

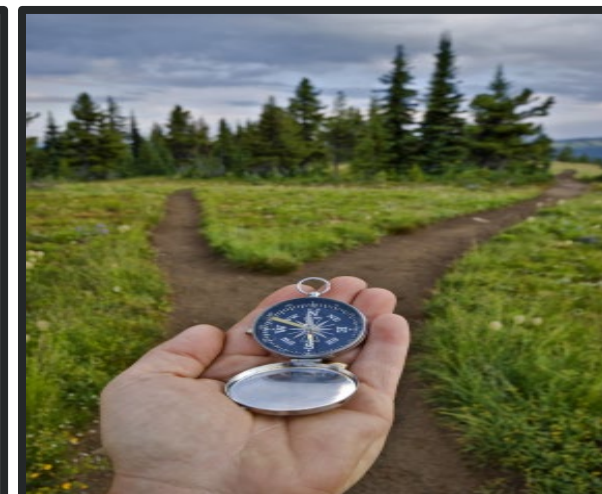
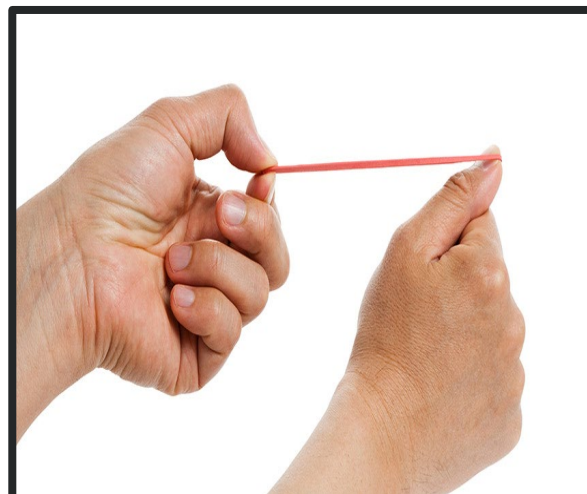
HEDGEYE



Health Care Position Monitor Update

Post- COVID Snapback, GDRX Back to Trend, Telehealth App Downloads, ONEM Update

November 30, 2020



Hedgeye Health Care

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Health Care Position Monitor

HEDGEYE

For Week of November 30, 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.	\$ 33.63	\$4.5B	✓	✓	EXAS	Exact Sciences Corporation	\$ 118.19	\$18.8B	×	×
AMN	AMN Healthcare Services, Inc.	\$ 66.55	\$3.1B	✓	✓						
TXG	10x Genomics Inc Class A	\$ 150.67	\$12.1B	✓	✓						
GH	Guardant Health, Inc.	\$ 118.66	\$11.9B	✓	✓						
TDOC	Teladoc Health, Inc.	\$ 196.45	\$28.5B	✓	✓						
Long Bias						Short Bias					
ILMN	Illumina, Inc.	\$ 317.03	\$46.3B			HRC	Hill-Rom Holdings, Inc.	\$ 95.70	\$6.4B		
NTRA	Natera, Inc.	\$ 88.13	\$7.5B			MASI	Masimo Corporation	\$ 254.41	\$14.0B		
GDRX	GoodRx Holdings, Inc. Class A	\$ 38.20	\$1.7B			AMWL	American Well Corporation Class A	\$ 26.09	\$5.2B		
NEO	NeoGenomics, Inc.	\$ 47.36	\$5.3B			NVTA	Invitae Corp.	\$ 50.06	\$8.8B		

Note

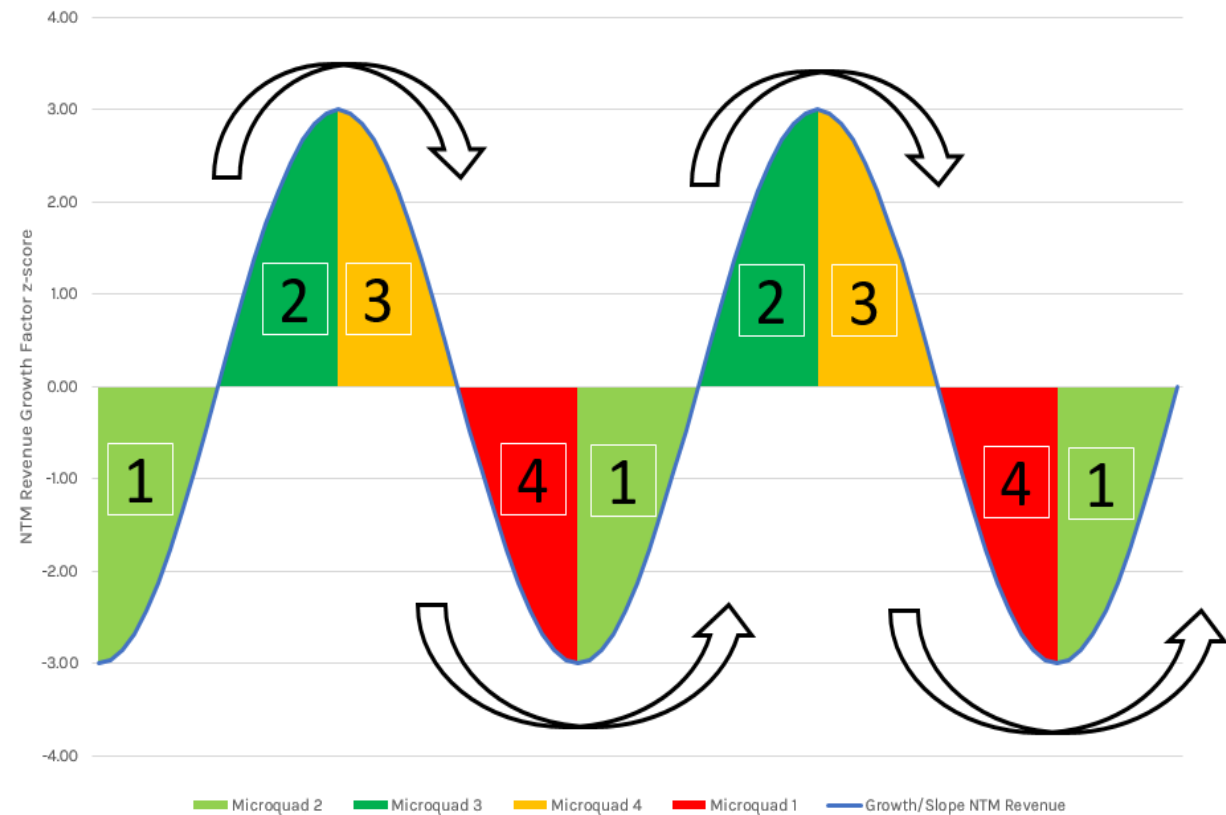
Active Longs/Shorts are high conviction ideas that we've either presented a Black Book for already or have one in the works (similar to other Hedgeye teams). Bench or Bias ideas are ones in which we've done the bulk of the work, but there may be another question we need to answer to move it over the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

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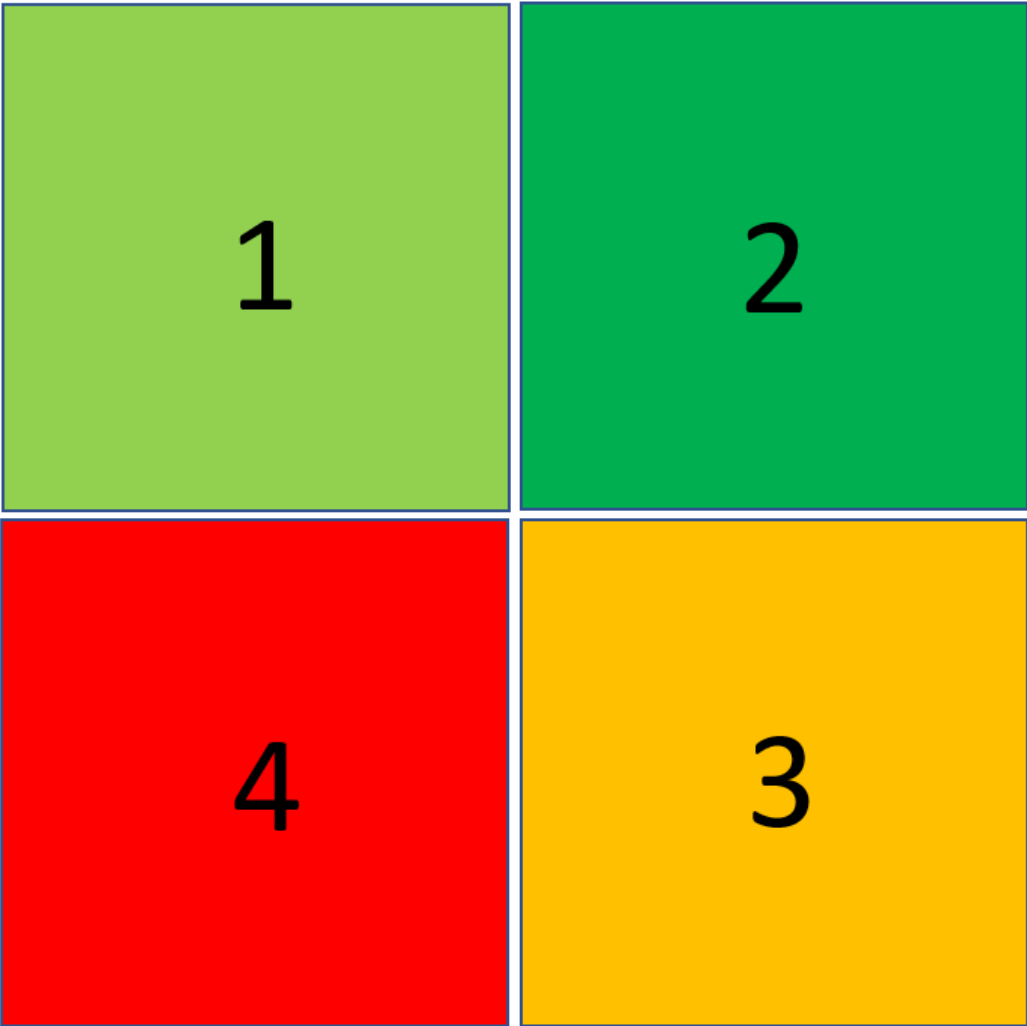
Hedgeye's "bias" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not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

