

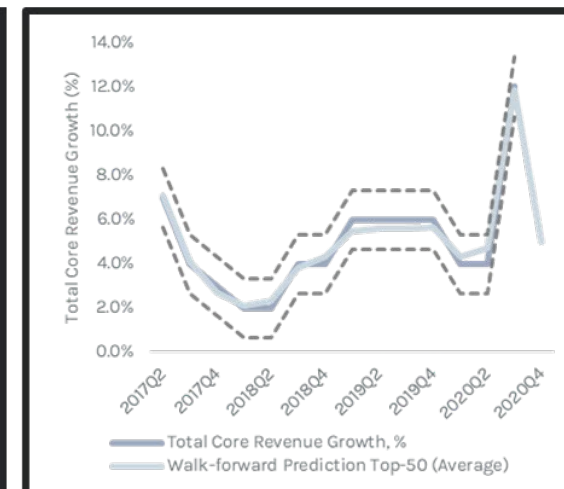
HEDGEYE



Health Care Position Monitor Update

BLS Employment Data, GDRX TAM Analysis, Quant Forecasts, #MicroQuad Screen

October 5, 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

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.

Health Care Position Monitor

For Week of October 5, 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.	\$ 28.80	\$3.6B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 59.05	\$2.8B	×	×
TXG	10x Genomics Inc Class A	\$ 129.40	\$9.9B	✓	✓	EXAS	Exact Sciences Corporation	\$ 106.61	\$16.0B	×	×
TDOC	Teladoc Health, Inc.	\$ 221.80	\$18.0B	✓	✓						
Long Bias						Short Bias					
NTRA	Natera, Inc.	\$ 72.05	\$6.1B			HRC	Hill-Rom Holdings, Inc.	\$ 83.96	\$5.6B		
GH	Guardant Health, Inc.	\$ 109.07	\$10.8B			MASI	Masimo Corporation	\$ 235.82	\$13.0B		
ILMN	Illumina, Inc.	\$ 313.89	\$45.9B			AMWL	American Well Corporation Class A	\$ 28.82	\$5.7B		
						NVTA	Invitae Corp.	\$ 43.65	\$5.8B		

Note

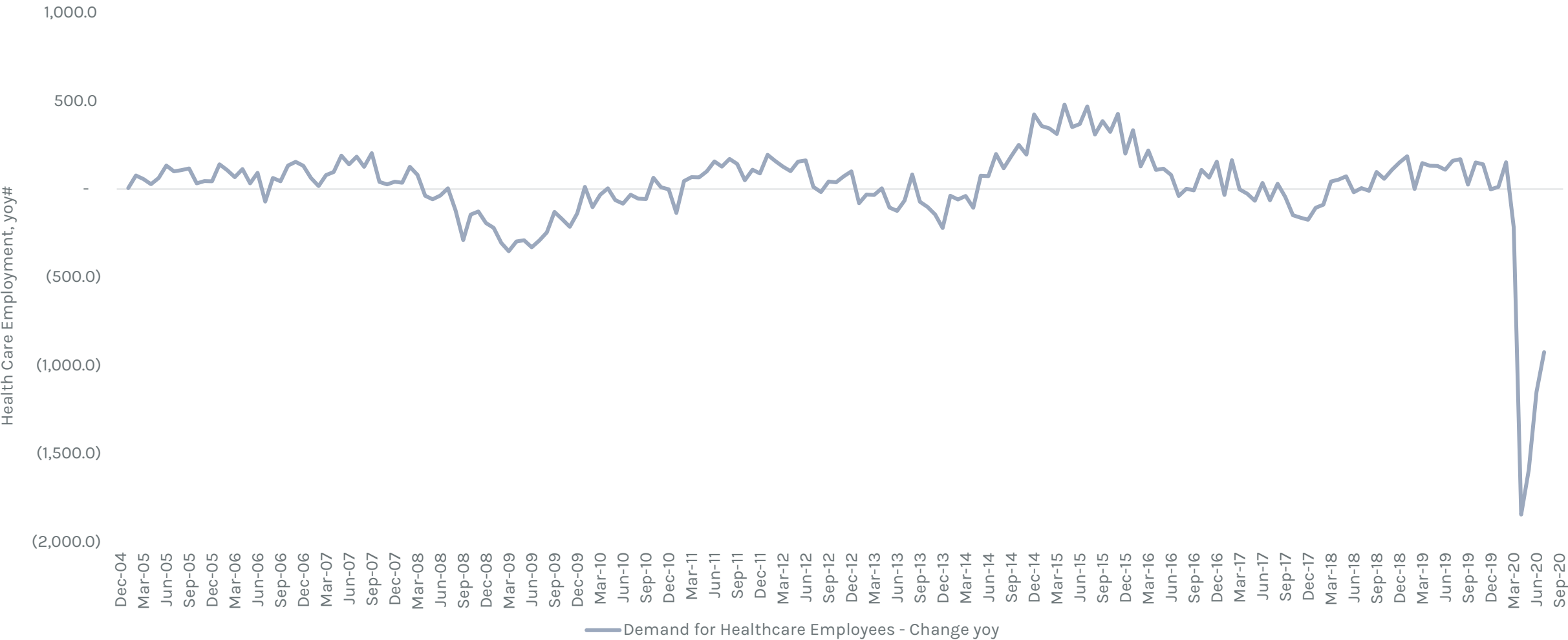
Active Longs/Shorts are high conviction ideas that we’ve either presented a Black Book for already or have one in the works (similar to other Hedgeye teams). Bench or Bias ideas are ones in which we’ve done the bulk of the work, but there may be another question we need to answer to move it over the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

