%
13	HCSG	1,518.58	31%	-1%	0.11	1.26	0.92%	-3%	5%	-13%	-6%
14	HSTM	464.24	27%	-1%	0.27	1.36	1.35%	-14%	-9%	-17%	-35%
15	HQY	4,556.44	37%	-1%	-0.51	0.75	2.06%	-11%	-1%	0%	-9%
16	IART	4,971.38	80%	-1%	0.19	1.03	1.20%	-10%	-7%	-8%	-24%
17	CHE	7,851.32	97%	-1%	-1.16	-0.25	1.76%	-2%	0%	-5%	21%
18	ONEM	3,290.84	35%	-1%	0.45	-1.69	1.17%	-12%	-5%	-6%	0%
19	PRGO	8,856.23	81%	-1%	-0.25	0.32	0.80%	-4%	-3%	-20%	-19%
20	NEO	4,269.14	94%	-1%	-0.06	-0.82	0.48%	-5%	7%	2%	71%

- The Microquads start with revision trends in the short term.
- HRC estimates have been falling in recent weeks. On balance, the environment for Health Care Capital spending should be anticipated to be weak.

# Positive Revision Trends

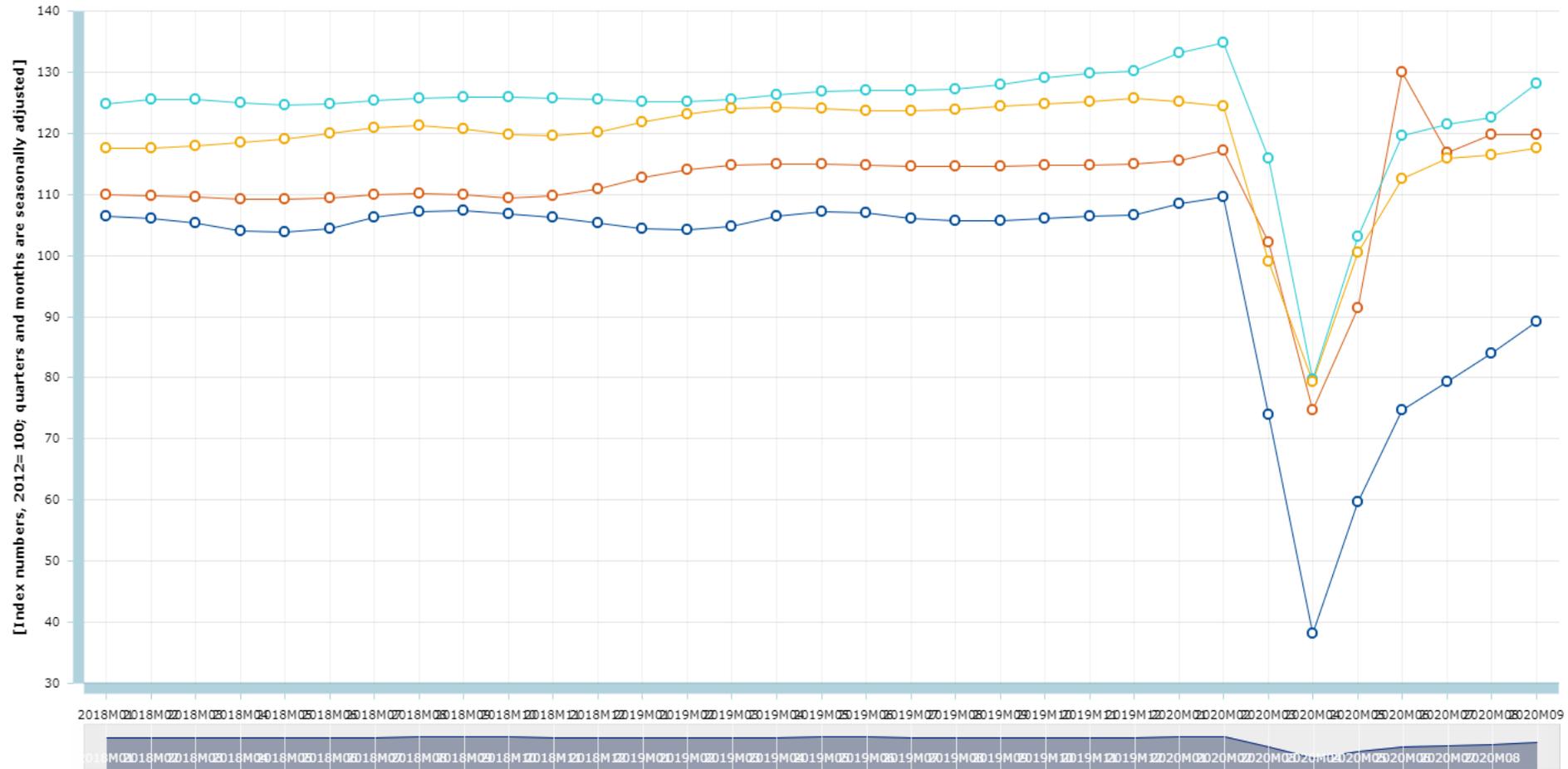
## Top 20 positive revenue revision trend