MicroQuad | Model vs Actual

MicroQuad – Generic Growth Curve Progression

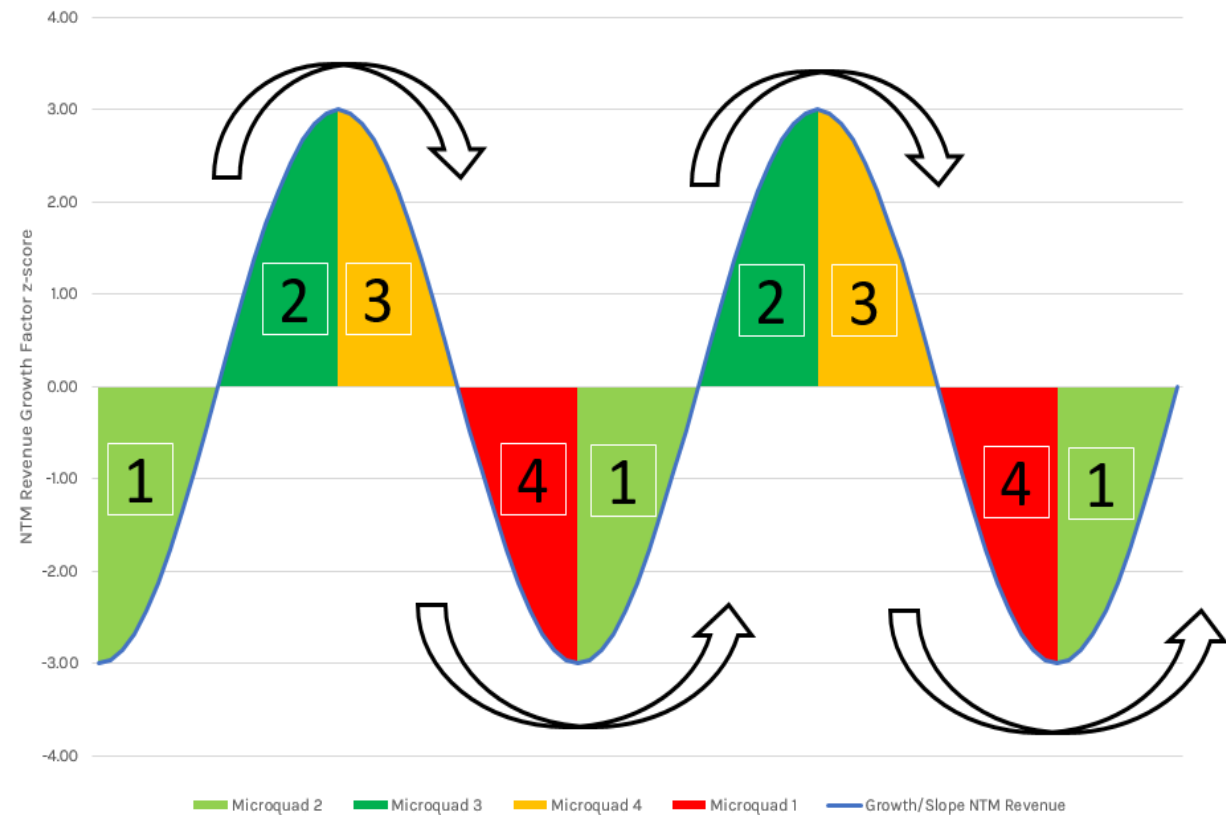


MicroQuad - The Four Quadrants

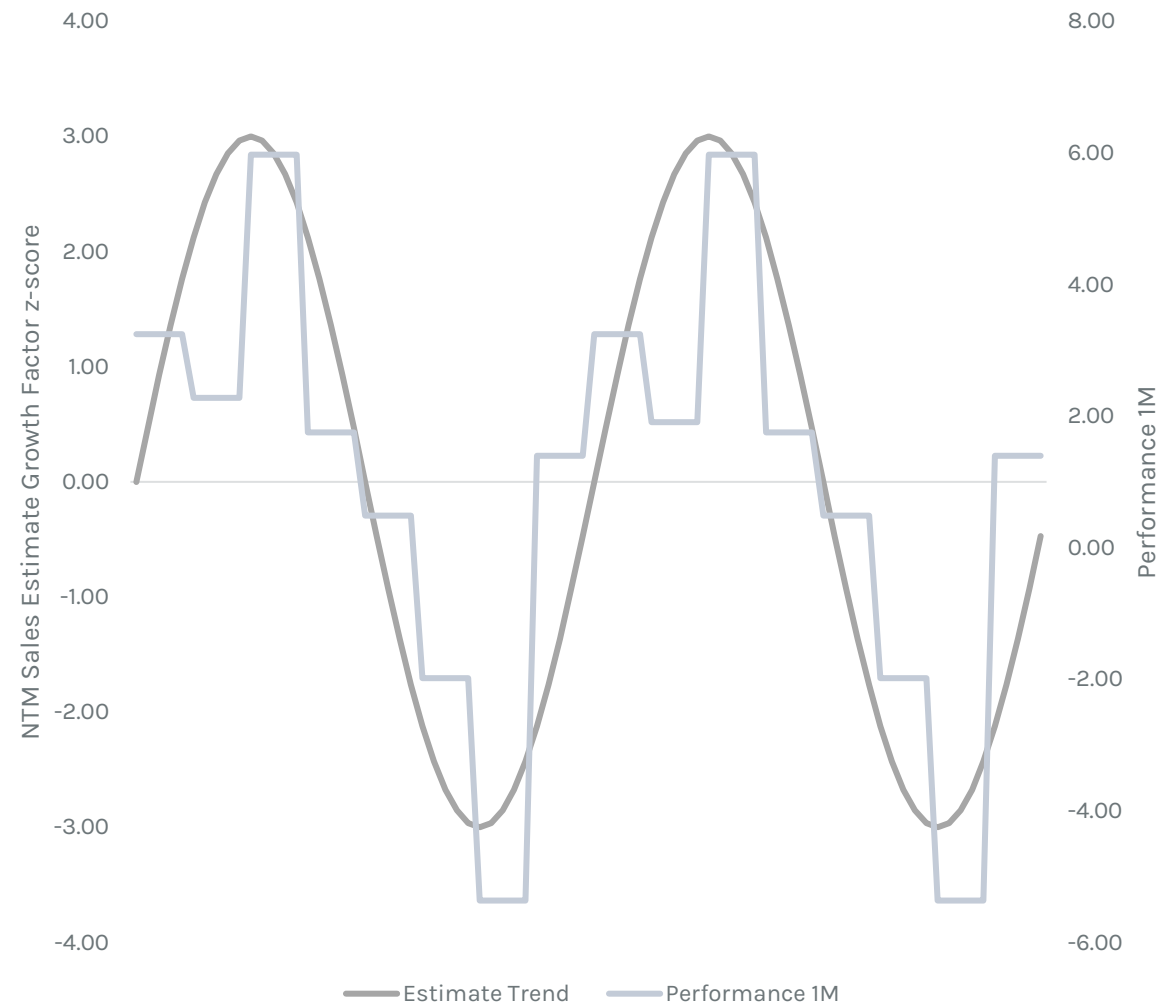


MicroQuad | Model vs Actual

MicroQuad – Generic Growth Curve Progression

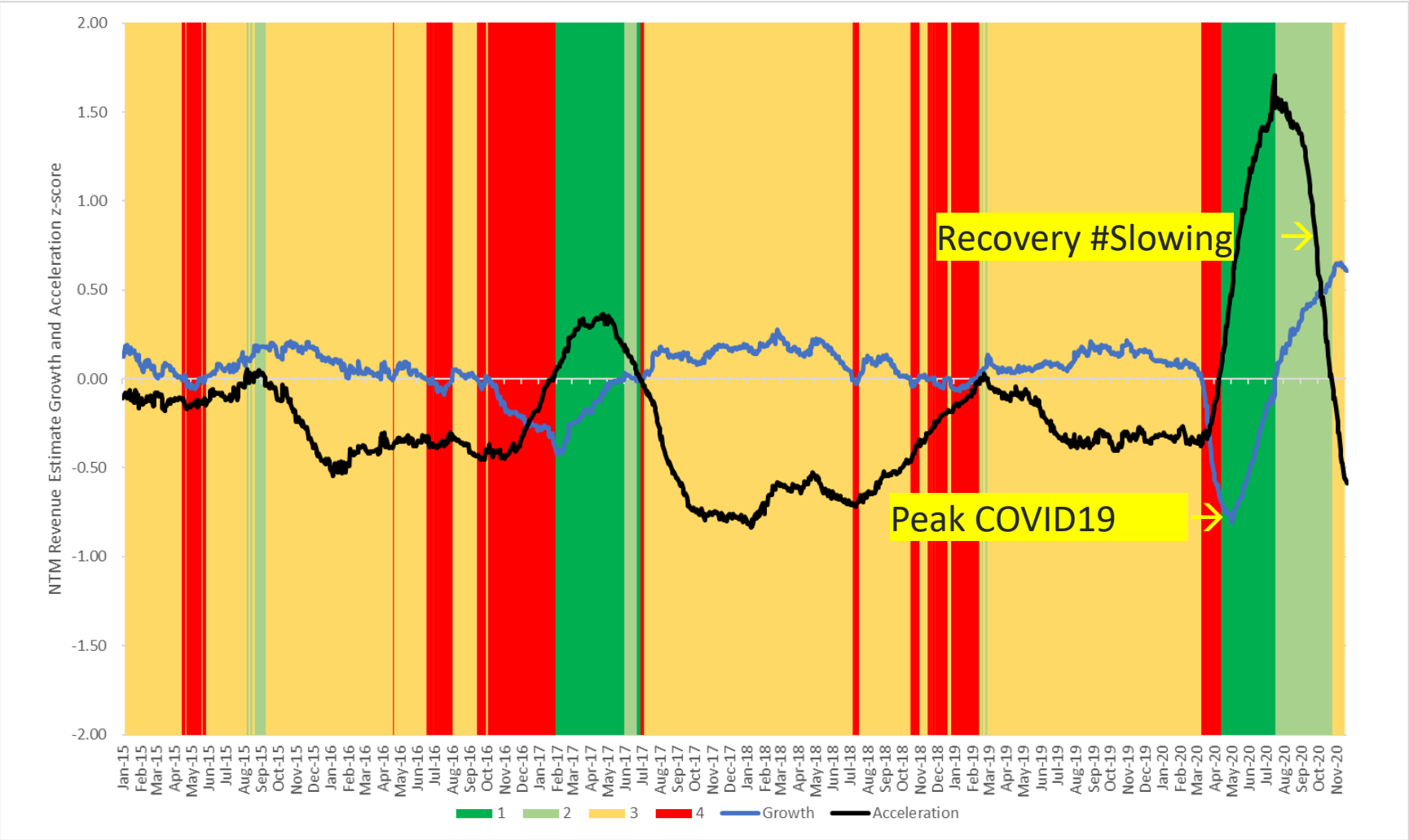


MicroQuad – Actual Performance vs Growth Curve



Estimate Revision Trend is Decelerating

Past the peak for the post-COVID19 recovery



As of 11/27/2020 the average trend continue to progress deeper into MicroQuad 3, lower probability of positive performance and lower average performance compared to MicroQuad 2.

COVID-19 vaccine deployment will release substantial deferred care and pent-up demand, lead to reacceleration, but evidence won't emerge until 1Q21.

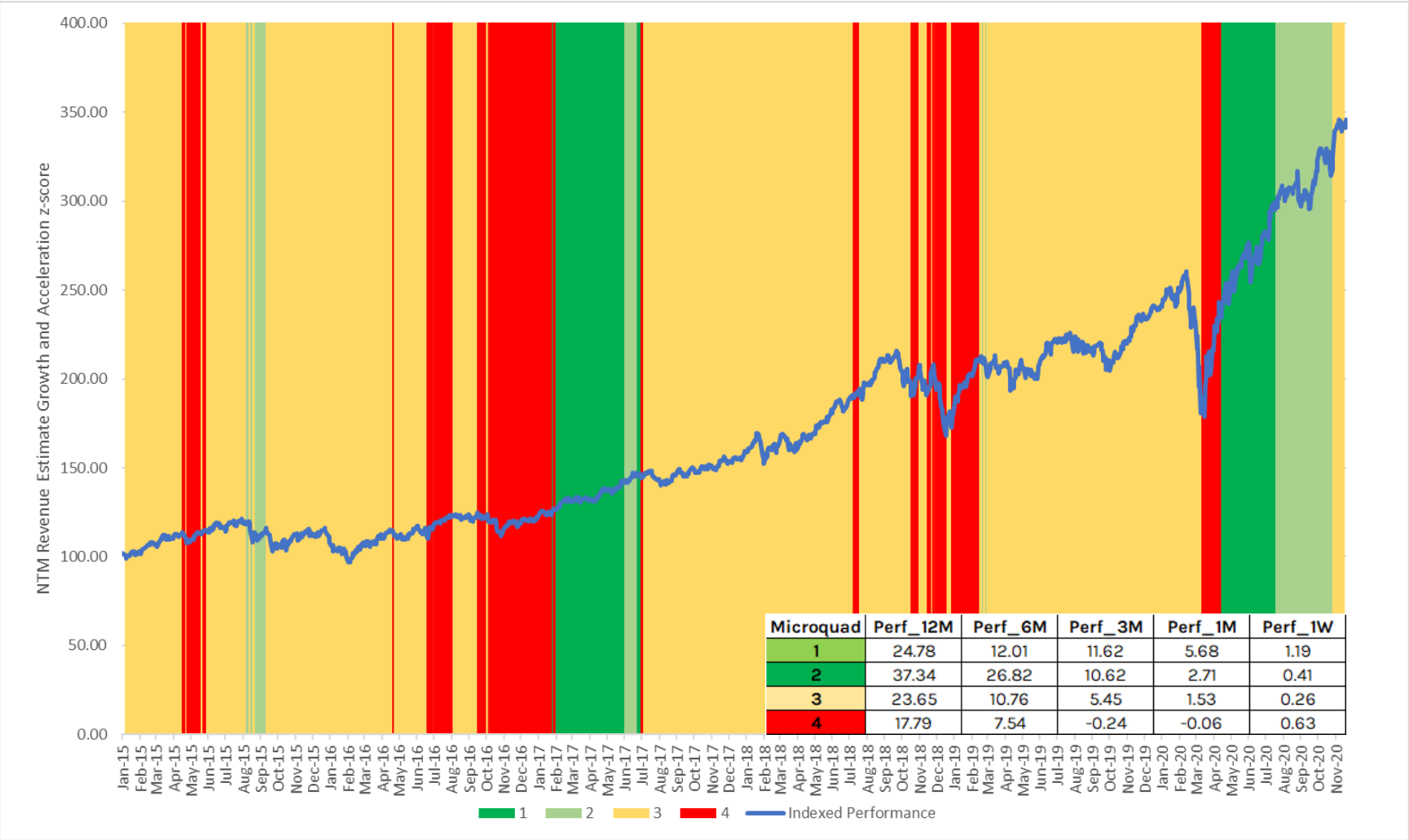
We transform the next twelve-month revenue estimate (NTM) across our universe of Healthcare companies into 2 vectors that describe growth and acceleration.

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.

Price Index

Past the peak for the post-COVID19 recovery?



As of 11/27/2020 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 an emerging Macro Quad 2.

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.

