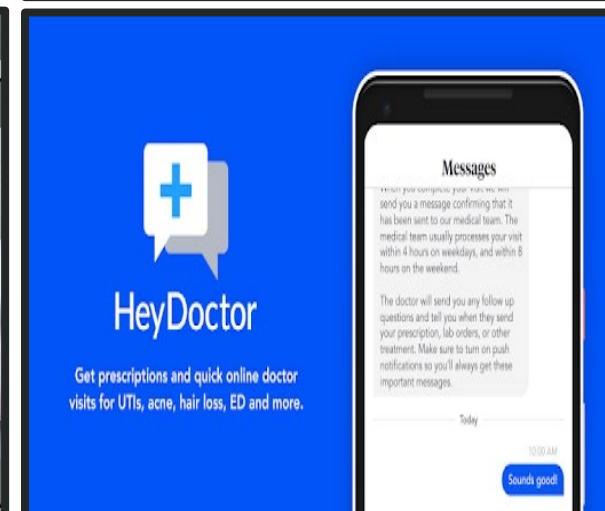
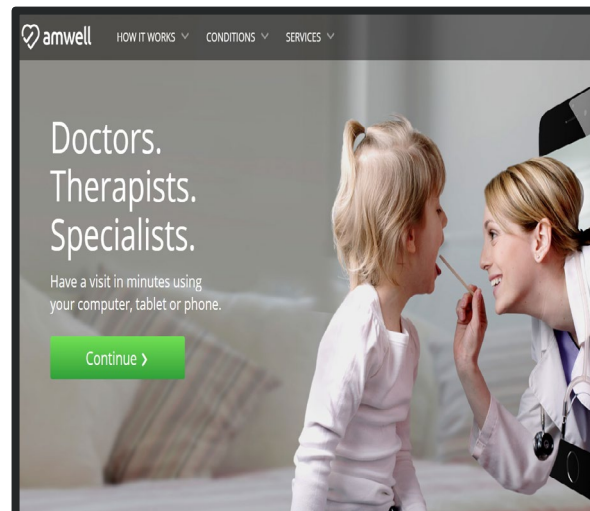




# Health Care Position Monitor Update

Hedgeye's Own Vaccine Survey, COVID Comps are Coming, Back to the Grind

November 16, 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

@HedgeyeJVenneri

## DISCLAIMER

Hedgeye Risk Management, LLC (“Hedgeye”) is a registered investment advisor, registered with the State of Connecticut. Hedgeye is not a broker dealer and does not provide investment advice to individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security or investment vehicle. This research is presented without regard for individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice, nor does it constitute or contain any legal or tax opinions. This presentation is based on information from sources believed to be reliable. Hedgeye is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of the individual expressing those opinions or conclusion and are intended solely for the use of Hedgeye’s clients and subscribers, and the authorized recipients of the content. In reaching its own opinions and conclusions, Hedgeye and its employees have relied upon research conducted by Hedgeye’s employees, which is based upon sources considered credible and reliable within the industry. Neither Hedgeye, nor its employees nor any individual expressing opinions, conclusions or data are responsible for the validity or authenticity of the information upon which it has relied.

## TERMS OF USE

This report is protected by United States and foreign copyright laws and is intended solely for the use of its authorized recipient. Access must be provided directly by Hedgeye. There is a fee associated with access to this report and the information and materials presented during the event. **Redistribution or republication of this report and its contents are strictly prohibited.** By joining this call or possessing these materials, you agree to these Terms. For more detail please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Service at [https://www.hedgeye.com/terms\\_of\\_service](https://www.hedgeye.com/terms_of_service).

# Health Care Position Monitor

For Week of November 16, 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.	\$ 34.80	\$4.6B	✓	✓	EXAS	Exact Sciences Corporation	\$ 122.71	\$19.5B	×	×
TXG	10x Genomics Inc Class A	\$ 138.55	\$11.1B	✓	✓						
AMN	AMN Healthcare Services, Inc.	\$ 62.23	\$2.9B	✓	✓						
GH	Guardant Health, Inc.	\$ 116.16	\$11.6B	✓	✓						
TDOC	Teladoc Health, Inc.	\$ 183.07	\$26.5B	✓	✓						
Long Bias						Short Bias					
NTRA	Natera, Inc.	\$ 82.81	\$7.1B			HRC	Hill-Rom Holdings, Inc.	\$ 95.08	\$6.3B		
ILMN	Illumina, Inc.	\$ 308.86	\$45.1B			MASI	Masimo Corporation	\$ 245.54	\$13.5B		
NEO	NeoGenomics, Inc.	\$ 41.77	\$4.6B			AMWL	American Well Corporation Class A	\$ 23.80	\$4.7B		
						NVTA	Invitae Corp.	\$ 47.02	\$8.3B		

### 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.

# Are Americans Willing to Get the COVID-19 Vaccine?

It looks like the answer is: “Increasingly, yes.” Will it be enough? We think so.

Both Pfizer & BioNTech and Moderna have developed what appear to be highly effective (90% and 94%, respectively) COVID-19 vaccines in record time. Having a vaccine that's 90%+ effective means that your risk of getting COVID-19 is reduced by 90% or more. This is really, really good news. We see ~73% of 1,223 respondents as willing to get the vaccine(s), but ~54% of young Americans (the TruePublic community skews younger – 16-35 years old) would prefer to wait. If the initial deployment goes well (safety and effectiveness match trial data), we could see a quick impact.

- For comparison's sake, Stephen Thomas, the chief of infectious disease at SUNY Upstate Medical University and the lead principal investigator of the Pfizer vaccine trial, [noted in a recent interview](#) that the 2019-20 flu vaccine had an efficacy of 45%.
- Given COVID-19's  $R_t$  and how deadly it is, the ability to flatten the curve w/ a 90%+ effective vaccine could dramatically reduce the transmission rate and help us reach herd/community immunity quickly. Estimates vary widely for the level of immunity needed to drive the  $R_t$  below the all important 1-level. We check <https://rt.live/> regularly – the average  $R_t$  across the U.S. is 1.16 as of this weekend. Only two states – AL & MS – have an  $R_t$  below 1.
- We don't think anyone really knows the answer, but if we can have an effective immunity level at 30MM - 40MM vaccinated people, it's worth thinking about the timing because of the challenges the next two quarters will bring, then we'll have the COVID Comp.
- [Dr. Gabriela Gomes](#) thinks the threshold for herd immunity is lower (perhaps ~20%), so fewer people must be vaccinated: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7239079/>

# COVID-19 is NOT the Flu (we think our readers know this).

Wide ranges for the novel virus, but there's reason for optimism:

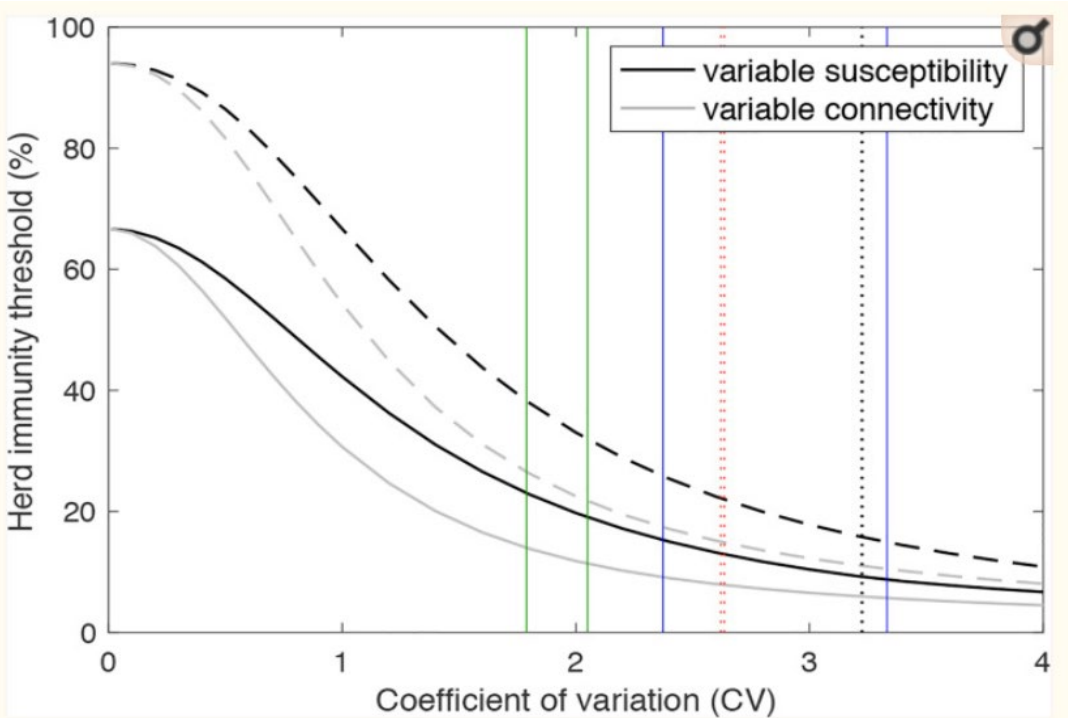
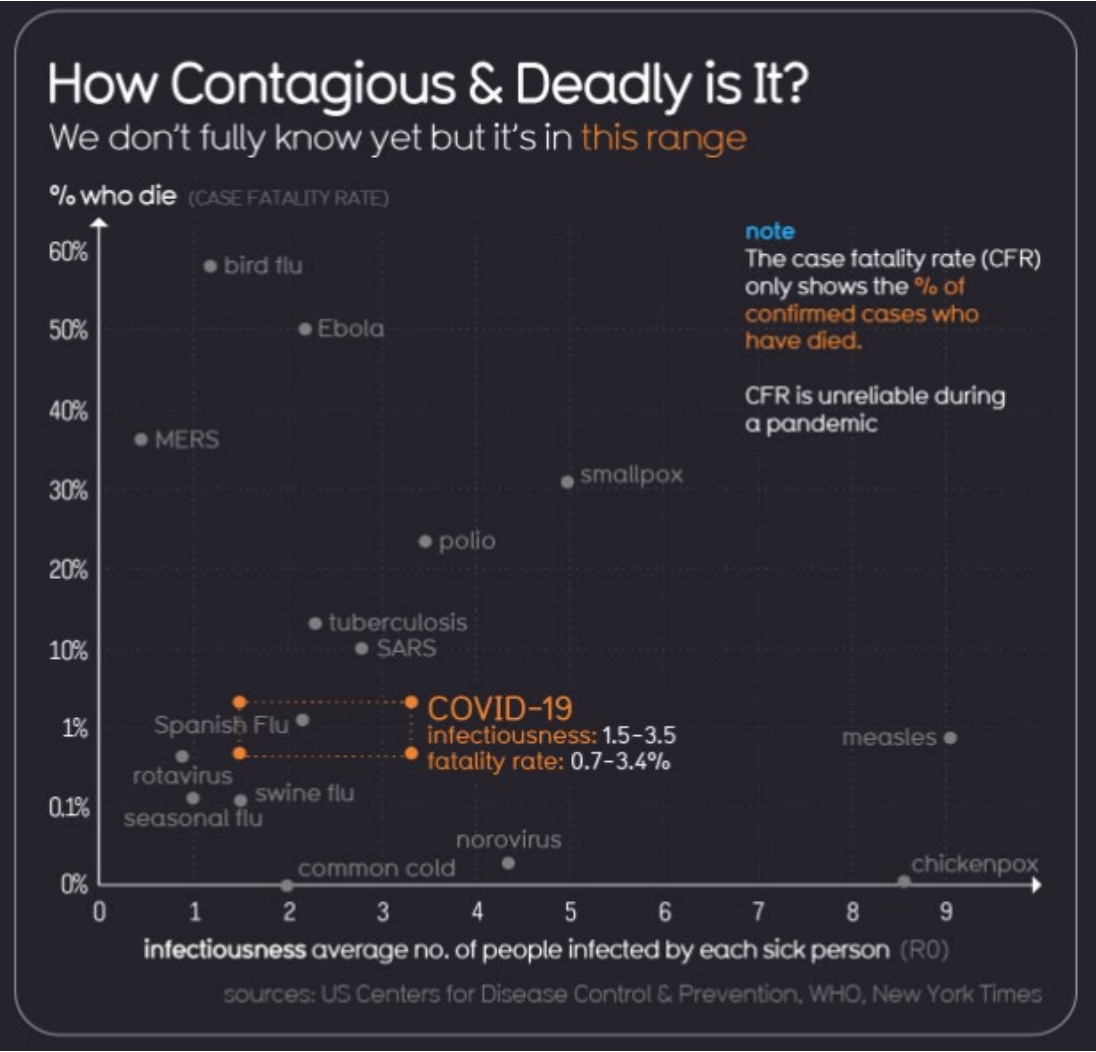


Figure 3:  
Herd immunity threshold with variation in susceptibility and exposure to infection.

Curves generated with the model (Equation 1) with gamma distributed susceptibility (black) or connectivity (gray) assuming  $R_0 = 3$ : (solid) herd immunity threshold; (dashed) final size of uncontrolled epidemic. Vertical lines indicate coefficients of individual variation for several infectious diseases according to literature: (solid green) susceptibility or exposure to malaria [Amazon 1.79 (<sup>6</sup>), Africa 2.05 (<sup>7</sup>)]; (solid blue) susceptibility or exposure to tuberculosis [Portugal 2.37, Brazil 3.33 (<sup>8</sup>)]; (dotted red) infectiousness for SARS-CoV-1 [Singapore 2.62, Beijing 2.64 (<sup>2</sup>)]; (dotted black) infectiousness for SARS-CoV-2 [3.22 (<sup>10</sup>)].

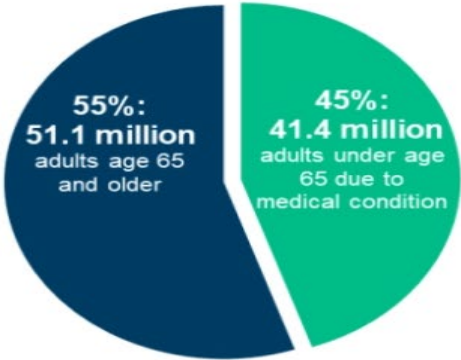


# Easy to Identify Population

We should be able to get to Health Care workers and the at-risk population...

Figure 1  
Over 90 million of 246 million U.S. Adults are at Higher Risk of Serious Illness if Infected with Coronavirus

92.6 million adults at higher risk for serious illness if infected with coronavirus



NOTE: Data includes adults ages 18 and older; excludes adults living in nursing homes and other institutional settings.  
SOURCE: KFF analysis of 2018 Behavioral Risk Factor Surveillance System.

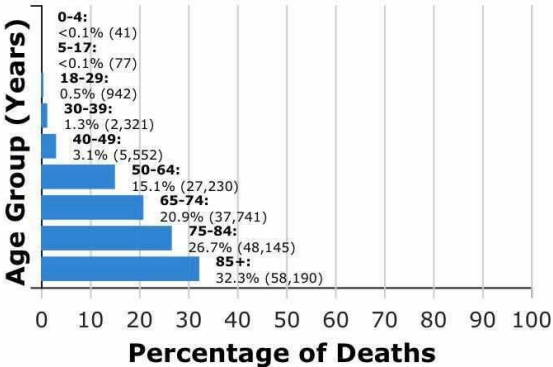


Figure 1: Over 90 million of 246 million U.S. Adults are at Higher Risk of Serious Illness if Infected with Coronavirus

Deaths by Age Group:



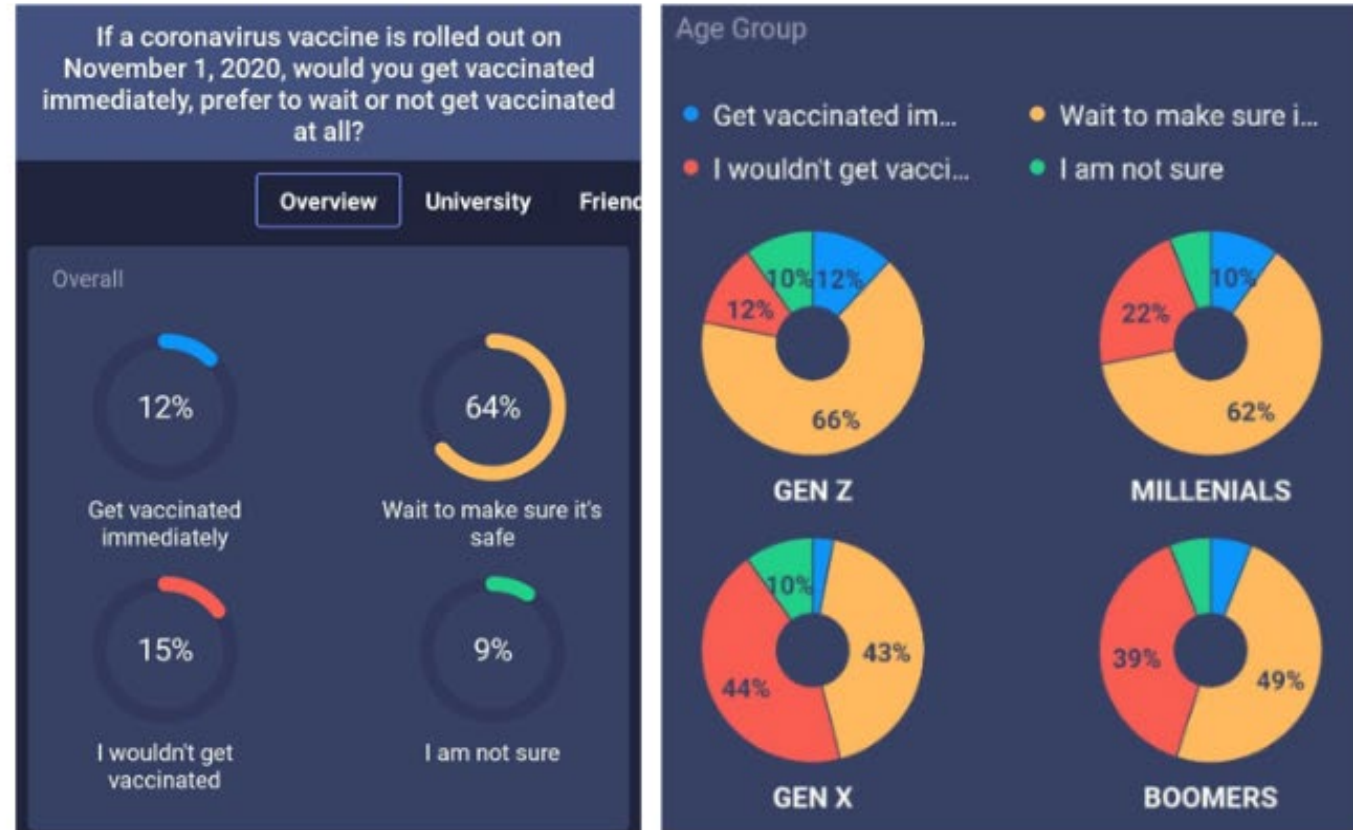
Data from 180,253 deaths. Age group was available for 180,239 (99%) deaths.