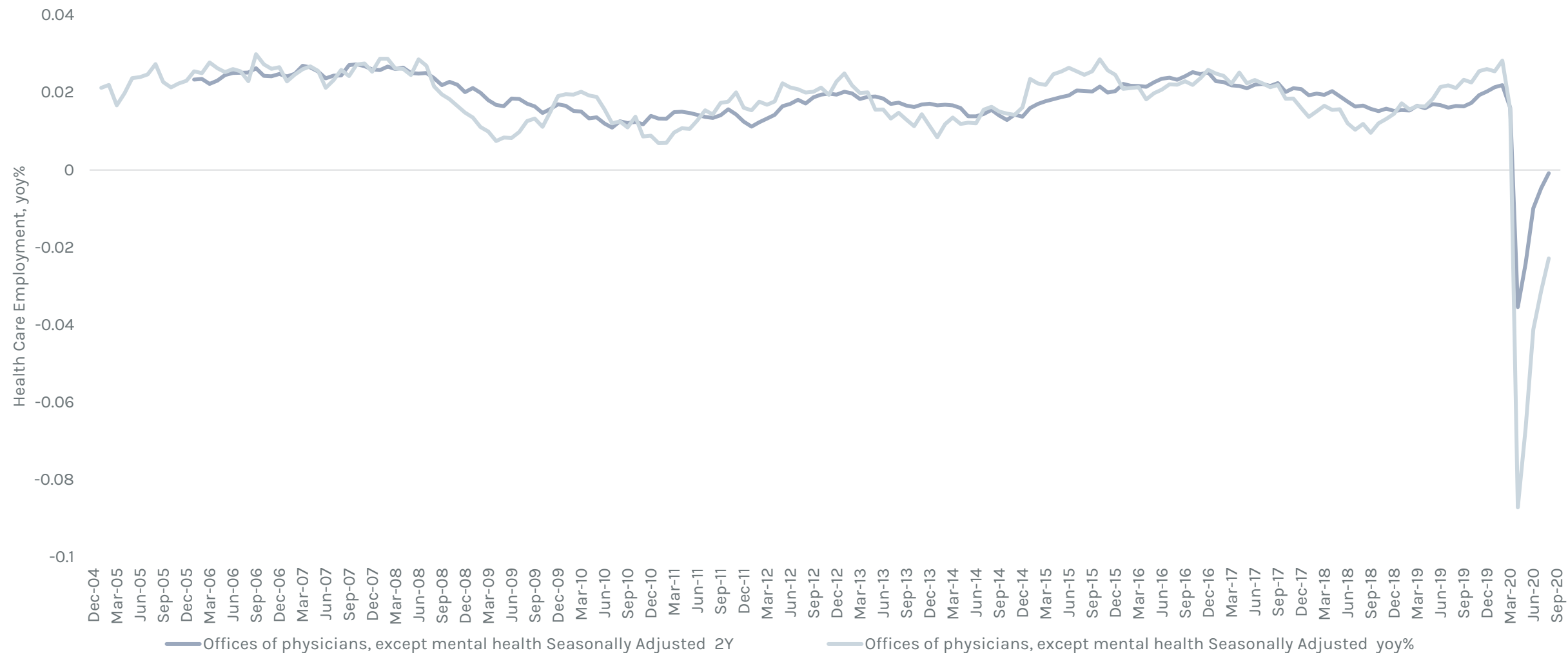
BLS Data Update | August 2020

Demand for Healthcare Employees



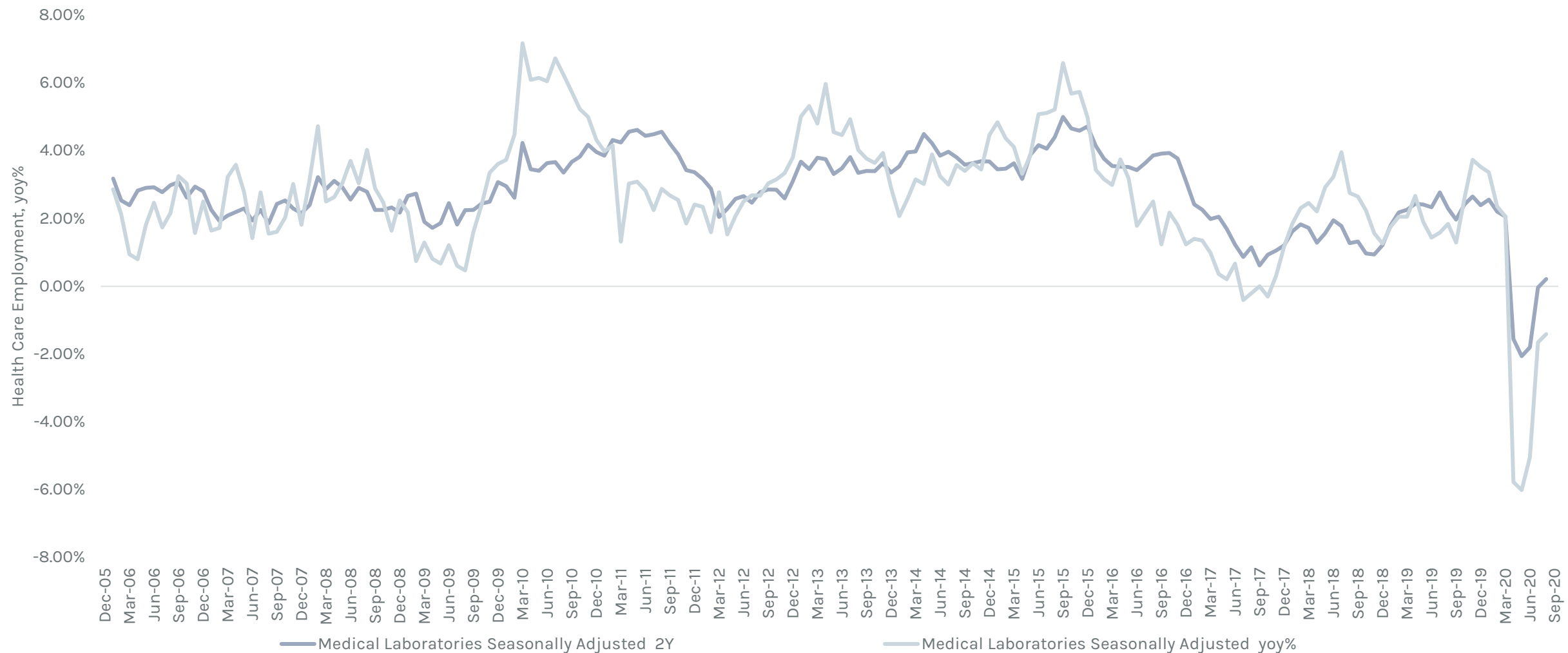
BLS Data Update | August 2020