MicroQuad Screen | November 27, 2020

Active Long

Active Short

Bench Long

Bench Short

MicroQuad1	MicroQuad2	MicroQuad3	MicroQuad4
AMGN	AMN	A	ABBV
EHC	BAX	ABMD	ANTM
HMSY	CERN	ABT	BDX
HRC	COO	ALGN	BIOS
HUM	ENSG	AMED	CHE
LHCG	HAE	BIO	GH
PRGO	ICUI	BSX	GILD
	ILMN	CNMD	NEO
	OMCL	CRL	VRTX
	RMD	CVET	
	UNH	DGX	
	VEEV	DHR	
		DXCM	
		EW	
		EXAS	
		GKOS	
		GMED	
		HCA	
		HOLX	
		IART	
		IDXX	
		IQV	
		IRTC	
		ISRG	
		JNJ	
		LH	
		LLY	
		MASI	
		MDT	
		MEDP	
		MMSI	
		MRK	
		MTD	
		NEOG	
		NSTG	
		NTRA	
		NVTX	
		OPK	
		PDCC	
		PEN	
		PKI	
		PODD	
		PRAH	
		Q	
		QDEL	
		RCM	
		RGEN	
		SEM	
		STAA	
		STE	
		SYK	
		TDCC	
		TECH	
		TFX	
		TMO	
		TNDM	
		TXG	
		WAT	
		WST	
		ZTS	

Prospective Performance

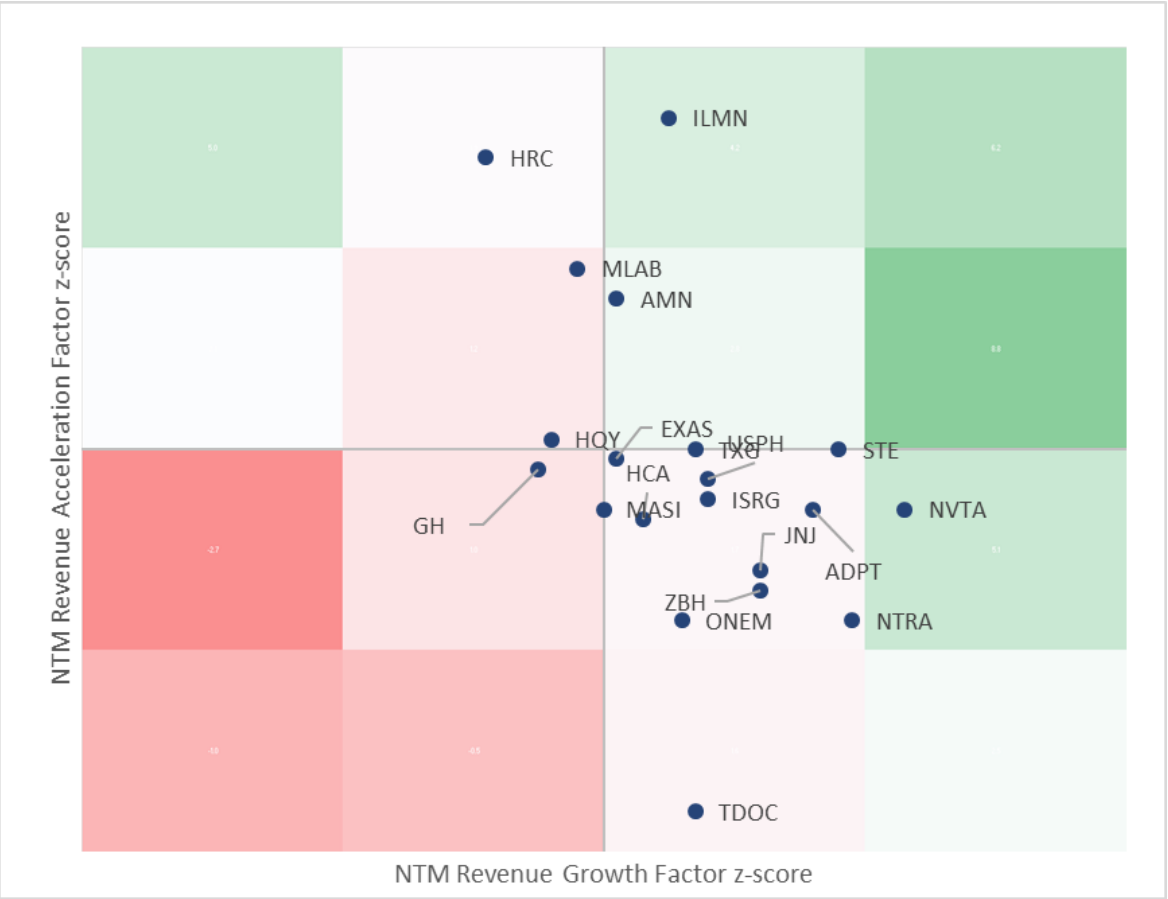
MicroQuad average forward 1M performance in all Macro Quad environments

POSITION MONITOR		11/27/2020			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
TDOC	Teladoc Health, Inc.	\$200.00	16,546	28,992	2.75%	-13.44%	2.52%	4.12%	0.94	0.71	-3.58	3
HRC	Hill-Rom Holdings, Inc.	\$97.49	8,211	6,514	-1.06%	4.87%	1.83%	3.62%	0.94	-0.94	2.85	1
TXG	10x Genomics Inc Class A	\$139.72	13,393	11,199	9.36%	6.84%	2.91%	3.50%	0.89	0.72	-0.05	3
MASI	Masimo Corporation	\$247.96	13,757	13,651	3.22%	8.91%	1.81%	2.96%	0.97	0.02	-0.57	3
ILMN	Illumina, Inc.	\$300.80	43,099	43,917	6.03%	2.37%	3.36%	2.94%	0.93	0.52	3.32	2
AMN	AMN Healthcare Services, Inc.	\$59.24	3,752	2,786	9.66%	3.34%	3.42%	2.28%	0.82	0.13	1.54	2
ONEM	1Life Healthcare, Inc.	\$35.44	4,274	4,714	-0.36%	15.01%	0.31%	2.20%	0.41	0.59	-1.70	3
GH	Guardant Health, Inc.	\$112.95	10,335	11,292	9.35%	7.38%	1.08%	2.18%	0.72	-0.45	-0.16	4
NTRA	Natera, Inc.	\$85.40	6,378	7,291	6.36%	32.21%	3.33%	1.70%	0.93	1.89	-1.70	3
EXAS	Exact Sciences Corporation	\$115.23	17,750	18,325	4.43%	-7.32%	2.13%	0.28%	0.81	0.09	-0.08	3
NVTA	Invitae Corp.	\$48.00	6,330	8,482	7.03%	13.21%	5.79%	0.05%	0.84	2.33	-0.64	3

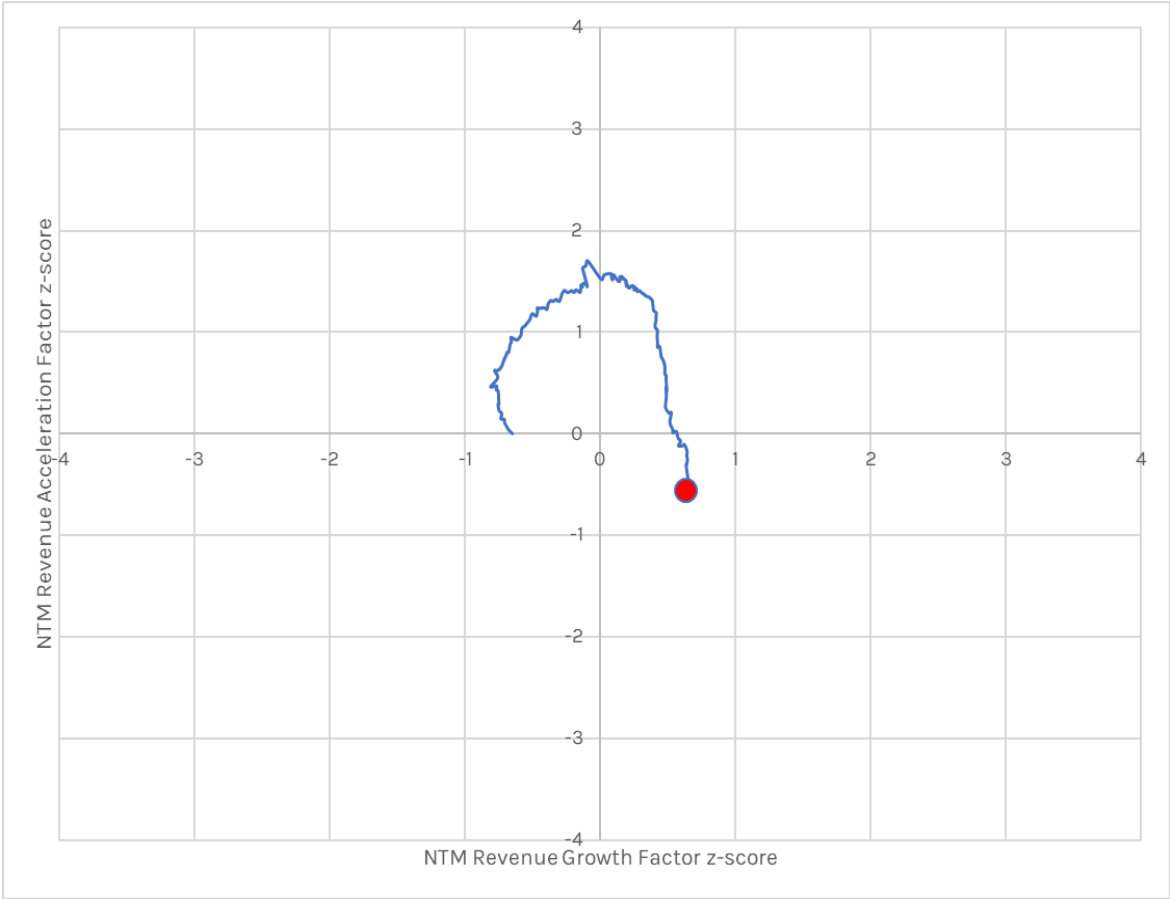
The sigma chart coordinates for growth/acceleration (1st and 2nd Derivative of the estimate trend) is associated with a forward price return over the following 1M and 3M. For each of our Position Monitor stocks, we've calculated the average forward return within 0.5 STDEV of the stocks most recent estimate 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.

Position Monitor | November 27, 2020

Sigma Positioning – Current Position Monitor



Sigma Positioning –Universe Average



MicroQuad | Watch List

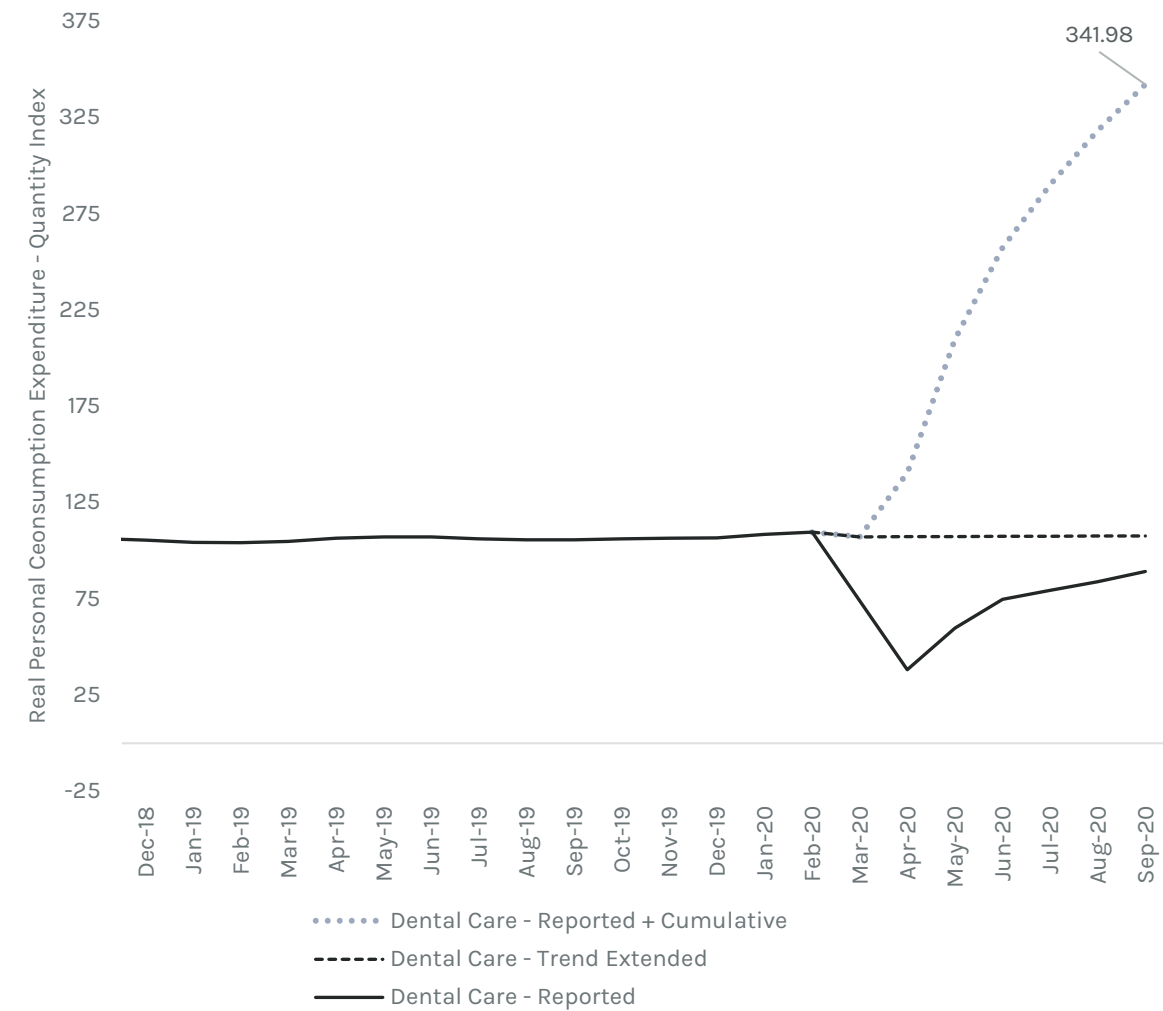
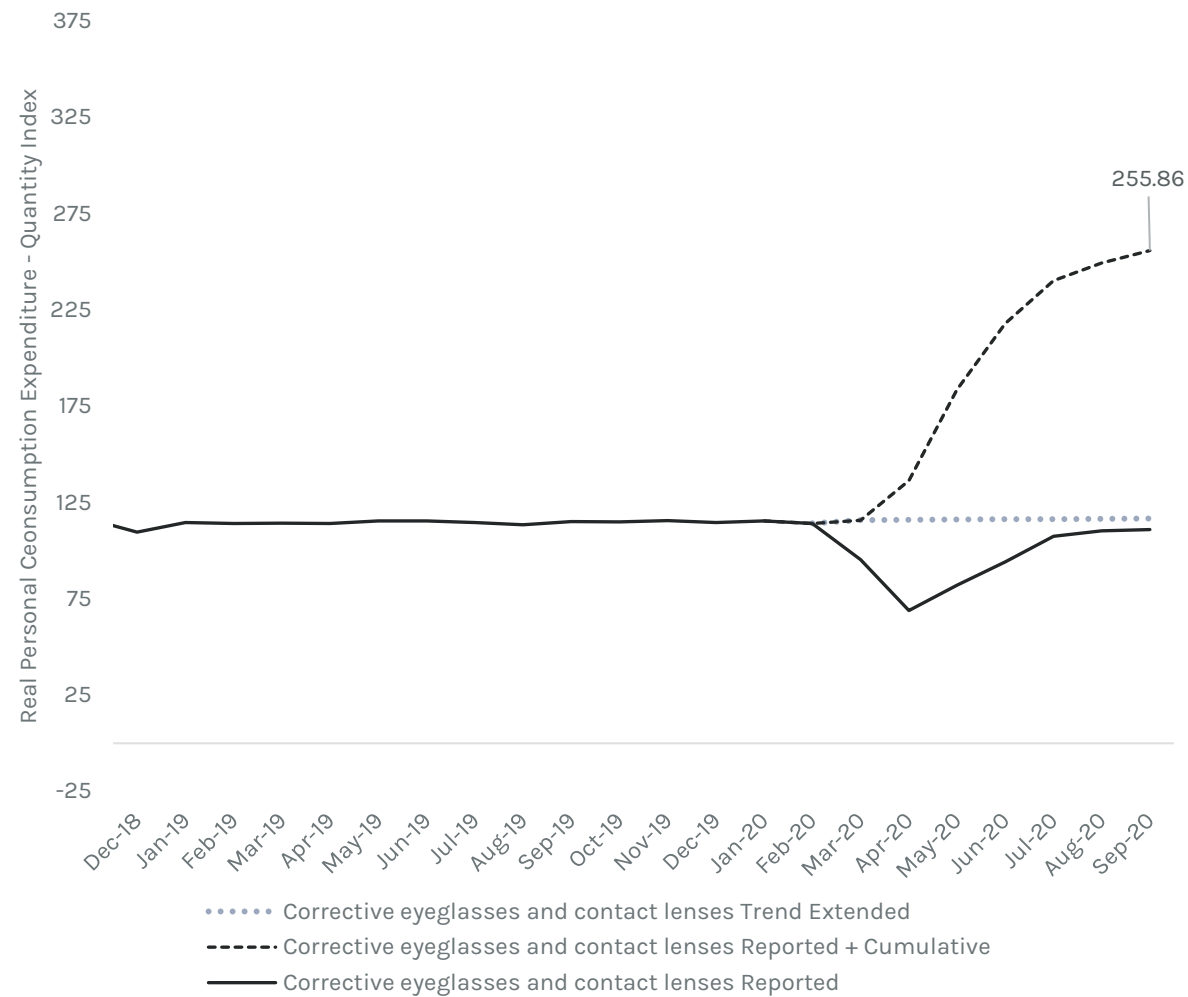
Forward performance based on MicroQuad coordinates and Macro Quad 2