There are ~16MM people working in healthcare fields. The at-risk population is well known to the Healthcare system, more visits per year, multiple prescriptions, congregating living in nursing homes, CCRC, or assisted living. These people won't be hard to reach.

# What if a COVID-19 vaccine is available on Nov. 1?

64% of respondents prefer to wait – Gen Zers and Millennials are NOT interested in going first (N of >1,700 as of 10/20):



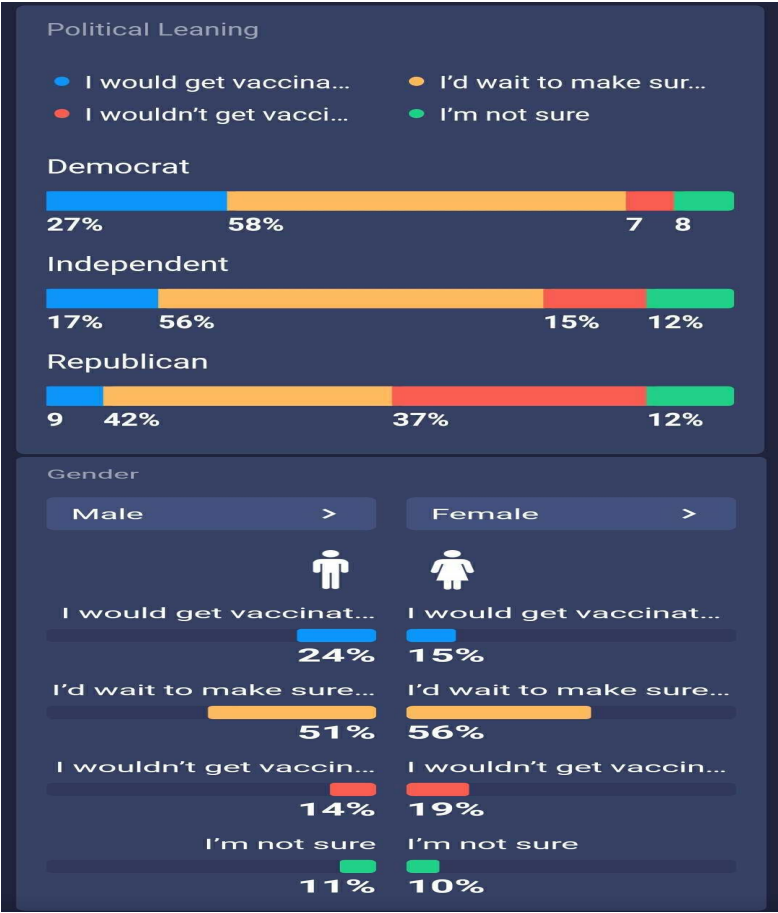
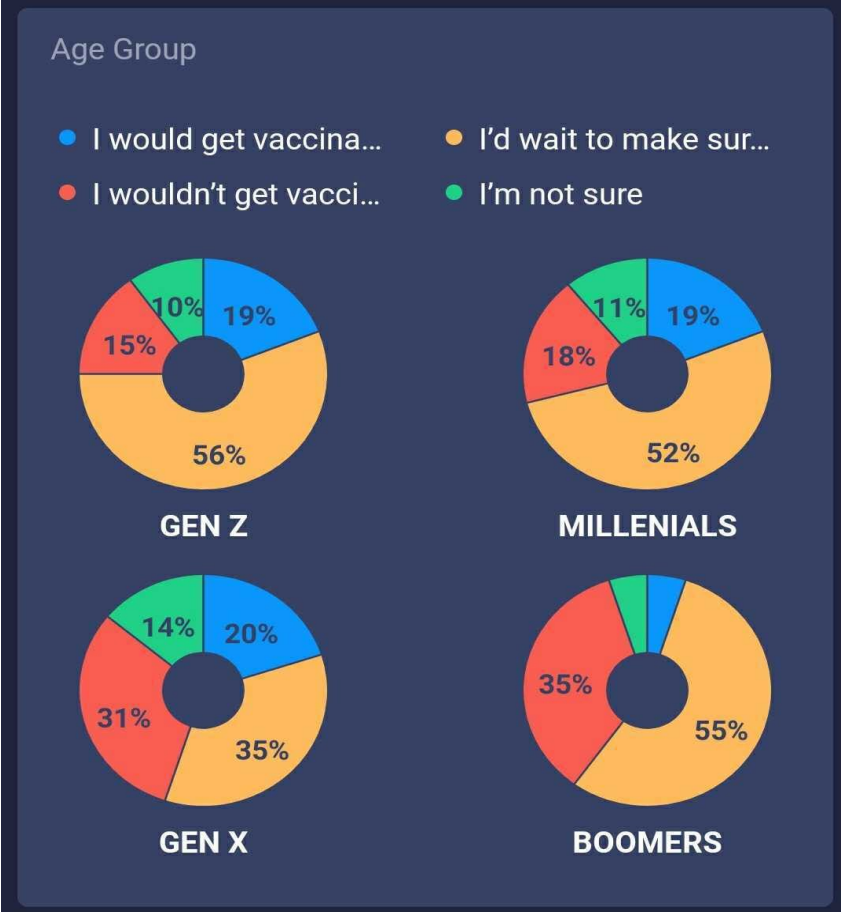
- Many of the comments express an unwillingness to “go first” - there’s a perception among younger Americans (the majority of this sample) that the process is being rushed.
- To the extent that vaccinating the public is important to the recovery story, this data suggest that we may be forced to “wait and see” if everyone that gets the vaccine out of the gate is “OK” (i.e., that there are no complications/”purple eyeball” events).

# If a coronavirus vaccine is approved by the FDA and rolled out in December or January, would you get vaccinated?

1 54% is a 10% improvement over 10/21, and 19% is 7% better.