Offices of Physicians, except Mental Health



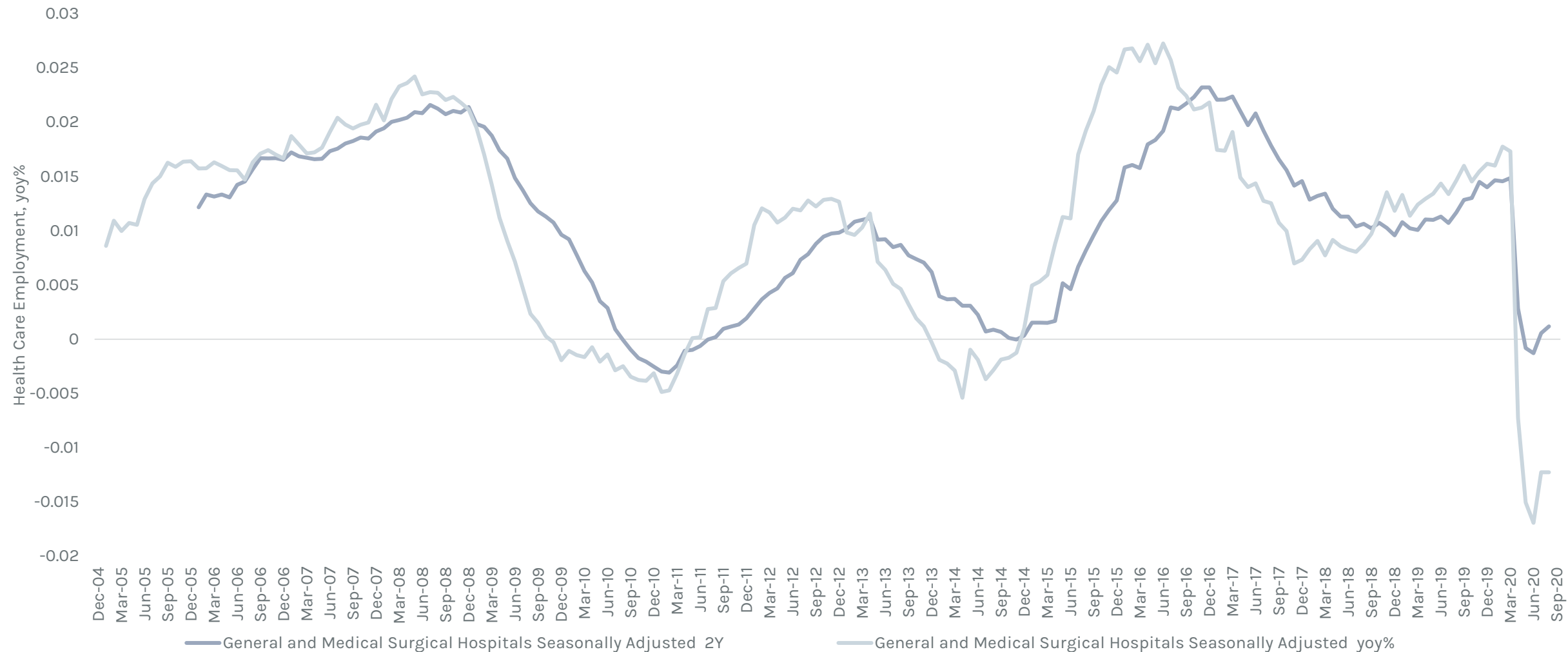
BLS Data Update | August 2020

Medical Laboratories



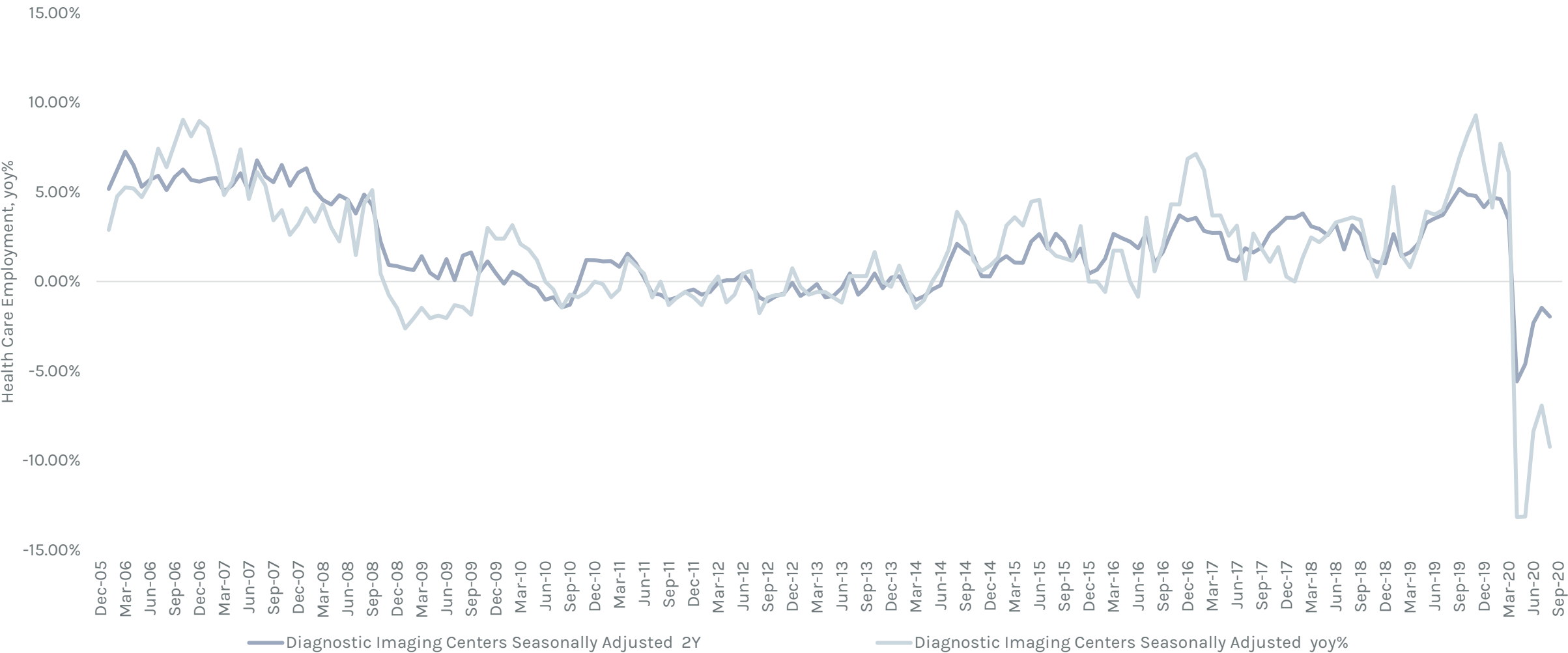
BLS Data Update | August 2020