Ticker	Number of Estimates Total	Number Revision Positive 30D	Number Revision Negative 30D	Growth	Acceleration	Correl to Estimate	Performance Trailing 1M - Actual %	Performance Trailing 1M - Expected %	Performance Forward 1M - Expected %
STE	6	5	0	1.80	0.00	0.90	7.32	0.84	5.03%
NTRA	9	9	0	1.90	-1.70	0.90	32.21	0.87	4.45%
TDOC	14	14	0	0.70	-3.60	0.90	-13.44	0.40	4.18%
MLAB	5	2	1	-0.20	1.80	0.90	4.98	0.61	3.12%
TXG	6	6	0	0.70	0.00	0.90	6.84	0.63	2.65%
NVTA	6	6	0	2.30	-0.60	0.80	13.21	0.99	2.52%
MASI	8	8	0	0.00	-0.60	1.00	8.91	0.37	2.44%
HCA	19	11	1	0.30	-0.70	0.90	20.94	0.47	2.31%
USPH	4	3	0	0.80	-0.30	0.90	41.40	0.67	2.26%
ZBH	26	26	0	1.20	-1.40	0.20	12.48	0.69	2.19%
ONEM	11	10	0	0.60	-1.70	0.40	15.01	0.38	2.02%
GH	8	5	0	-0.50	-0.20	0.70	7.38	0.33	1.90%
AMN	9	8	0	0.10	1.50	0.80	3.34	0.79	1.82%
HQY	14	1	0	-0.40	0.10	0.40	39.21	0.41	1.79%
JNJ	15	10	0	1.20	-1.20	0.80	4.08	0.73	1.72%
ISRG	18	1	2	0.80	-0.50	0.90	6.11	0.65	1.29%
EXAS	14	11	0	0.10	-0.10	0.80	-7.32	0.47	0.78%
HRC	8	0	7	-0.90	2.90	0.90	4.87	0.92	0.77%
ADPT	8	5	2	1.60	-0.60	0.50	-7.83	1.15	0.06%
ILMN	16	10	2	0.50	3.30	0.90	2.37	1.44	-0.74%

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.

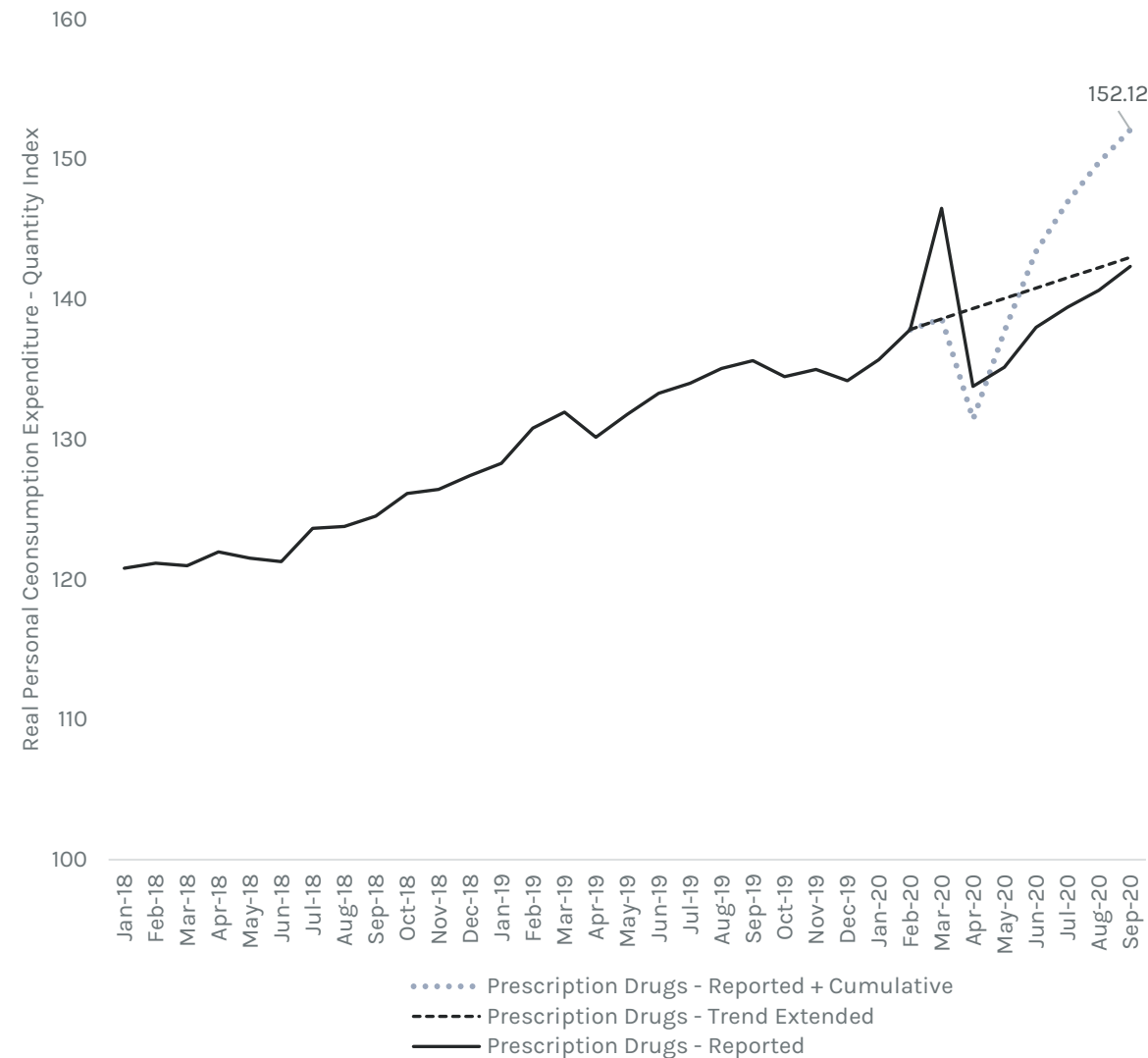
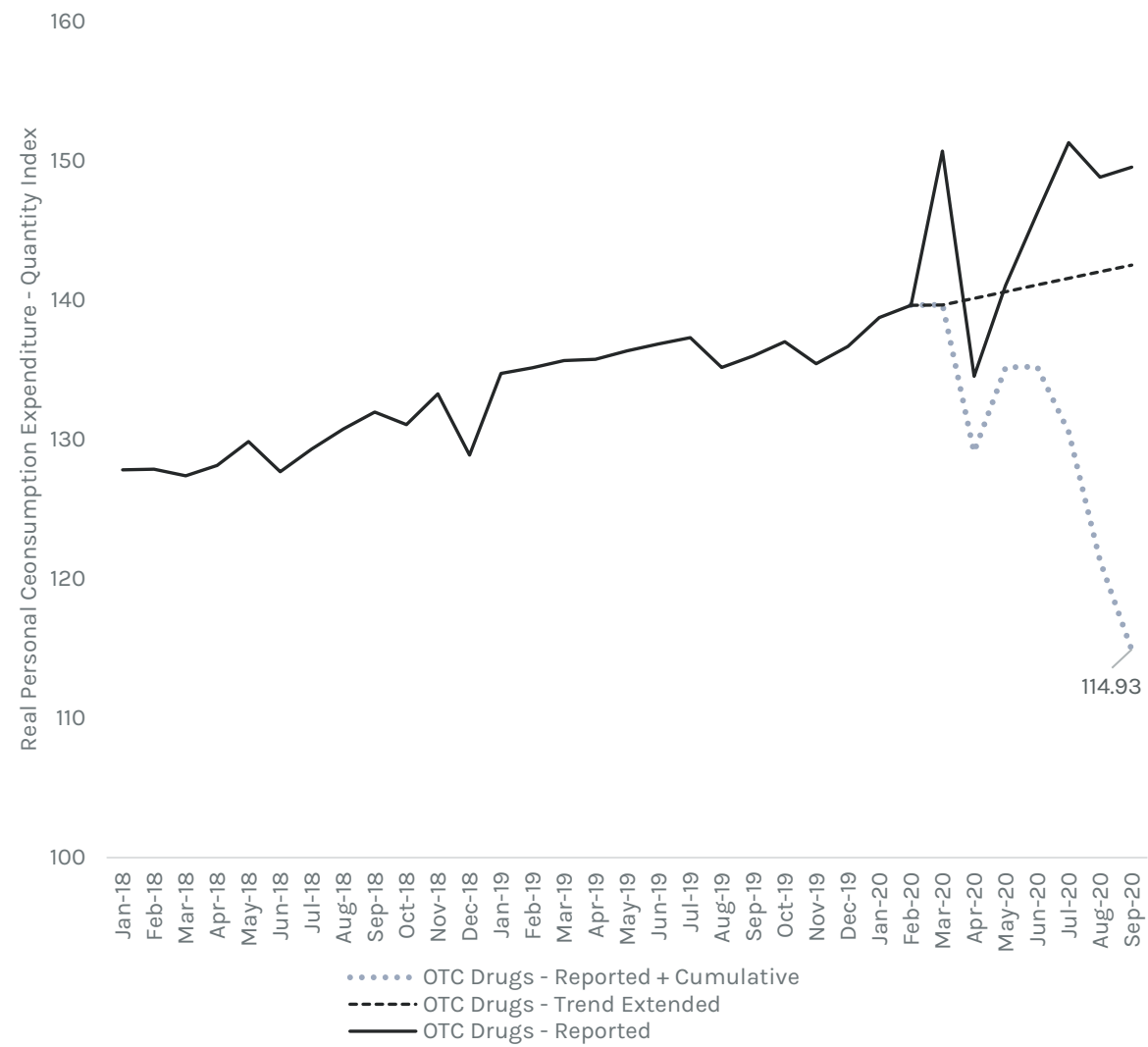
Medical Spending | Pent- Up Demand