2 The audience skews younger (16-35 yo).

3 Concerning & Interesting, respectively.



Survey Call- Out: We first presented this data on October 21, 2020. We added a twist last week; here is the updated data (N=1,223)

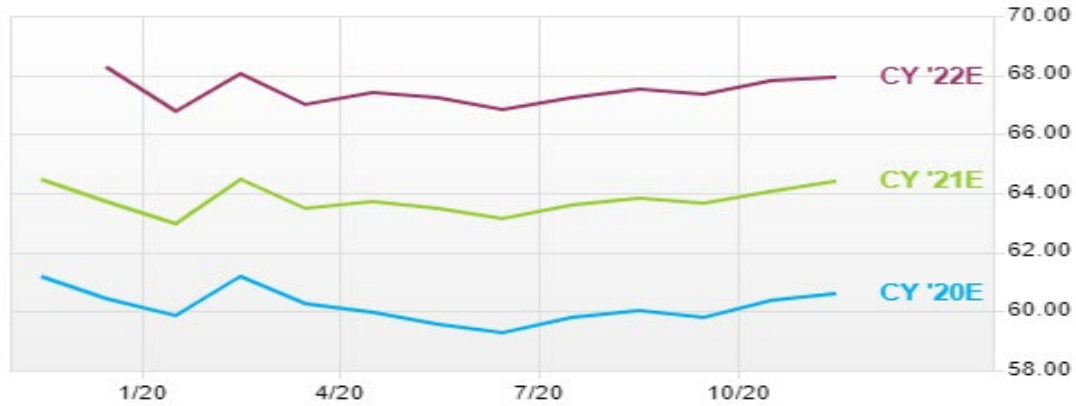


# COVID COMPS ARE COMING

HEDGEYE

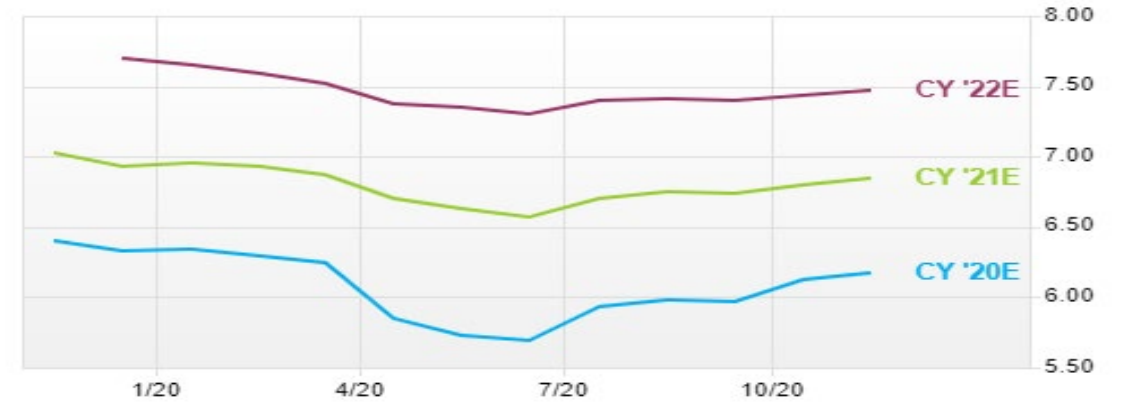
## XLV | Sales per Share

CY '20E: 60.57 CY '21E: 64.37 CY '22E: 67.90

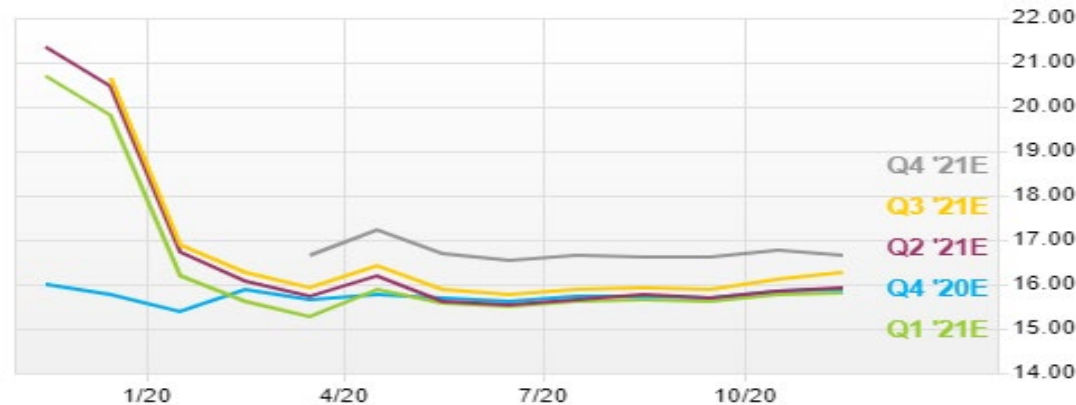


## XLV | Earnings per Share

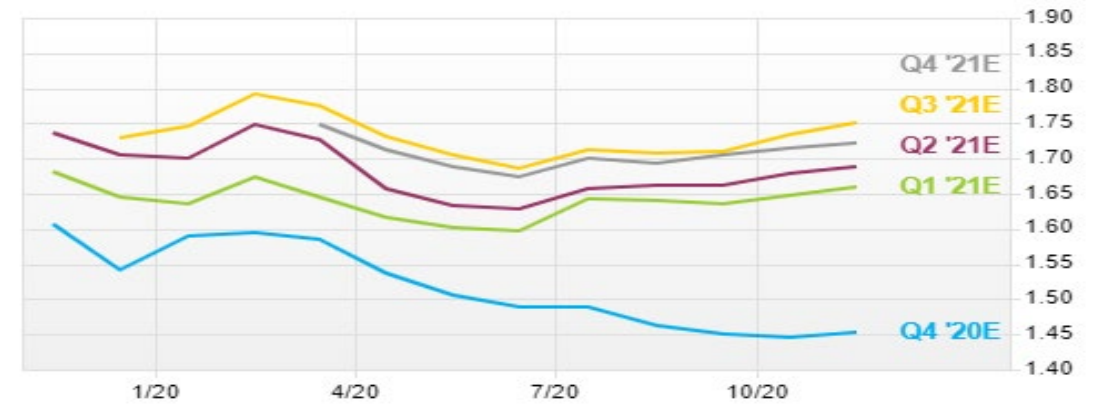
CY '20E: 6.17 CY '21E: 6.84 CY '22E: 7.46