General and Medical Surgical Hospitals



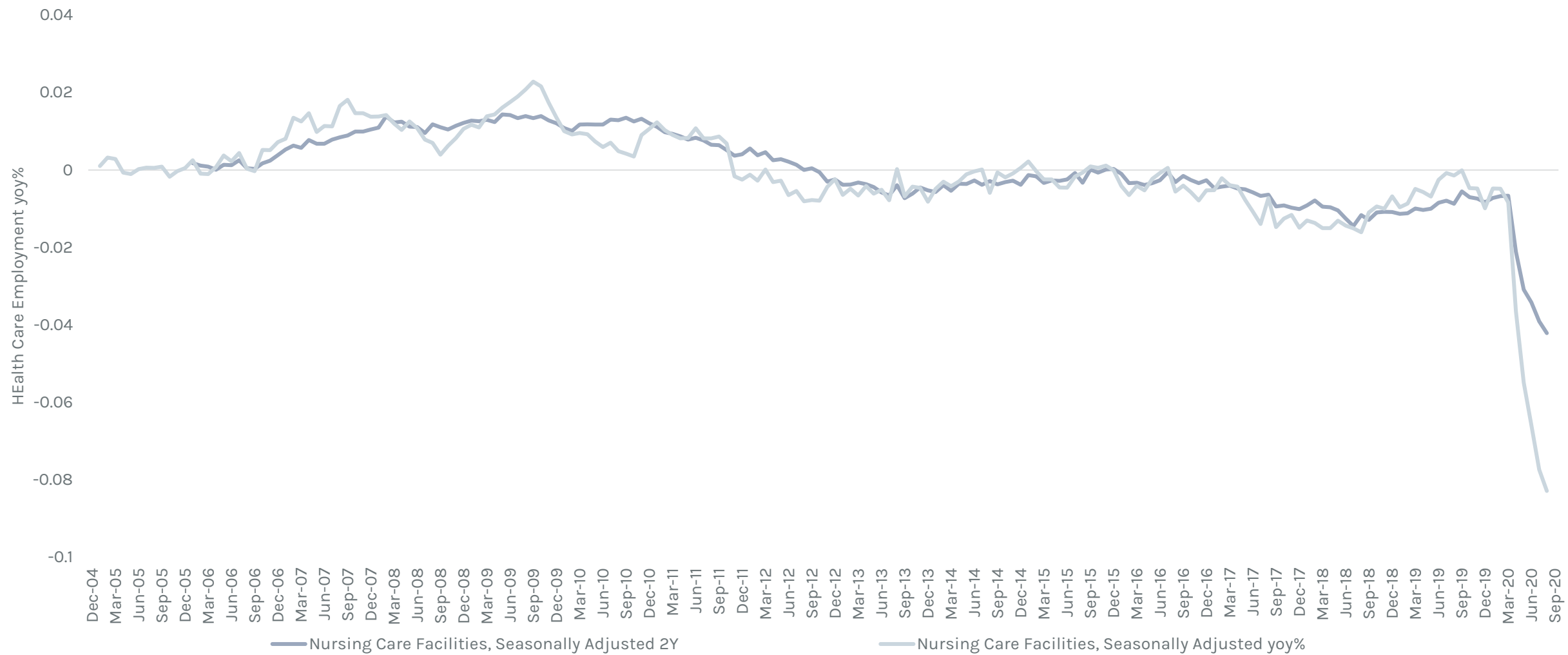
BLS Data Update | August 2020

Diagnostic Imaging Centers



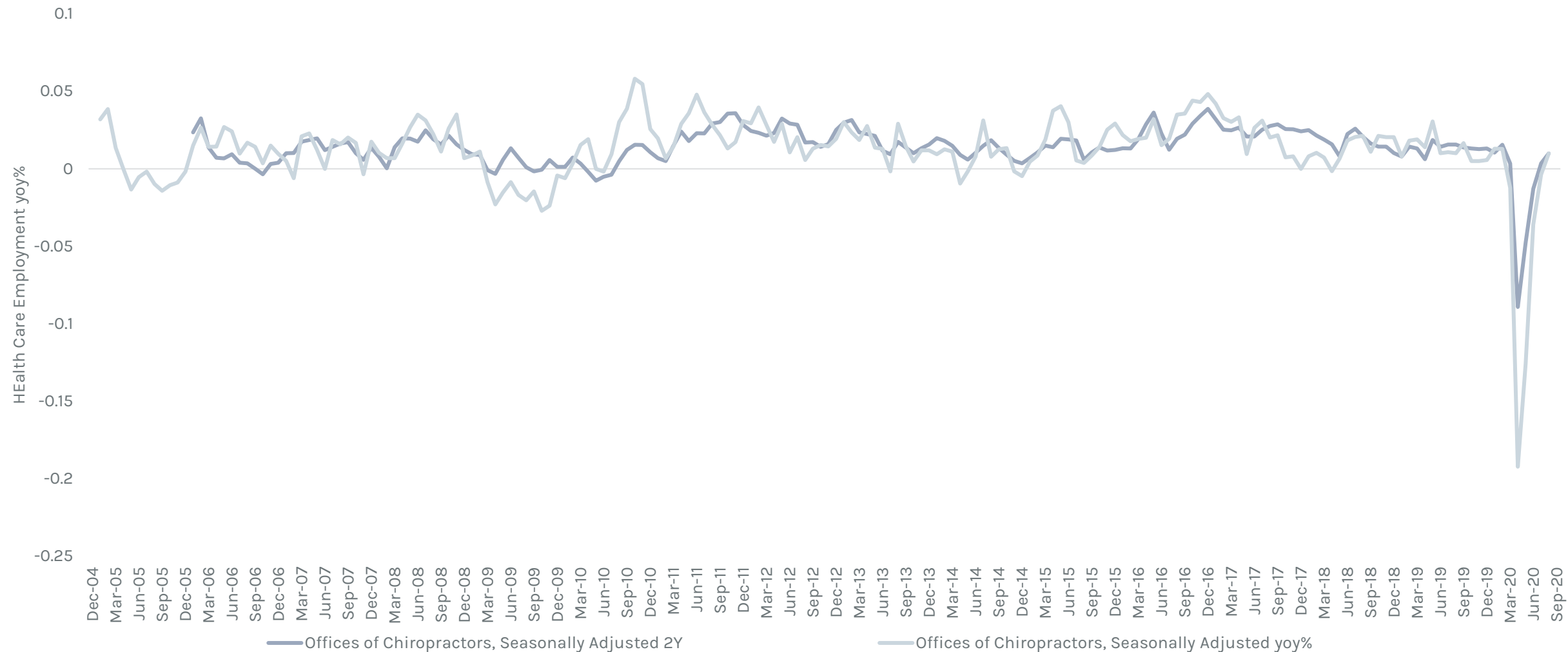