Dental Care and Vision Care appear positioned for in-person care recovery



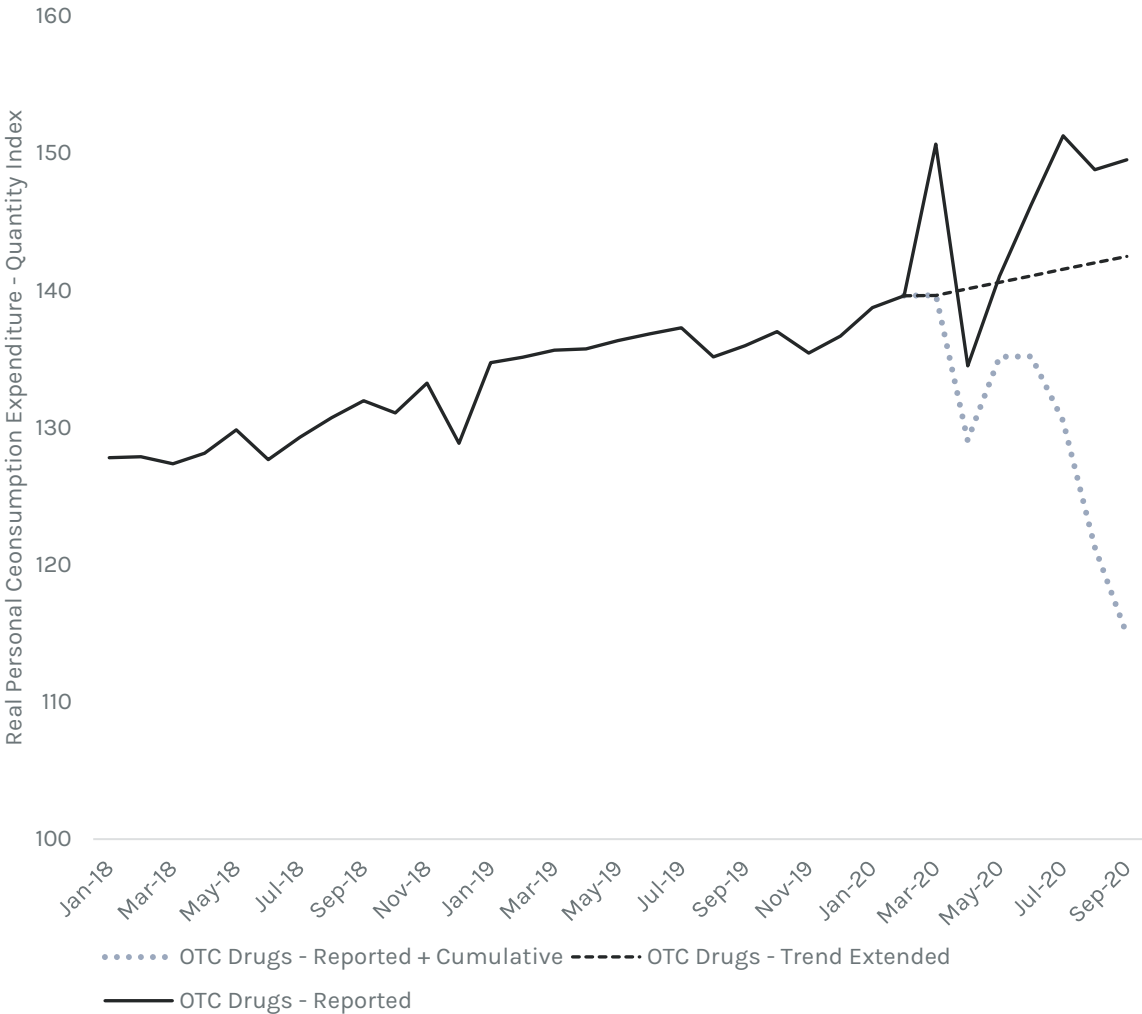
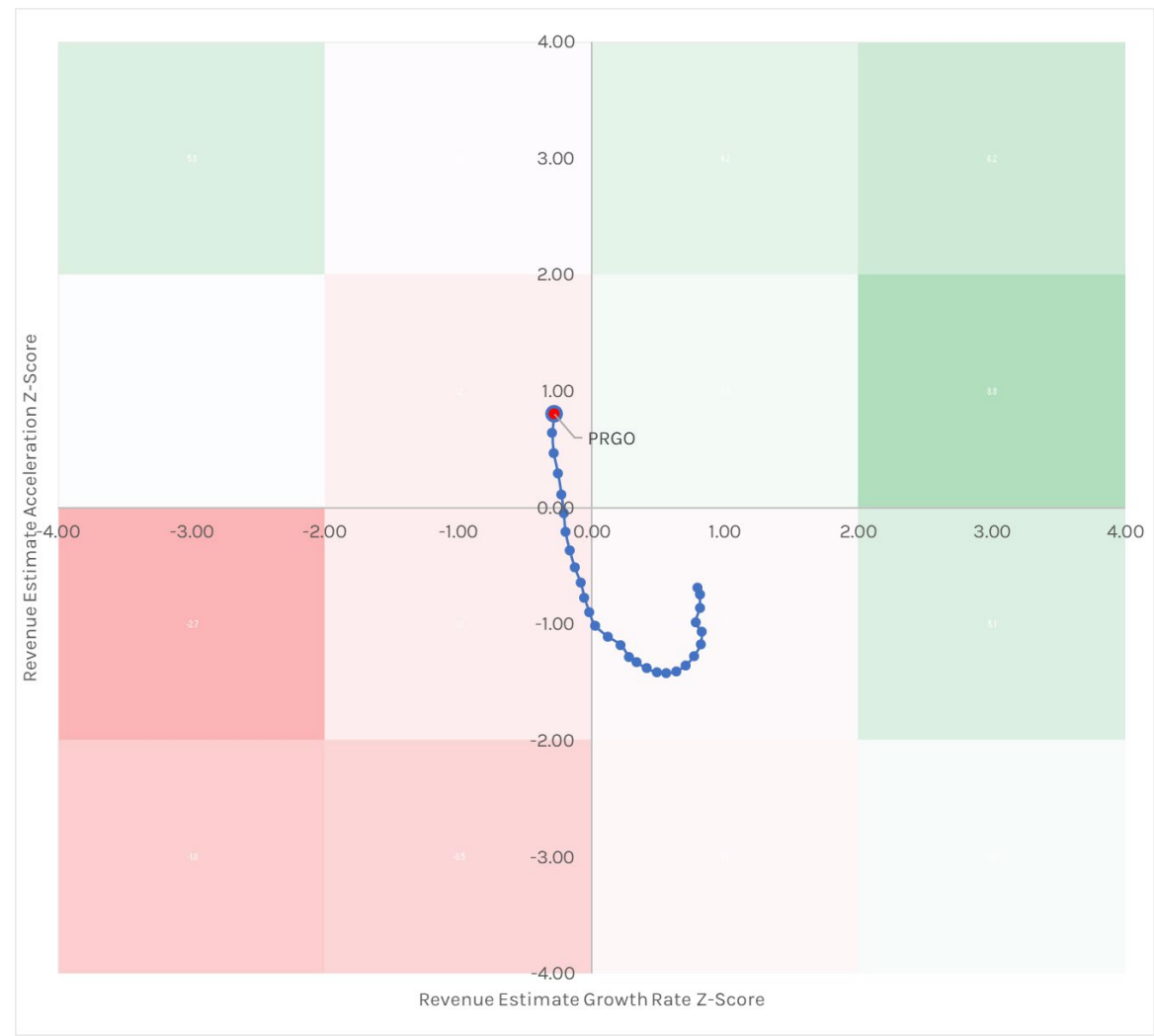
Medical Spending | Pent- Up Demand

OTC Drugs are extended, Prescription Drugs more modest upside from COVID-19 vaccines



PRGO | Difficult COVID-19 Comparison

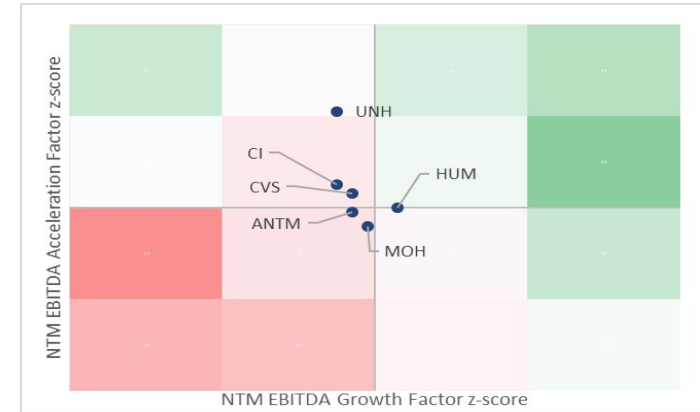
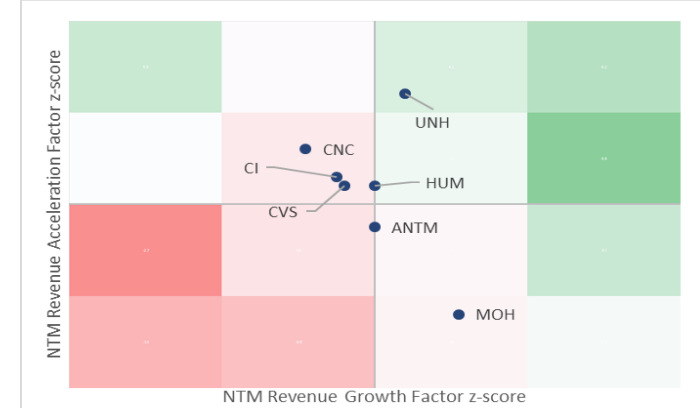
OTC Drugs have been over performing during COVID-19



MicroQuad Analysis | Managed Care

Times have been great for managed care, but reports suggest a big rebound in medical costs coming