Q4 '20E: 15.88 Q1 '21E: 15.79 Q2 '21E: 15.91 Q3 '21E: 16.24 Q4 '21E: 16.63

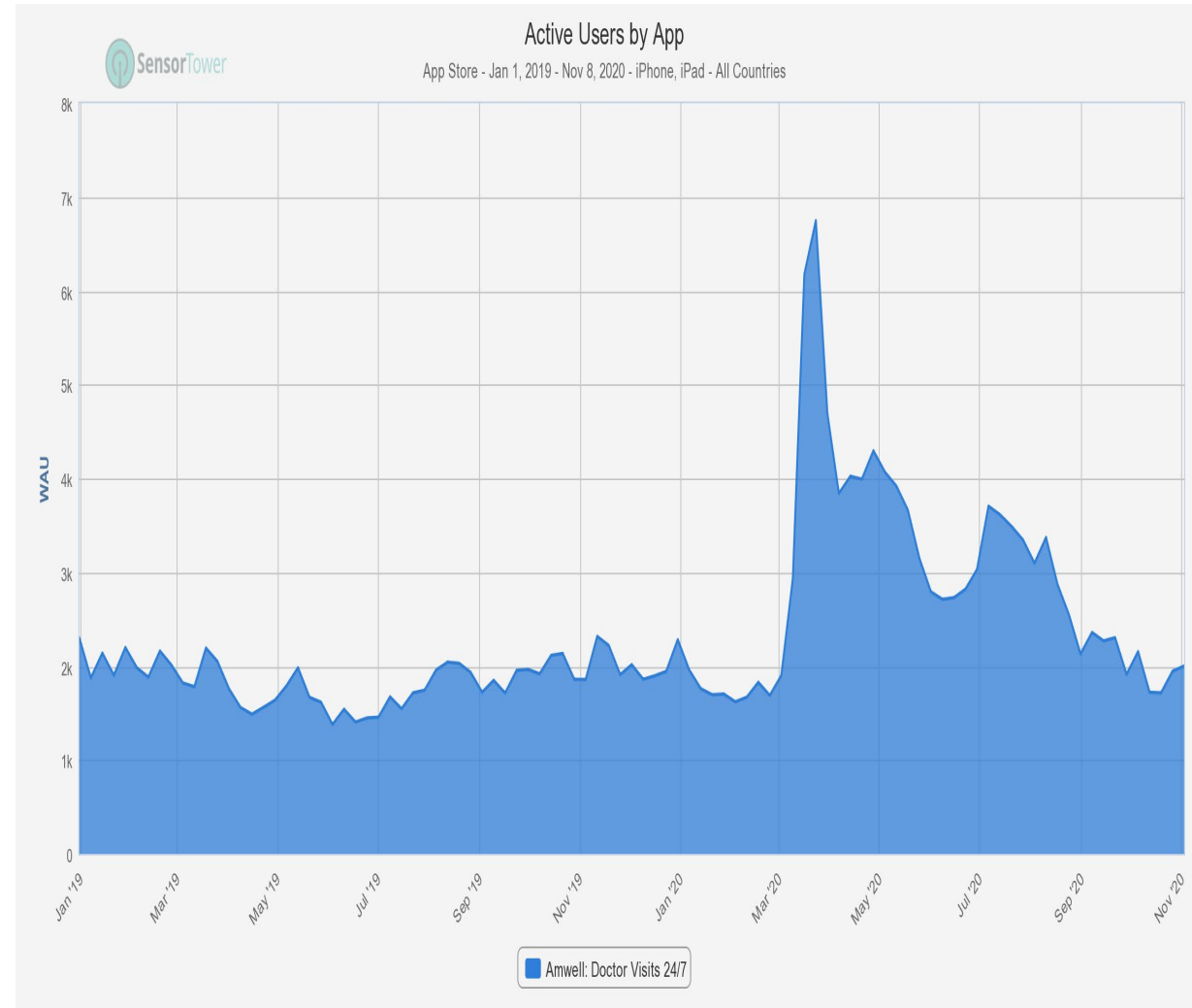
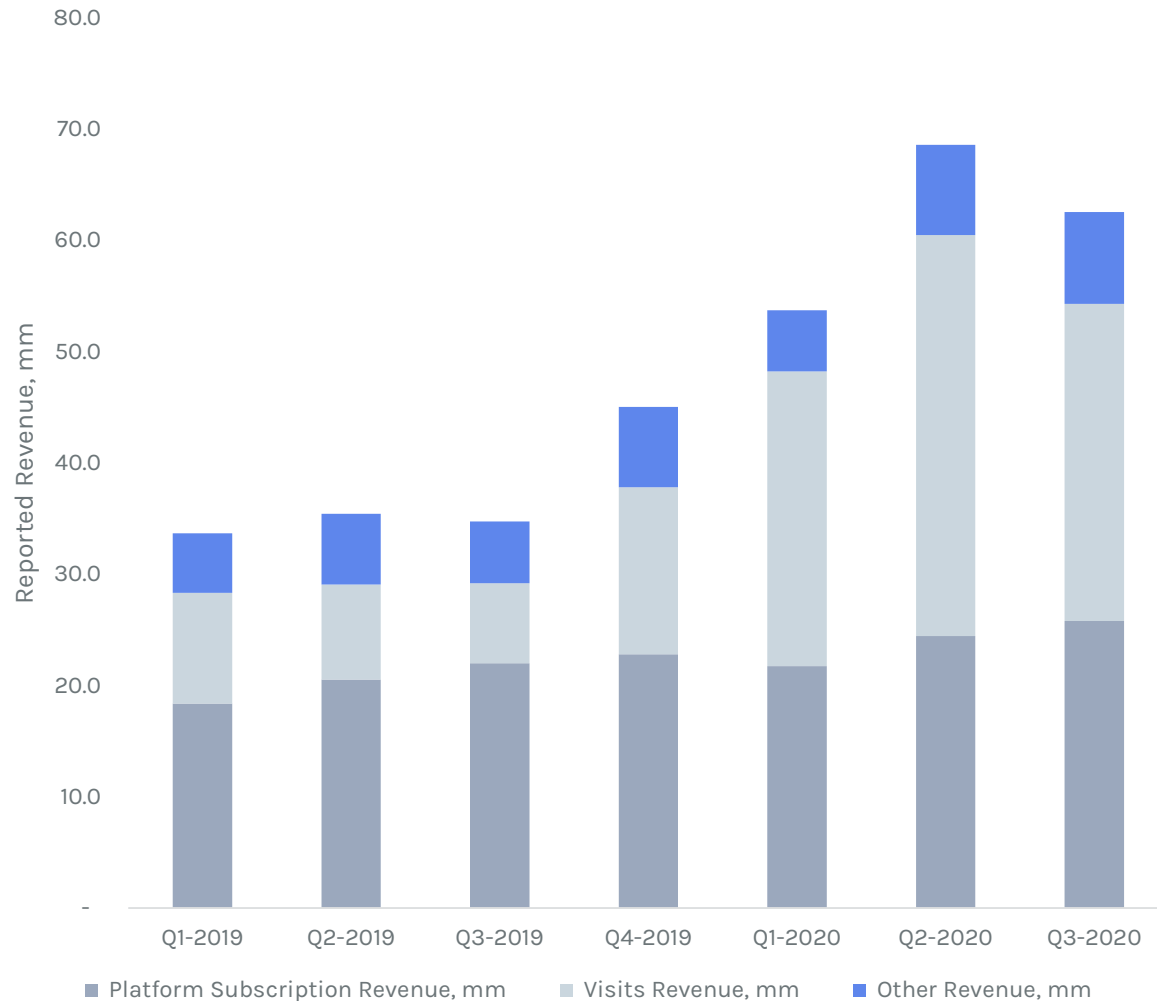


Q4 '20E: 1.45 Q1 '21E: 1.66 Q2 '21E: 1.69 Q3 '21E: 1.75 Q4 '21E: 1.72



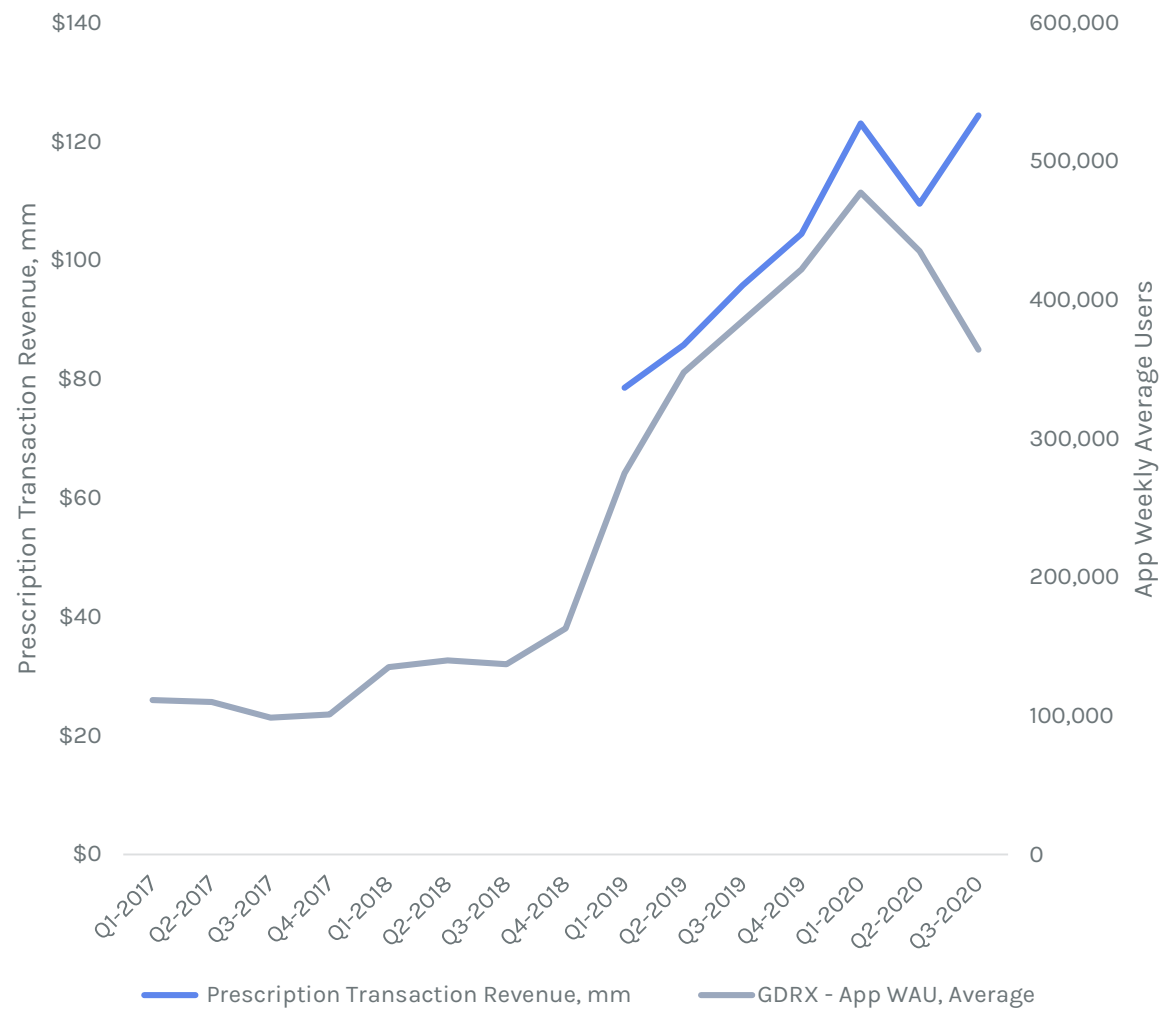
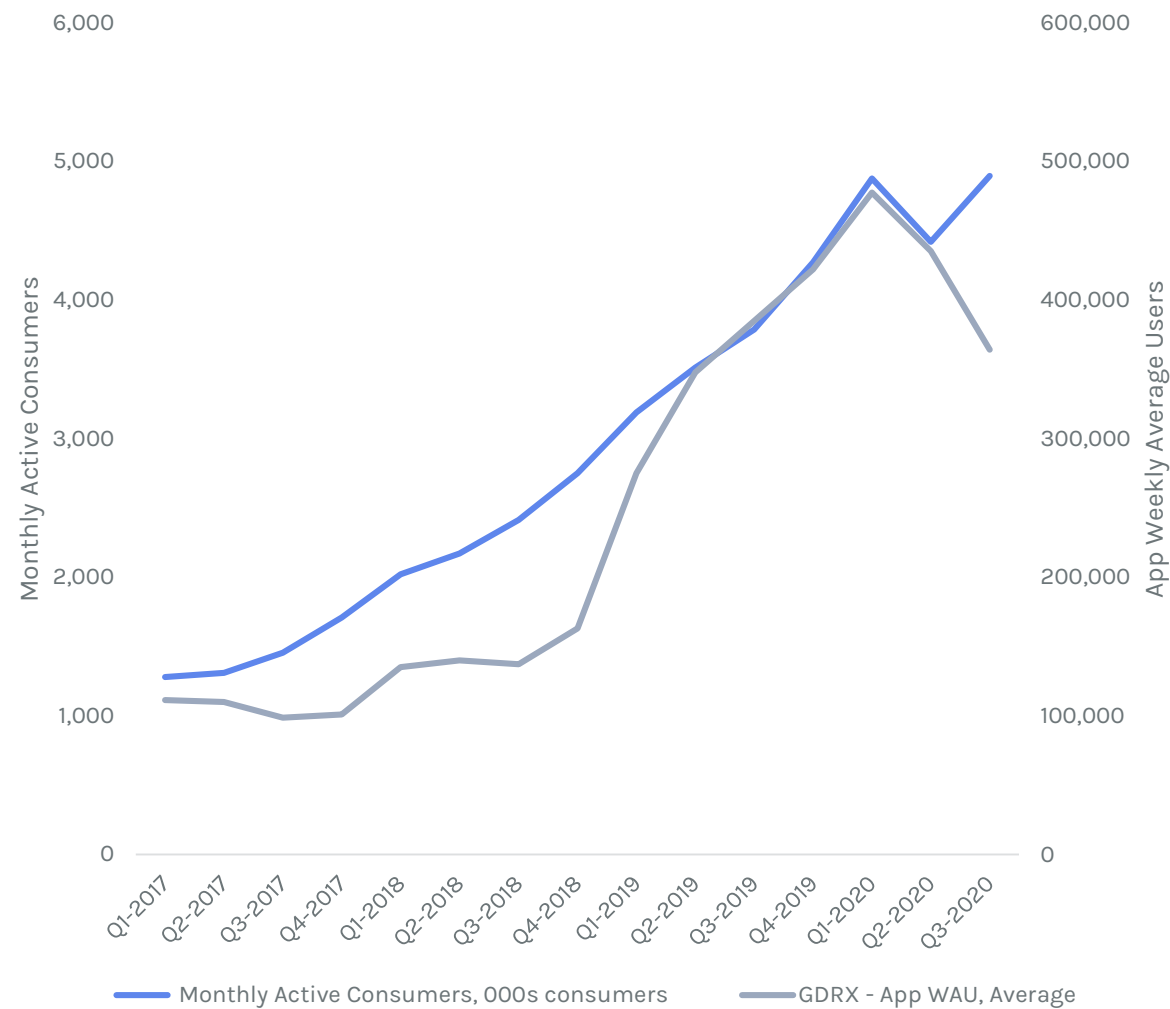
# AMWL | Revenue Segmentation & Active Users