BLS Data Update | August 2020

Nursing Care Facilities

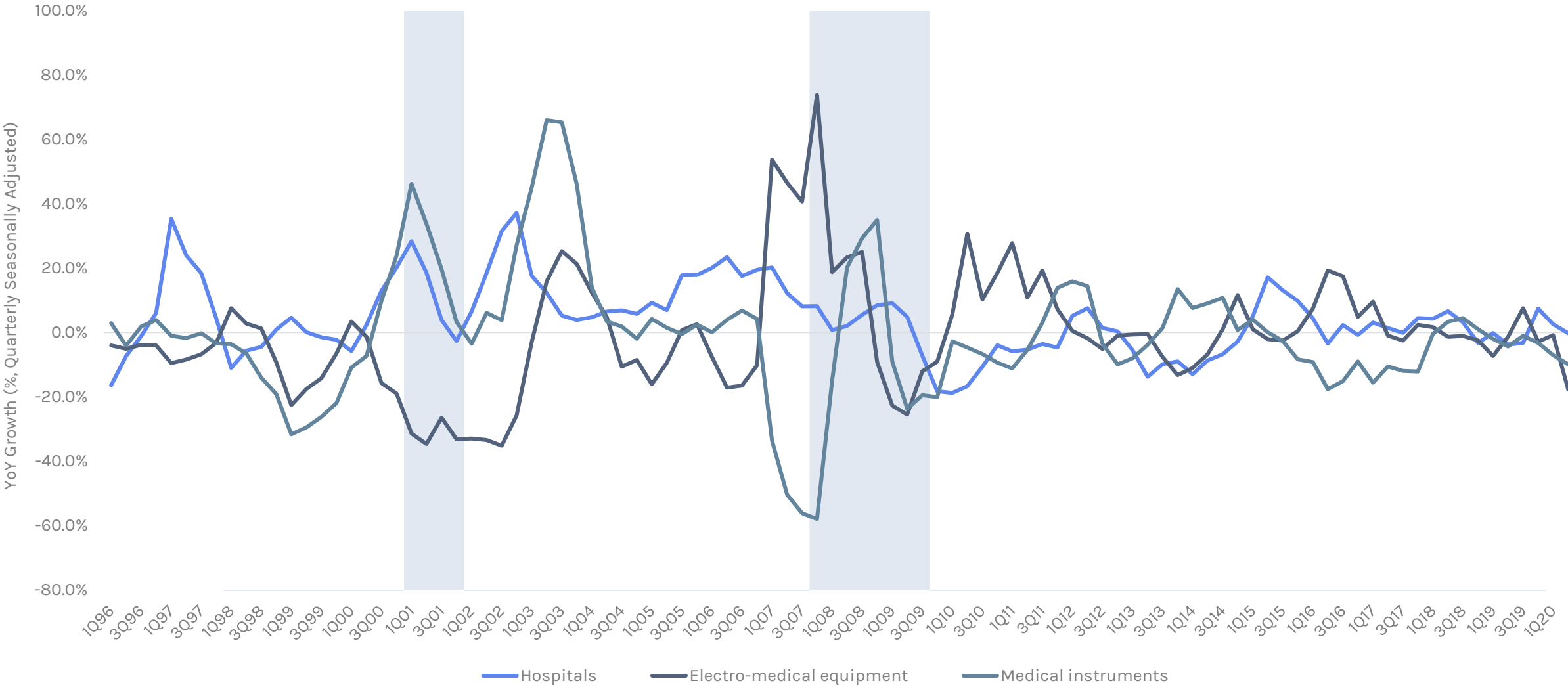


BLS Data Update | August 2020

Offices of Chiropractors



Private Fixed Investment in Structures & Equipment by Type