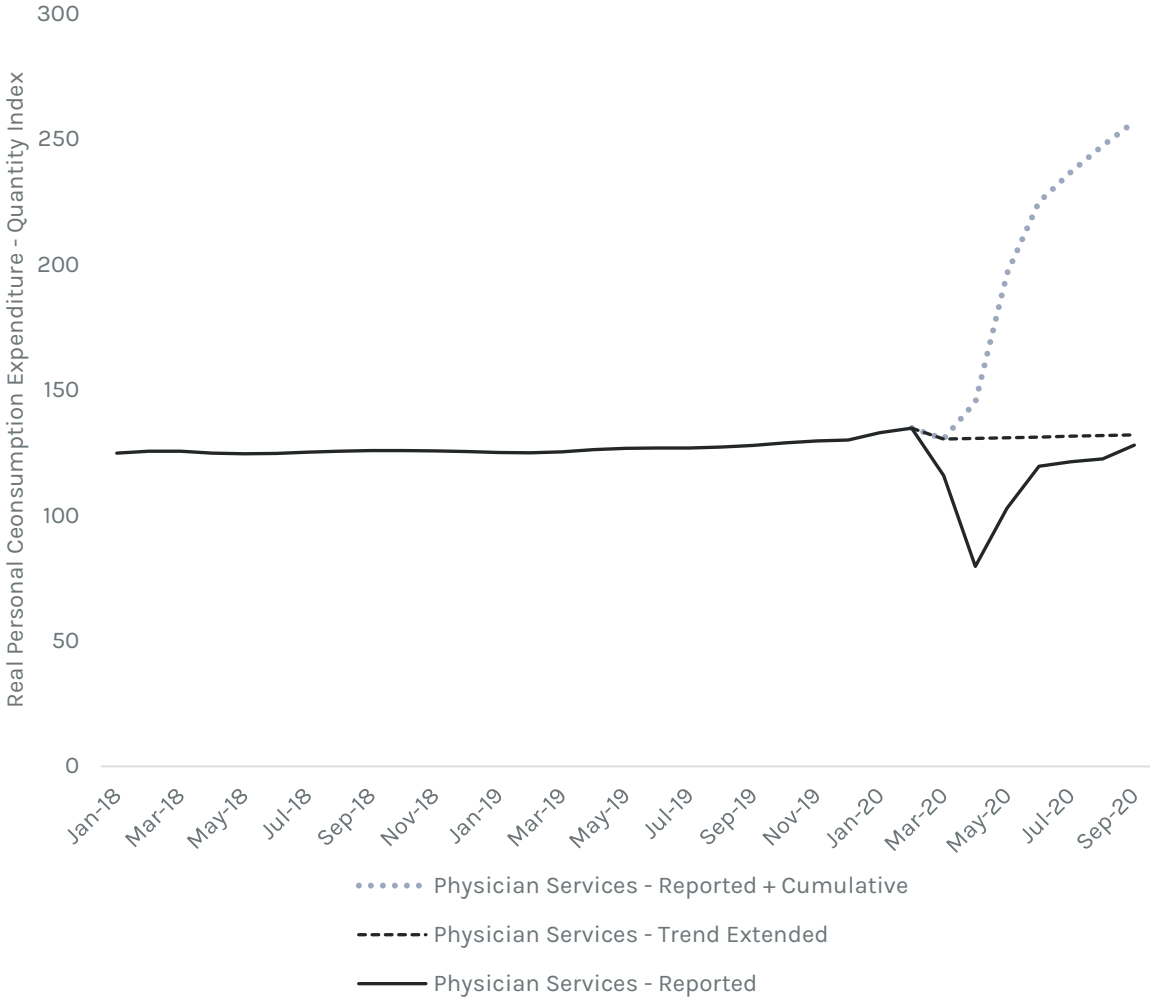
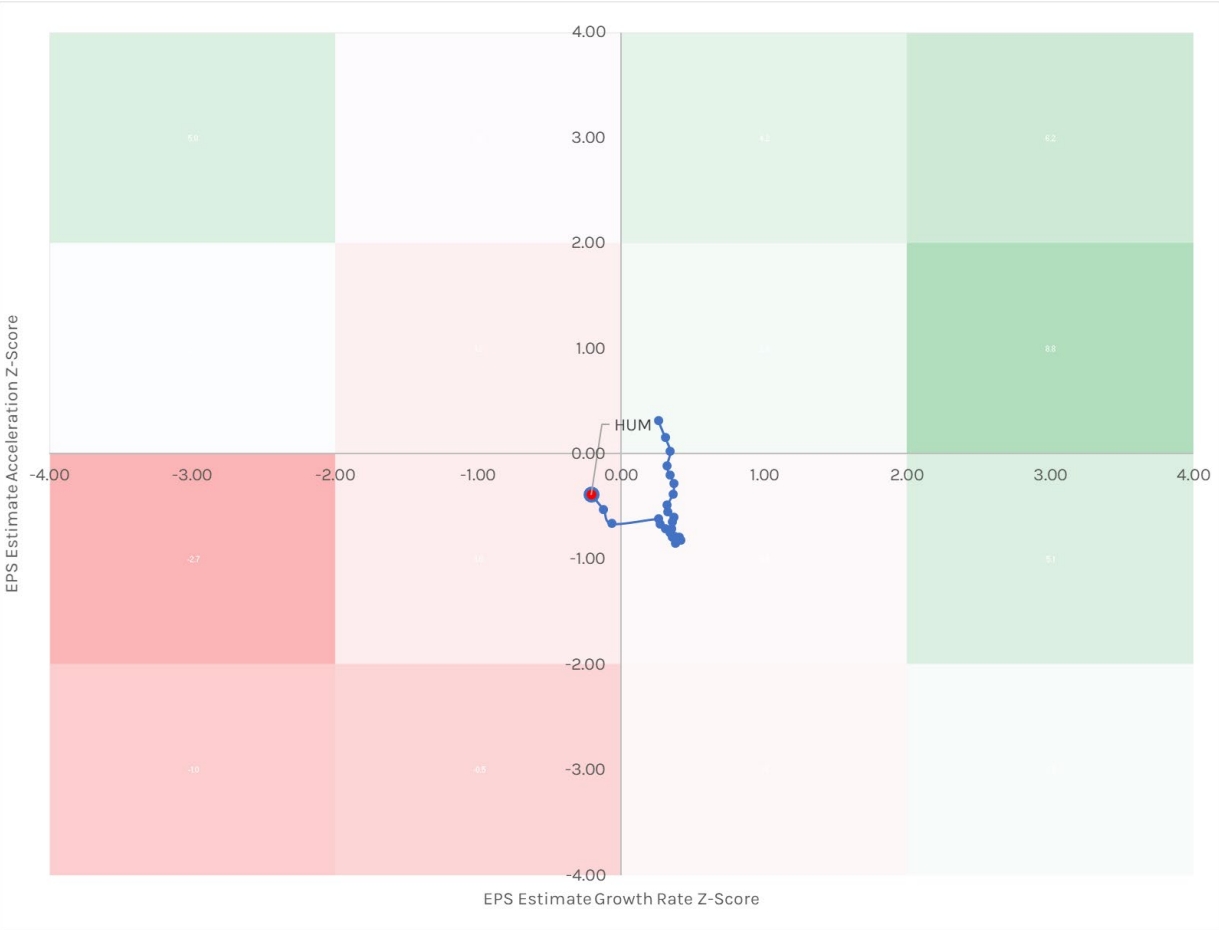
Ticker	Number of Estimates Total	Number Revision Positive 30D	Number Revision Negative 30D	Growth	Acceleration	Correl to Estimate	Performance Trailing 1M - Actual %	Performance Trailing 1M - Expected %	Performance Forward 1M - Expected %
REVENUE									
UNH	22	1	0	0.40	2.40	1.00	2.75	3.59	1.37
ANTM	19	10	0	0.00	-0.50	0.80	0.15	1.68	1.35
CI	18	15	0	-0.50	0.60	0.30	14.21	1.69	1.48
CVS	23	2	0	-0.40	0.40	-0.70	11.62	1.71	1.45
HUM	18	8	0	0.00	0.40	0.80	-7.92	2.15	1.93
MOH	10	8	0	1.10	-2.40	0.50	-1.83	2.63	1.15
CNC	16	4	0	-0.90	1.20	-0.10	-5.95	1.21	1.86
EBITDA									
UNH	22	2	0	-0.50	2.10	0.90	2.75	0.72	2.19
ANTM	19	3	4	-0.30	-0.10	0.80	0.15	1.67	1.87
CI	18	4	0	-0.50	0.50	0.30	14.21	1.79	2.04
CVS	23	14	0	-0.30	0.30	-0.60	11.62	1.71	1.92
HUM	18	2	5	0.30	0.00	0.80	-7.92	2.40	1.83



Managed Care current positioning in the table above and plots to the right. CVS includes Aetna but shows negative correlations to revenue and EBITDA estimates. There is increasing likelihood that deferred medical costs are rebounding at increasingly higher medical intensity and acuity, and expense. While all insurers have reserved for a rebound in medical costs, they may prove low if rising acuity is a broad-based trend.

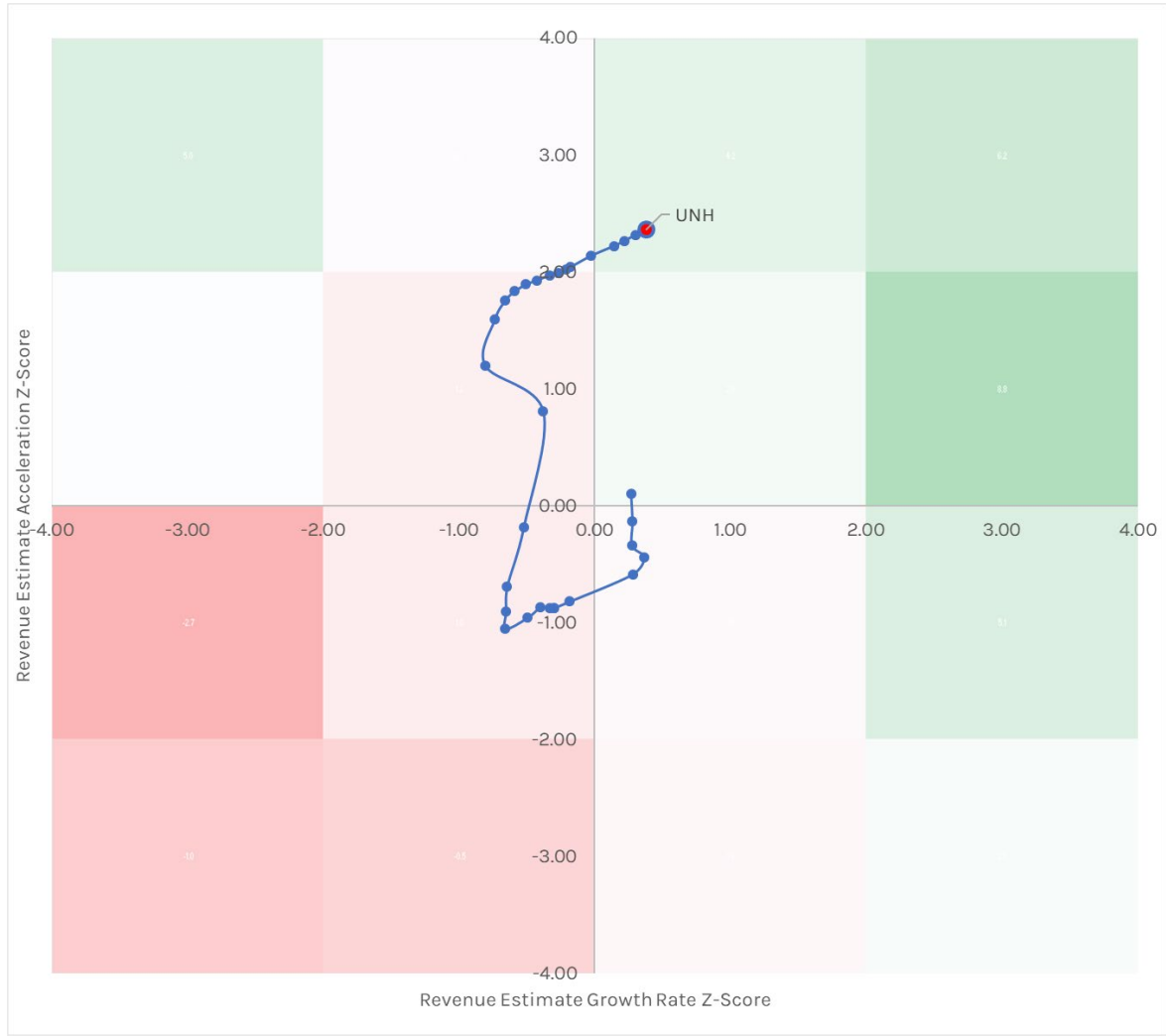
HUM | Rebound in Medical Utilization

HUM has 0.90 correlation to EPS estimates, pent up demand Physician Services emerges 1H21

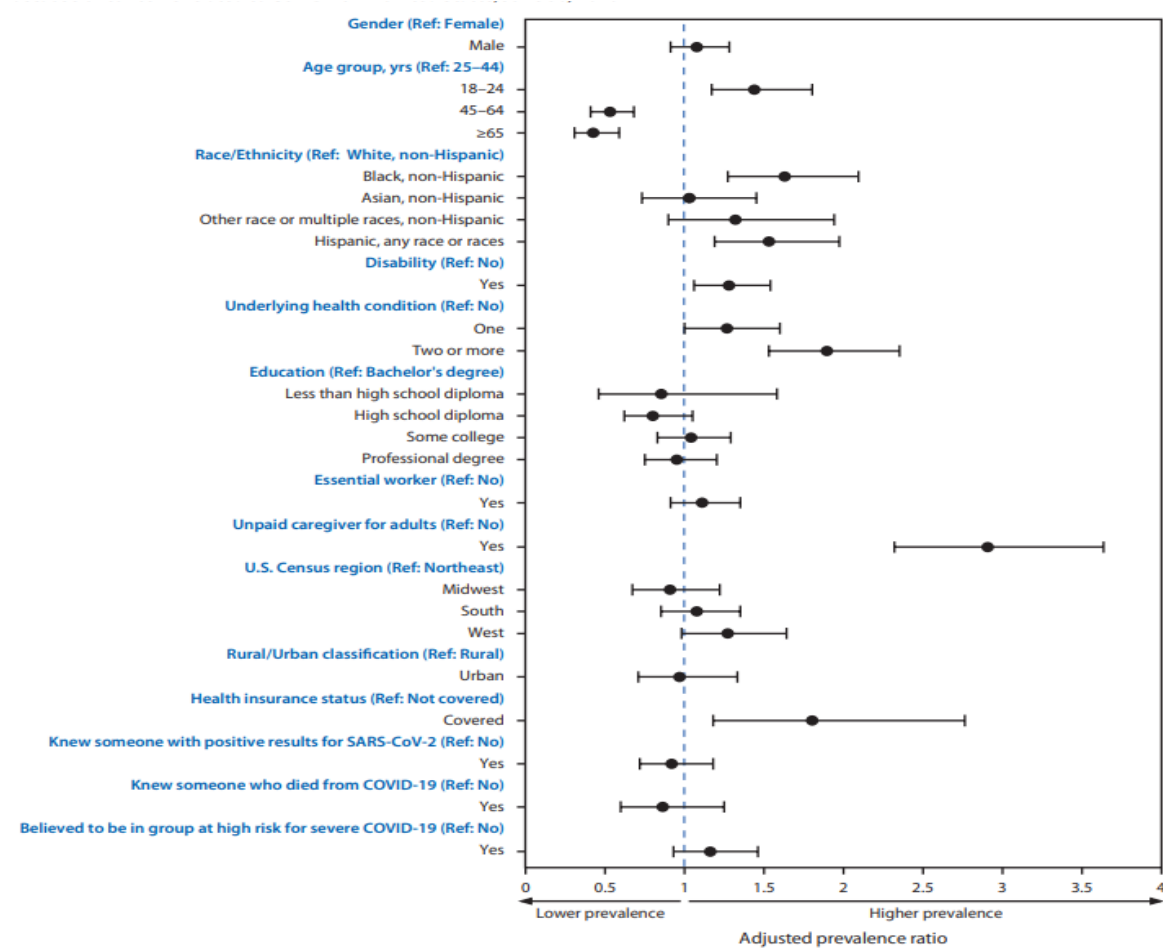


UNH | Rebound in Acuity Coming

Times have been great for managed care; reports suggest a big rebound in medical costs