Rank	Ticker	Market Cap	Sales Correlation	Sales Estimate Change	Growth	Acceleration	Microquad Expected Return	1W-Return	1M-Return	3M-Return	1Y-Return
1	QDEL	11,739.81	92%	19%	1.05	-3.28	2.27%	8%	19%	-9%	372%
2	ALGN	33,200.43	79%	15%	1.88	0.85	2.15%	-9%	34%	48%	69%
3	PEN	9,258.09	93%	14%	0.69	1.26	0.88%	11%	37%	14%	67%
4	WST	20,429.01	99%	13%	1.98	-1.75	3.14%	-3%	-1%	-2%	89%
5	LVGO	13,608.34	96%	13%	0.65	-2.35	0.75%	1%	-1%	2%	547%
6	PKI	16,317.53	92%	12%	1.48	-1.87	0.66%	4%	4%	6%	51%
7	MOH	9,956.61	36%	11%	1.19	-2.12	1.36%	-12%	-1%	0%	59%
8	ARAY	381.96	34%	11%	0.72	3.55	1.10%	-6%	15%	6%	12%
9	OPK	2,497.06	73%	9%	1.11	-2.82	1.87%	-18%	-9%	-34%	148%
10	BEAT	1,674.30	81%	9%	0.58	1.18	1.08%	-2%	-5%	-1%	8%
11	TDOC	16,242.56	94%	9%	1.03	-3.34	2.12%	-9%	-11%	-17%	156%
12	EXAS	19,041.27	80%	9%	0.00	1.33	0.25%	13%	18%	30%	42%
13	ADPT	5,345.19	40%	9%	2.16	1.53	3.31%	-7%	-7%	17%	77%
14	VCRA	993.64	82%	8%	1.72	-1.29	1.97%	0%	11%	5%	65%
15	CNMD	3,036.00	94%	8%	0.95	0.03	2.45%	-8%	0%	-5%	-29%
16	ALXN	25,810.28	-64%	7%	1.57	-0.96	1.15%	-5%	0%	10%	9%
17	OMCL	3,669.40	89%	7%	1.09	3.43	1.78%	2%	15%	23%	23%
18	TMO	202,298.88	94%	7%	1.42	-2.23	0.48%	-1%	8%	13%	57%
19	MEDP	4,095.97	91%	7%	0.13	-0.83	0.75%	-5%	-3%	-12%	51%
20	GNMK	814.00	29%	7%	1.08	-3.11	1.75%	6%	-13%	-35%	118%

- The Microquads start with revision trends in the short term.
- Estimates have been trending higher for TDOC in recent weeks.
- TXG positive revision likely tied to the closing of recent acquisitions.

# Health Care Macro Data Update

## Real Personal Consumption Expenditures



Source: U.S. Bureau of Economic Analysis

■ Dental services (45)
 ■ Medical laboratories
 ■ Physician services (44)
 ■ Hospitals (51)

- This past week, the Bureau of Economic Analysis reported Personal Consumption Expenditure for Healthcare.
- These inputs drive fundamental momentum and revision cycles.

For more information, contact us at:

**support@hedgeye.com**