Despite an impressive triple digit YoY growth in total active providers, the market reacted negatively to the implied 4Q20 revenue guidance



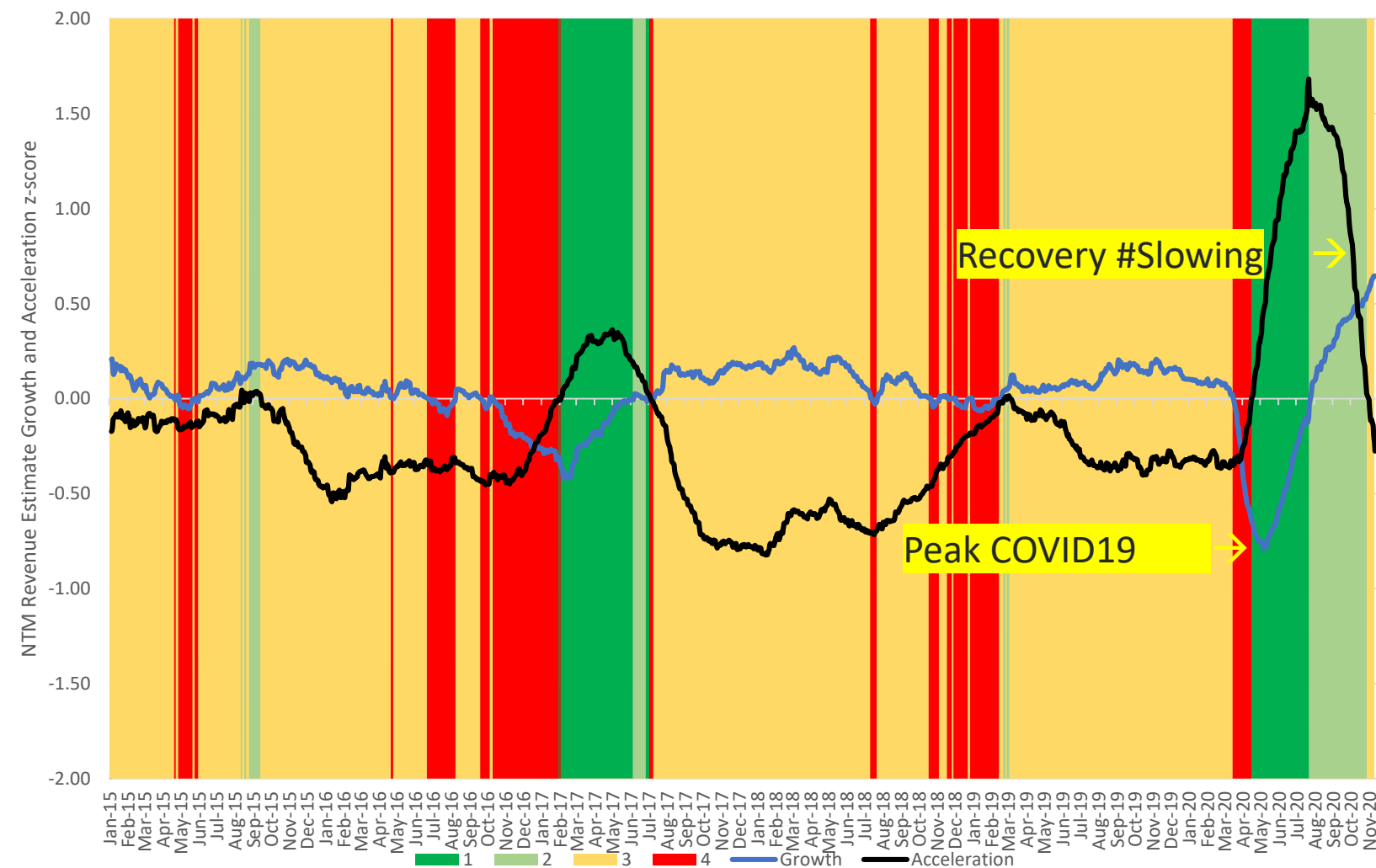
# GDRX | Active Users v Reported

After reporting record MAUs during the quarter, will results be enough for the market?