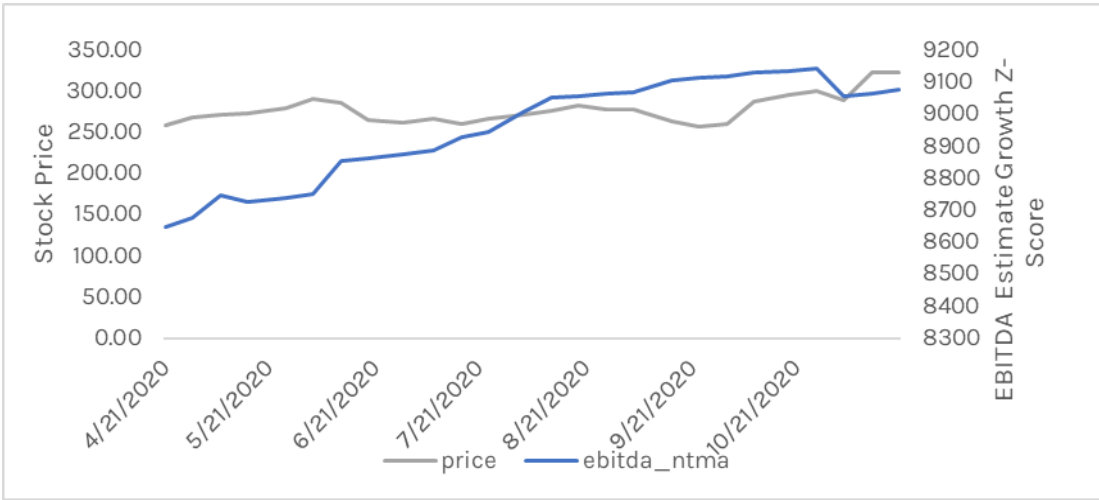
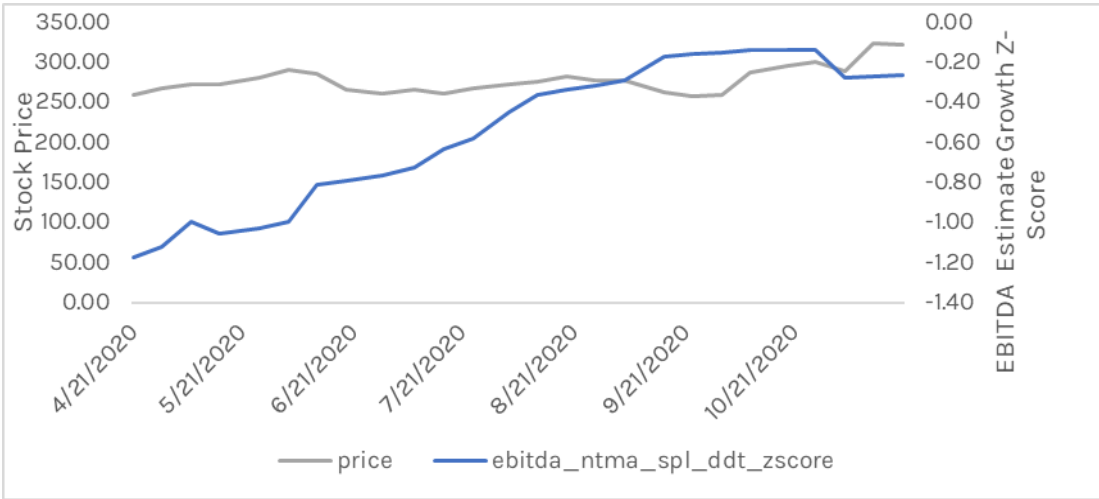
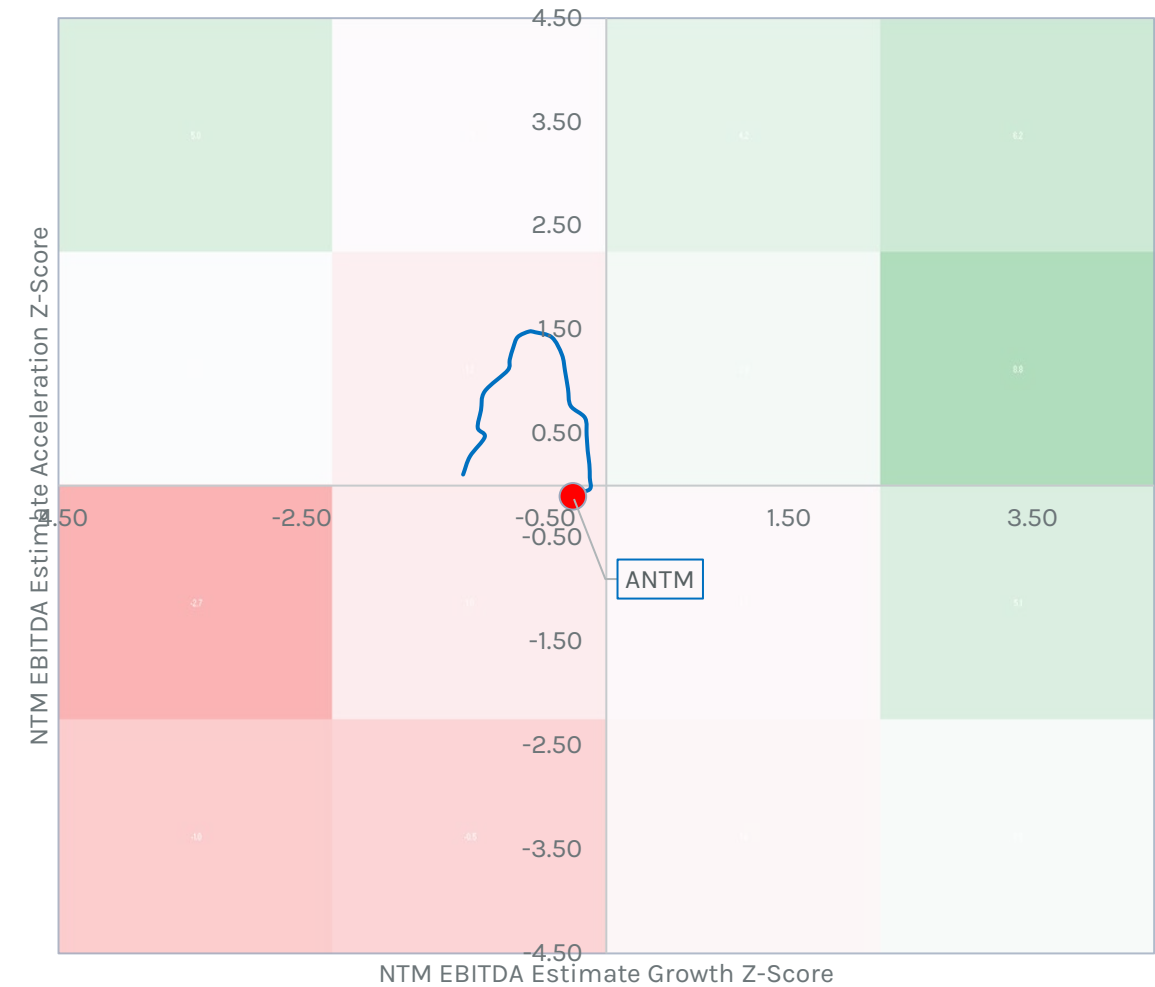


Delay or Avoidance of Medical Care Because of COVID-19–Related Concerns
United States, June 2020



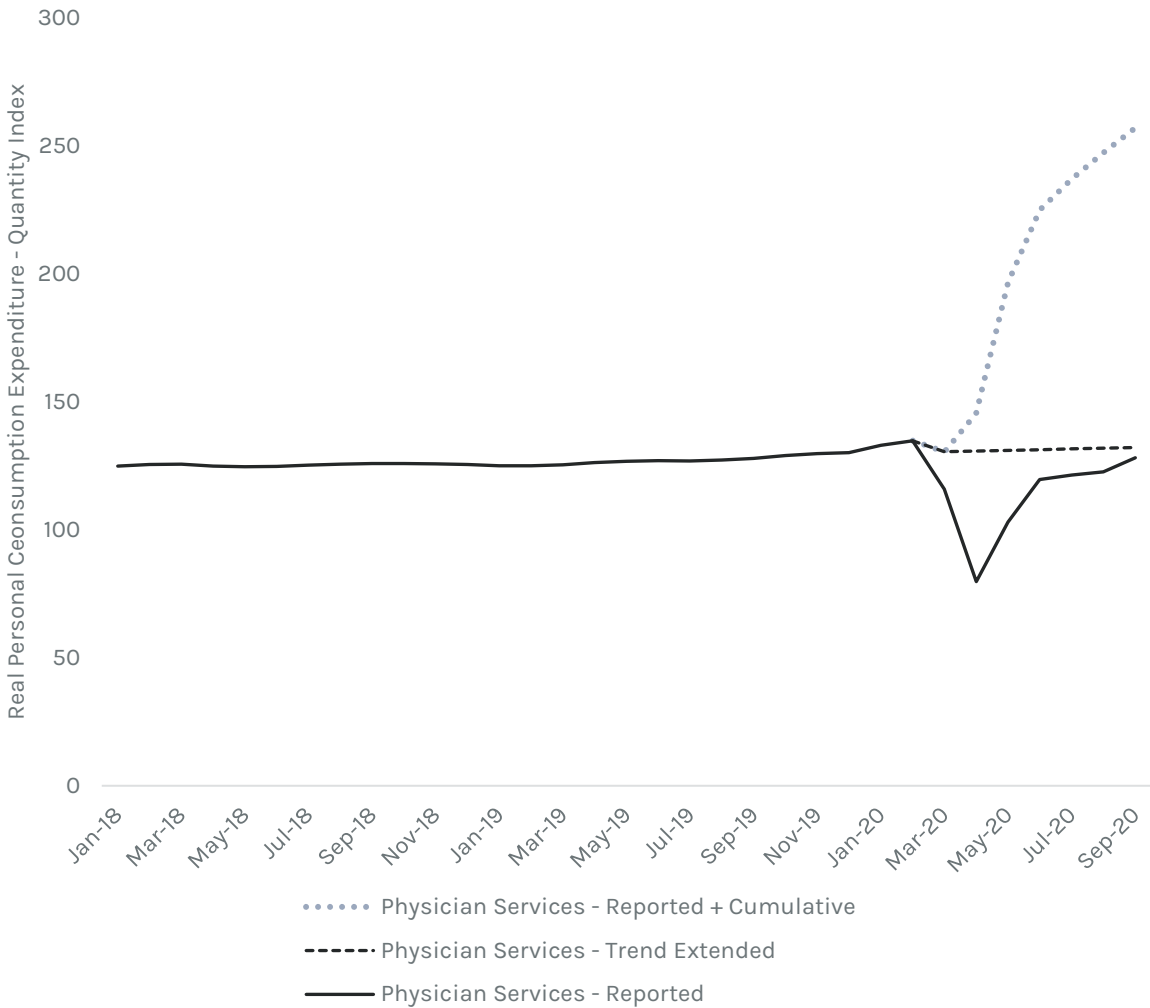
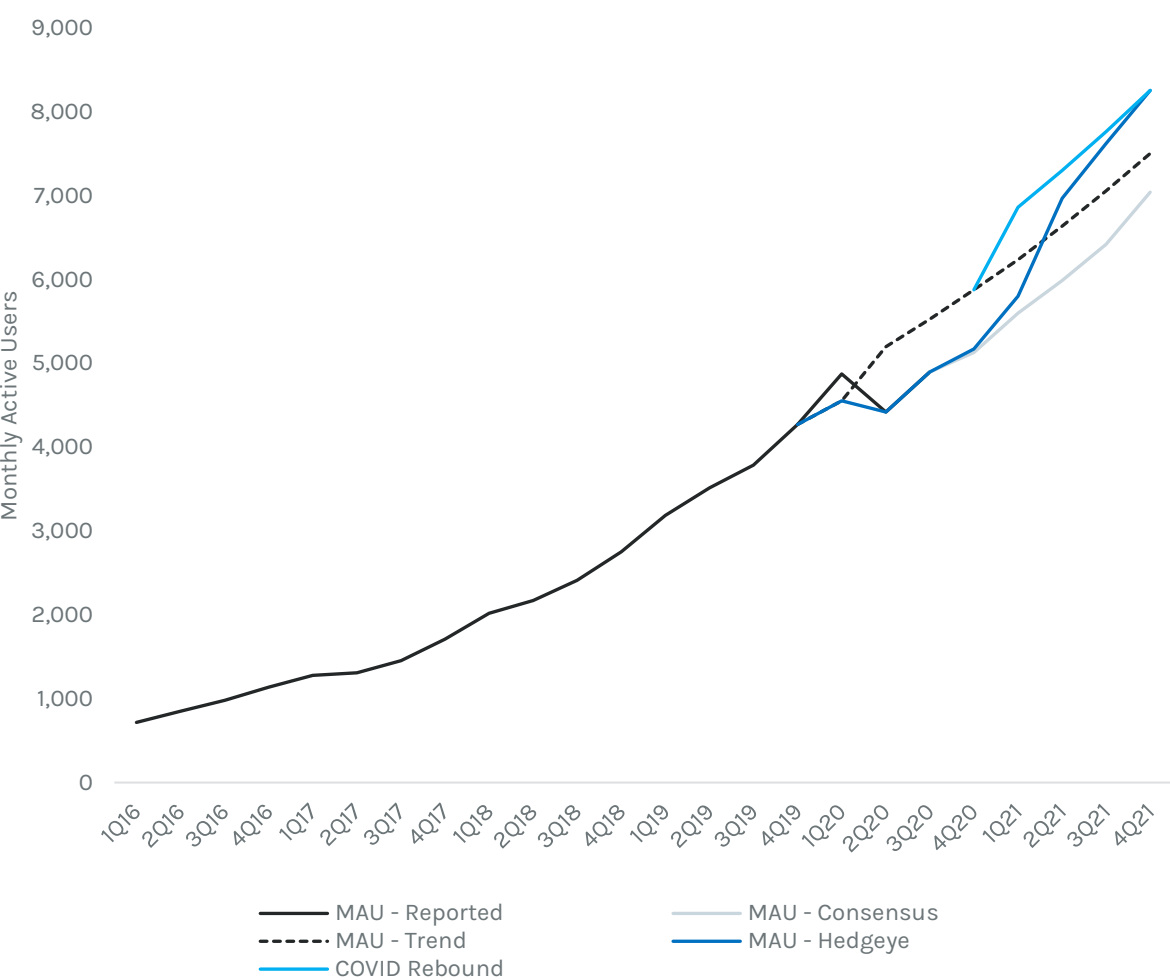
ANTM | Rebound in Acuity Coming