# 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.

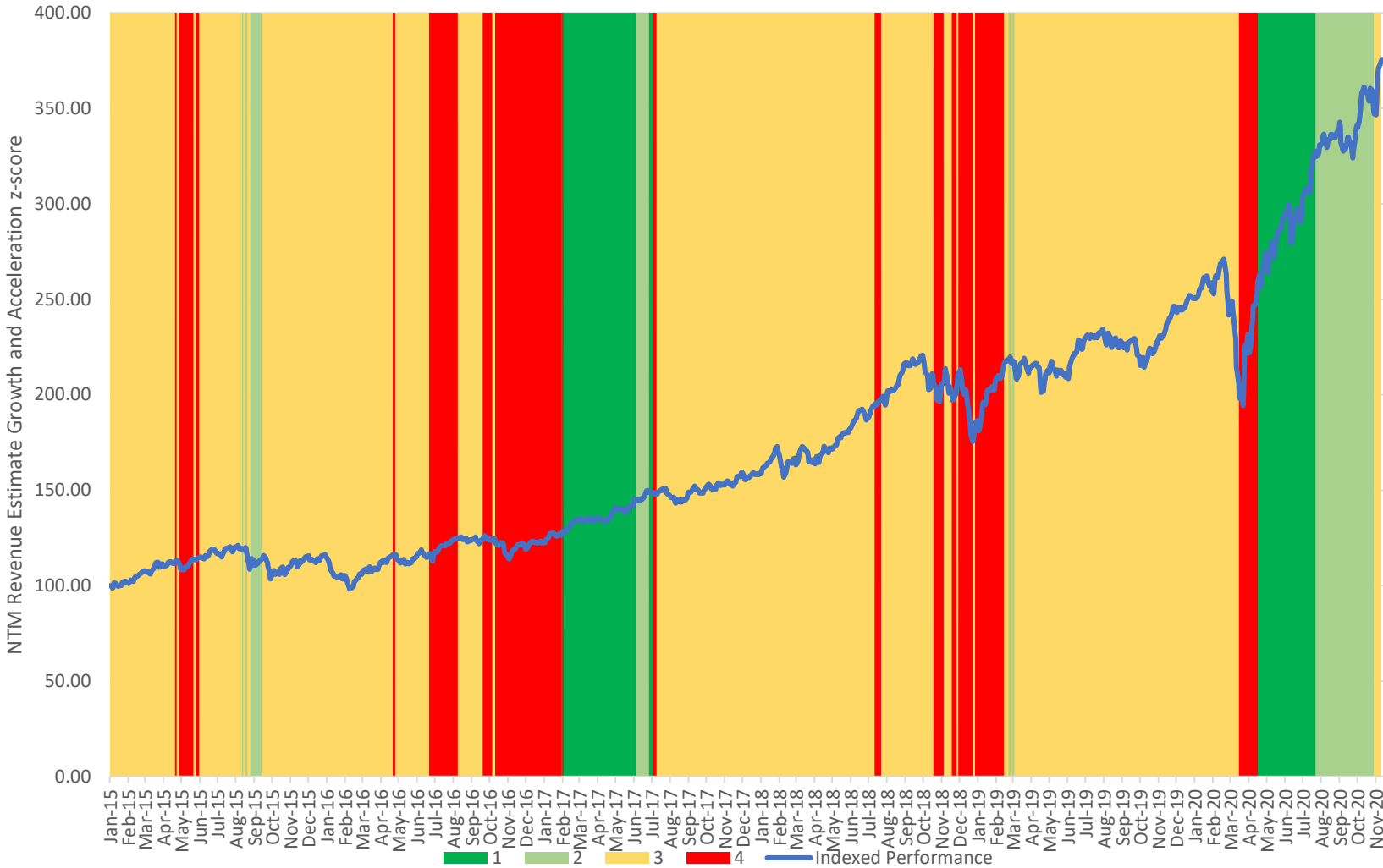
After a sharp Microquad4 downturn, the impact from COVID19 peaked on 4/16/2020, marking the beginning of the fundamental recovery.

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



# Price Index

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

# Microquad Screen | November 13, 2020

Active Long	Active Short
Bench Long	Bench Short

## Microquad1

AMGN
EHC
HMSY
HRC
LHCG
PRGO

## Microquad2

AMN	MDT
BAX	OMCL
CERN	PEN
COO	RCM
ENSG	RMD
EXAS	SEM
GKOS	STAA
HAE	STE
HUM	TFX
IART	TXG
ICUI	UNH
ILMN	VEEV

## Microquad3

A	EW	MEDP	QDEL
ABBV	GILD	MMSI	REGN
ABMD	GMED	MRK	RGEN
ABT	HCA	MTD	SYK
ALGN	HOLX	NEOG	TDOC
AMED	IDXX	NSTG	TECH
BIO	IQV	NTRA	TMO
BSX	IRTC	NVTA	TNDM
CNMD	ISRG	OPK	WAT
CRL	JNJ	PDCO	WST
CVET	LH	PKI	ZTS
DGX	LLY	PODD	
DHR	LVGO	PRAH	
DXCM	MASI	Q	

## Microquad4

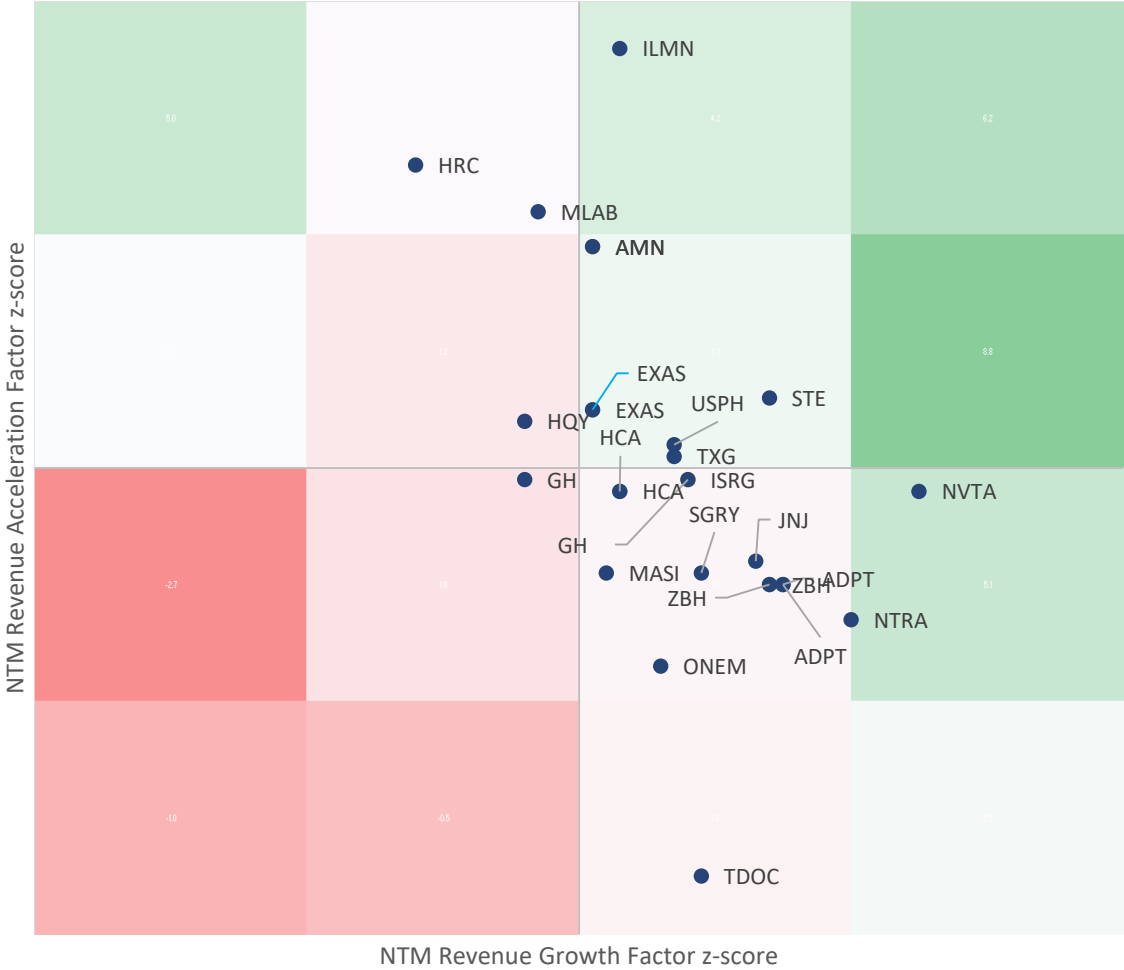
ANTM
BDX
CHE
GH
NEO
VRTX

# Position Monitor | November 13, 2020

## Revisions, MicroQuad, Actual vs Expected Performance

Ticker	Number of Estimates Total	Number Revision Positive 30D	Number Revision Negative 30D	Growth	Acceleration	Correl	Performance Trailing 1M - Actual %	Performance Trailing 1M - Expected %	Performance Forward 1M - Expected %
ADPT	8	4	2	1.50	-1.00	0.40	-4.55	5.62	2.54
AMN	9	8	0	0.10	1.90	0.80	-5.21	2.89	2.38
EXAS	14	11	0	0.10	0.50	0.80	19.58	2.19	1.98
GH	9	4	0	-0.40	-0.10	0.70	13.62	1.38	1.38
HCA	19	11	1	0.30	-0.20	0.90	8.68	1.93	1.42
HQY	14	1	1	-0.40	0.40	0.40	26.56	1.69	1.40
HRC	8	0	7	-1.20	2.60	0.90	6.01	3.74	4.10
ILMN	16	10	3	0.30	3.60	0.90	-4.61	5.45	0.67
ISRG	18	14	2	0.80	-0.10	0.90	1.67	2.92	0.98
JNJ	14	3	0	1.30	-0.80	0.80	1.84	4.05	2.43
MASI	8	8	0	0.20	-0.90	1.00	5.50	1.72	1.40
MLAB	5	2	2	-0.30	2.20	0.90	-0.14	2.59	1.85
NTRA	9	9	0	2.00	-1.30	0.90	15.50	4.58	-0.38
NVTA	6	6	0	2.50	-0.20	0.80	-1.38	2.85	0.32
ONEM	11	9	0	0.60	-1.70	0.40	14.17	1.62	1.13
SGRY	2	1	0	0.90	-0.90	-0.40	-0.46	2.48	1.29
STE	6	3	0	1.40	0.60	0.80	2.91	5.37	2.54
TDOD	16	16	0	0.90	-3.50	0.90	-18.40	2.07	1.37
TXG	6	5	0	0.70	0.10	0.90	-14.45	2.65	1.21
USPH	5	3	0	0.70	0.20	0.90	26.04	2.53	1.22
ZBH	26	26	0	1.40	-1.00	0.30	2.59	4.68	2.35