Times have been great for managed care; reports suggest a big rebound in medical costs



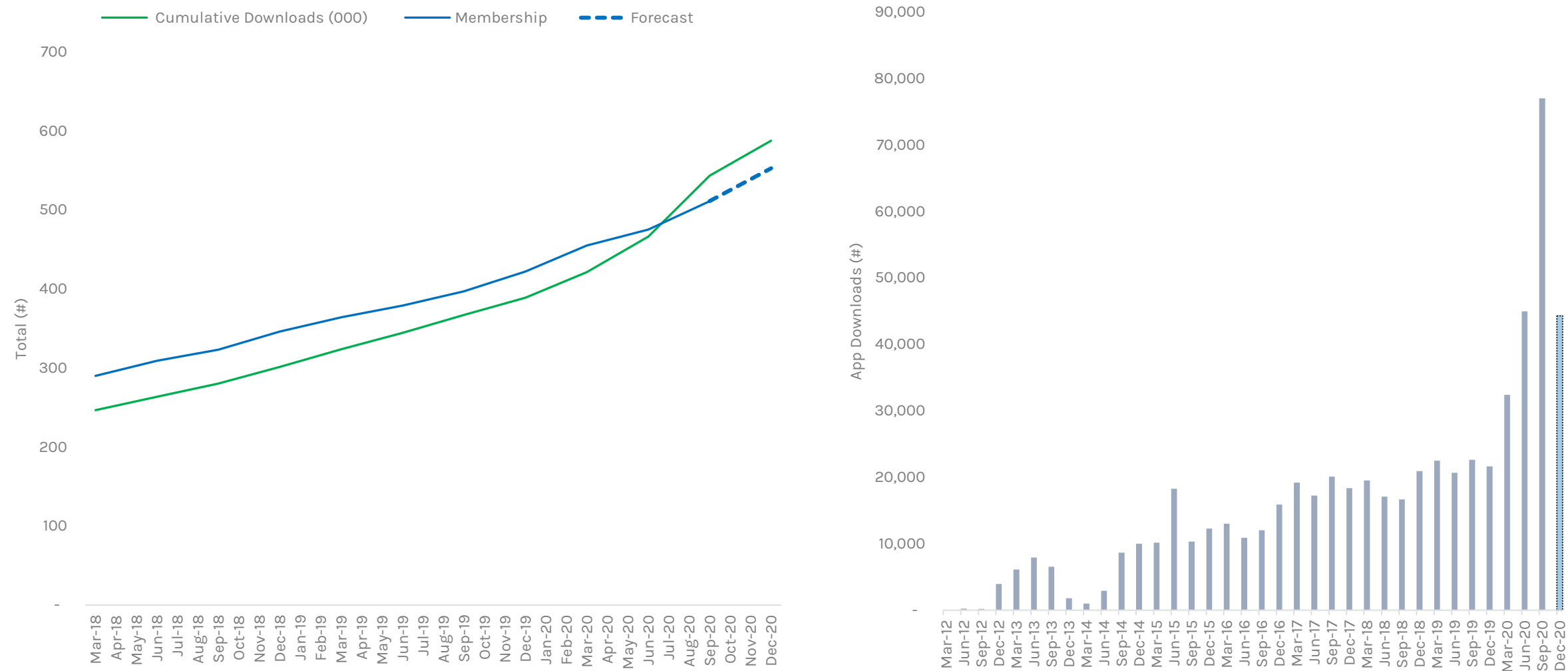
GDRX | In Person Care -> Physician Visit -> Rx

We estimate >40 million people in the GDRX+AMZN TAM



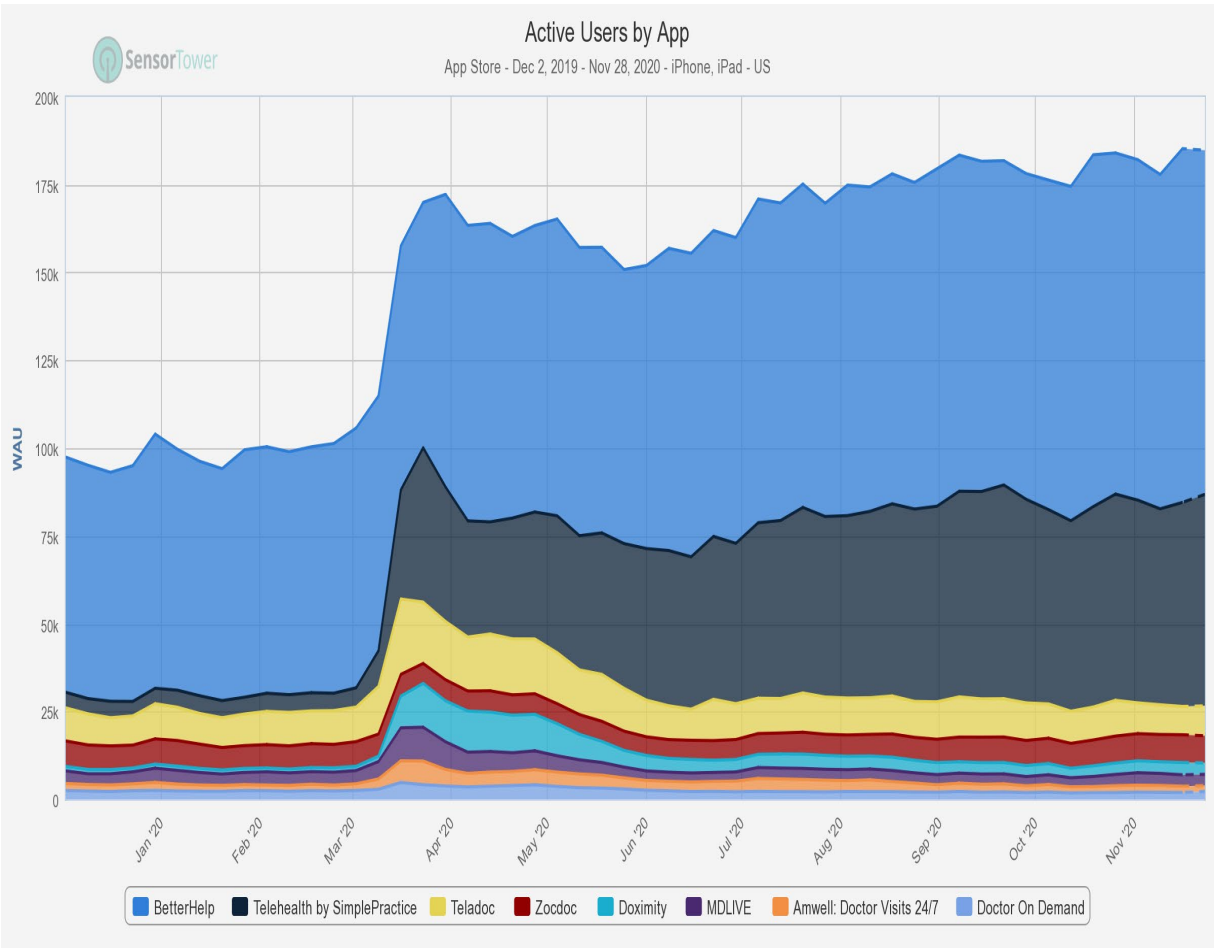
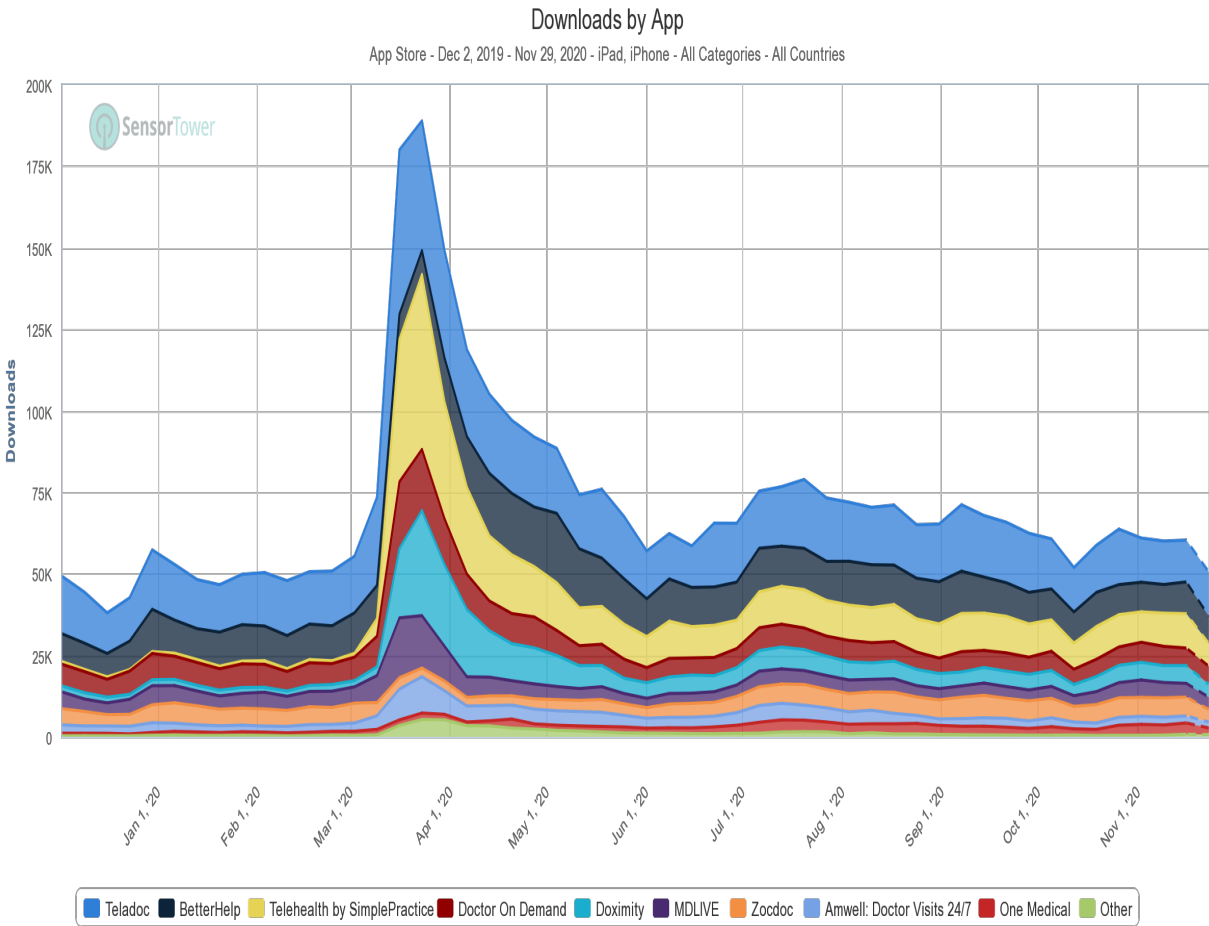
ONEM | In Person Care -> Physician Visit -> COVID

One Medical has nearly surpassed 3Q20 totals with only 2/3 of 4Q20 complete



Telehealth | App Downloads Update

BetterHelp average users continues to increase sequentially



Upcoming Field Work | Benefits, Liquid Biopsy, etc.

To complement our ongoing work on core Position Monitor names, we're constantly interacting with industry executives to sanity check ideas/themes, hear what's happening in the trenches, etc.

Health Care Speaker Call – Liquid Biopsy & Next-Gen Dx (12/8/20)

- What's the perception of the data released thus far – sensitivity & specificity. Illumina/Grail, Exact Sciences/Thrive, Guardant, Natera, etc. – compare/contrast.
- What are the latest developments w/ cf & ctDNA – circulating DNA.
- Treatment selection vs. screening and monitoring.
- Advancements in single cell & spatial sequencing.
- Based on her experience in diagnostics (20+ years), what should we expect from the next wave of innovation?

Benefits Consultants

What are employers and groups of employers doing with telehealth/remote monitoring and wellness programs? We think this is an important aspect of the story for Teladoc & Livongo in the short- and long-run.

- How long before we get to a “Future State” of being?
- Trends with Wellness programs – what's important, what's a nice to have, what's not?
- How is Teladoc positioned? What does it mean for the cross-sell opportunity and timing? What's the Livongo value proposition relative to other options?
- The promise of pan-cancer screening – is there interest? Why?
- With a plethora of smaller players – Dispatch, Vera, etc. etc. – entering the arena offering value-based or risk-sharing solutions, are we finally moving toward a value-based world?

With a return to in-person care likely over coming quarters, what does it mean for managed care (UNH, ANTM, HUM, et al.) vs. providers or equipment/device manufacturers? Said differently, who are the COVID-Comp winners and losers?

- Drug coupons – is there a tailwind for GDRX (and now AMZN)?
- What role will pharmacies play in the future state – we'll continue to ask for opinions about whether CVS and WBA can evolve.
- Hospital budgets/capex – priorities, outlook, etc.
- Are there other niches within health care worth exploring? Vision care, hearing, or incremental work on physical therapy? Why are patients more or less likely to seek care in-person? What are the headwinds or tailwinds?

Telehealth & Remote Monitoring

- **How is utilization and share shifting for TDOC, AMWL, TLMD, et al.?**
- How are Cerner's and Epic's home-grown solutions faring? What are the implications for the third-party telemedicine/telehealth vendors?
- How are devices being incorporated into the fold? The themes of interoperability and big data/analytics.
- Big Tech's continued steps into health care – what more can Amazon do? What about Google and Microsoft? Are there others to watch?

For more information, contact us at:

support@hedgeye.com