## Sigma Positioning – Current Universe Average



# Position Monitor | MicroQuad, Expected/Actual Return

TDOC, TXG, AMN underperforming expected, ONEM outperforming

POSITION MONITOR		11/13/2020			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
ONEM	1Life Healthcare, Inc.	\$28.21	3,291	3,561	10.55%	14.17%	0.42%	1.25%	0.38	0.62	-1.69	3
TXG	10x Genomics Inc Class A	\$136.90	13,212	10,684	-6.19%	-14.45%	3.13%	1.84%	0.88	0.75	0.11	2
TDOC	Teladoc Health, Inc.	\$196.46	16,243	16,573	-11.19%	-18.40%	2.79%	1.69%	0.94	0.86	-3.49	3
LVGO	Livongo Health, Inc.	\$139.77	13,608	14,199	0.00%	-2.89%	1.92%	2.43%	0.96	0.59	-2.60	3
NTRA	Natera, Inc.	\$67.26	5,024	5,654	0.89%	15.50%	2.73%	1.35%	0.92	2.01	-1.25	3
ILMN	Illumina, Inc.	\$292.70	41,901	42,840	0.23%	-4.61%	3.70%	1.75%	0.93	0.32	3.57	2
GH	Guardant Health, Inc.	\$106.66	9,402	10,625	2.83%	13.62%	1.41%	1.63%	0.70	-0.35	-0.06	4
AMN	AMN Healthcare Services, Inc.	\$65.28	4,110	3,067	-1.30%	-5.21%	2.75%	3.35%	0.82	0.08	1.94	2
EXAS	Exact Sciences Corporation	\$123.83	19,041	19,693	-1.02%	19.58%	1.83%	1.78%	0.81	0.05	0.48	2
HRC	Hill-Rom Holdings, Inc.	\$91.07	7,899	6,066	2.66%	6.01%	0.69%	2.93%	0.95	-1.16	2.63	1
MASI	Masimo Corporation	\$223.82	12,351	12,322	-3.69%	5.50%	1.70%	2.31%	0.97	0.22	-0.91	3
AMWL	American Well Corporation Class A	\$25.81	6,485	5,115								
NVTA	Invitae Corp.	\$39.21	4,963	5,817	5.05%	-1.38%	6.82%	1.13%	0.83	2.48	-0.17	3

MicroQuad average returns based on 5 years historical performance

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 Forward Performance - Expected	1W-Return	1M-Return	3M-Return	1Y-Return
1	TVTY	1,709.38	-43%	-49%	-1.44	1.17	1.74%	11%	-2%	-10%	-23%
2	MD	3,042.12	24%	-22%	-0.62	3.37	1.56%	17%	27%	-1%	-26%
3	BIIB	43,318.65	25%	-14%	-1.83	2.57	3.25%	-24%	-11%	-14%	-10%
4	LNTH	947.34	56%	-12%	0.55	-2.45	1.56%	8%	-8%	-10%	-43%
5	MDRX	2,971.19	14%	-6%	-0.11	0.25	0.85%	9%	9%	32%	14%
6	GILD	80,752.69	68%	-4%	0.20	-2.21	1.28%	3%	-4%	-12%	-5%
7	ITGR	3,092.21	-69%	-3%	0.41	0.47	1.21%	22%	3%	-2%	-6%
8	SIEN	266.81	12%	-3%	-	-	-	16%	16%	34%	-40%
9	MLAB	1,372.12	87%	-2%	-0.27	2.18	0.94%	6%	0%	15%	19%
10	EVH	1,110.26	-45%	-2%	-0.91	1.00	1.72%	13%	16%	0%	45%
11	CODX	418.15	77%	-2%	-0.04	-1.82	0.57%	4%	6%	-5%	1564%
12	SDC	3,677.32	-	-1%	-	-	-	-	-	-	-
13	HCSG	1,526.05	31%	-1%	0.04	1.40	0.70%	2%	-3%	2%	-8%
14	TRHC	977.33	67%	-1%	-1.05	2.26	1.79%	-2%	-17%	-28%	-16%
15	HRC	7,972.02	95%	-1%	-1.16	2.63	1.71%	3%	6%	3%	-8%
16	CSLT	139.76	3%	-1%	0.64	0.66	1.54%	19%	8%	-3%	-21%
17	EHC	10,948.90	85%	-1%	-1.11	1.42	1.82%	11%	6%	15%	4%
18	HSTM	476.72	29%	-1%	0.31	1.04	1.23%	2%	-12%	-17%	-31%
19	IART	5,990.95	80%	-1%	0.31	0.38	1.22%	15%	17%	12%	-3%
20	HQY	5,726.23	36%	-1%	-0.42	0.38	1.65%	28%	27%	18%	10%

- The MicroQuads start with revision trends in the short term.
- TVTY divestiture
- BIIB - Negative FDA Committee vote on Alzheimer's drug
- HRC - Estimates have been falling in recent weeks. On balance, the environment for Health Care Capital spending should be anticipated to be weak, although Welch-Allyn should benefit from demand for remote patient monitoring.

# Positive Revision Trends

## Top 20 positive revenue revision trend

Rank	Ticker	Market Cap	Sales Correlation	Sales Estimate Change	Growth	Acceleration	Microquad Forward Performance - Expected	1W-Return	1M-Return	3M-Return	1Y-Return
1	CYRX	2,226.43	88%	284%	-	-					
2	FLGT	935.28	90%	72%	1.43	-2.73	1.26%	7%	16%	-2%	285%
3	QDEL	8,699.29	89%	30%	1.10	-3.23	2.04%	-30%	-25%	-20%	222%
4	NVTA	6,200.05	83%	22%	2.48	-0.17	2.21%	5%	-1%	48%	170%
5	IRTC	7,124.33	75%	18%	1.75	-0.73	1.76%	2%	7%	51%	299%
6	ALGN	35,668.73	80%	17%	1.69	-0.10	1.37%	-4%	36%	48%	76%
7	ADPT	5,808.92	45%	16%	1.55	-0.99	0.69%	-4%	-5%	20%	80%
8	PRSC	1,665.42	-20%	16%	0.16	0.98	1.18%	-2%	24%	35%	109%
9	PKI	16,606.12	92%	15%	1.36	-2.23	0.38%	-6%	7%	10%	50%
10	ONEM	4,192.06	38%	15%	0.62	-1.69	0.99%	11%	14%	20%	0%
11	PEN	9,322.54	93%	14%	0.72	0.43	1.07%	5%	22%	12%	59%
12	NTRA	6,168.09	92%	14%	2.01	-1.25	3.31%	1%	15%	32%	116%
13	OSUR	718.92	49%	14%	1.67	-1.99	1.51%	-2%	-10%	-4%	66%
14	ATRS	477.06	67%	13%	0.67	-0.92	0.81%	0%	-14%	-3%	-30%
15	WST	21,861.63	99%	13%	1.86	-2.04	2.32%	-2%	0%	6%	96%
16	TXG	13,274.30	88%	13%	0.75	0.11	1.24%	-6%	-14%	31%	118%
17	TTOO	184.81	-26%	13%	1.24	-2.01	0.91%	-2%	-10%	-21%	-20%
18	RGEN	10,711.70	94%	11%	1.79	-1.10	2.36%	2%	21%	39%	152%
19	ARAY	467.23	35%	11%	0.93	3.27	2.28%	33%	25%	59%	37%
20	NSTG	1,730.06	67%	10%	1.45	-0.77	0.47%	13%	17%	18%	95%

- The Microquads start with revision trends in the short term.
- Estimates have been trending higher for TDOC in recent weeks.
- FLGT – Ridiculous upside on the print. We'll haven't updated their claims data in some time because reported volume was so low.
- TXG – Great quarter, likely more upside for several more quarters.
- NSTG – We hear positive comments expert calls, but have not looked closely at it.

For more information, contact us at:

**[support@hedgeye.com](mailto:support@hedgeye.com)**