ONEM Continues Expansion Plans with New Markets

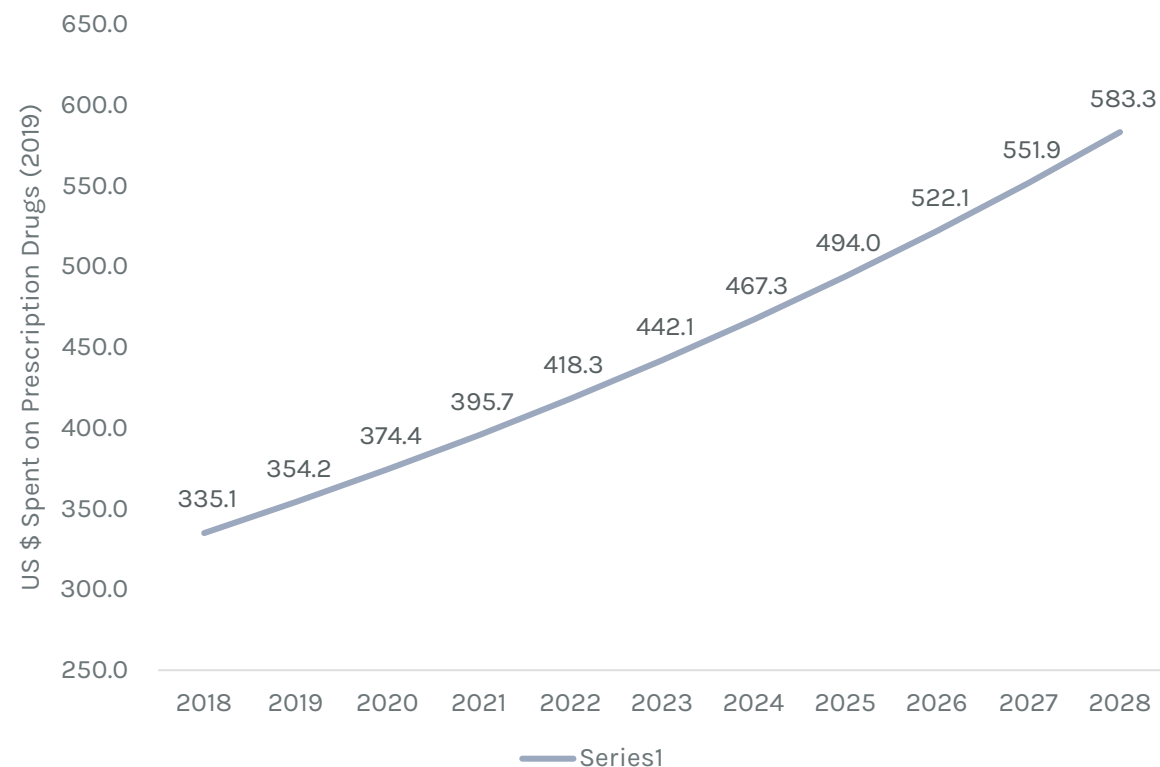
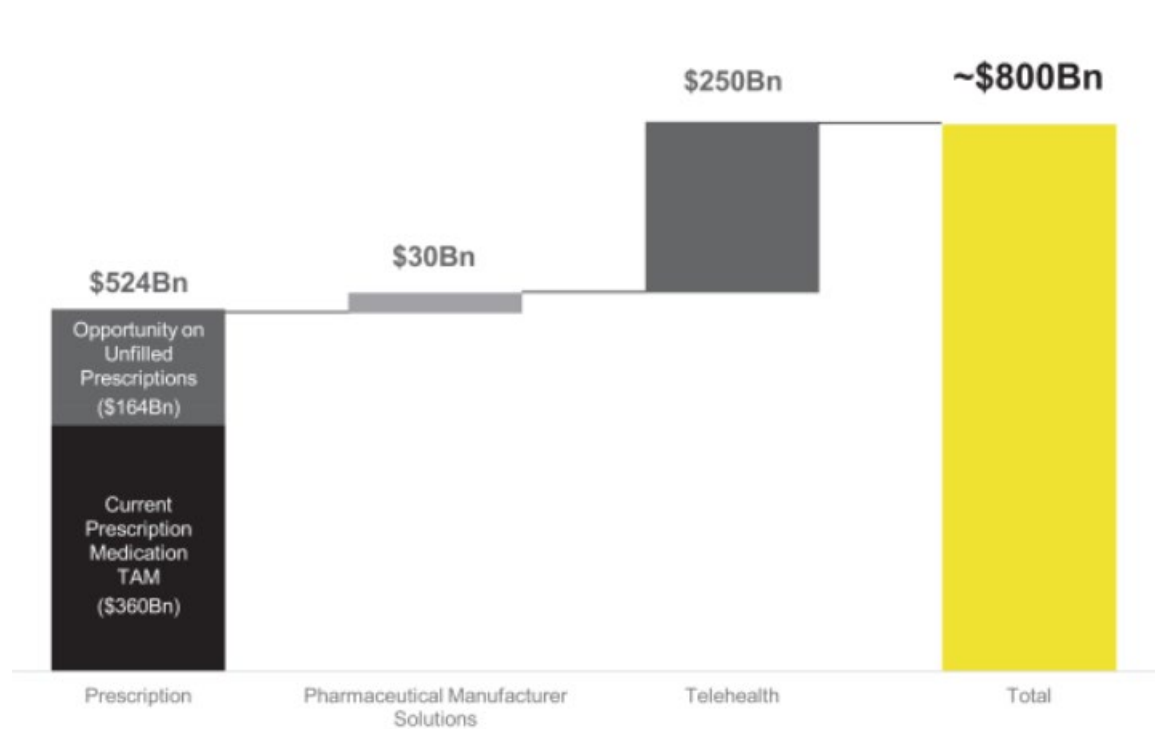
Houston should be a great market going forward

NAICS Sector	All Employer Establishments (Total)	Average Payroll per Employee	Total Employment of Employers	Total Annual Payroll of Employers (\$1,000)	Total Revenue of Employers (\$1,000)
00: All Sectors	n/a	n/a	n/a	n/a	n/a
72: Accommodation and Food Services	7,240	\$19,204	159,256	\$3,058,390	\$11,039,101
56: Administrative and Support and Waste Management and Remediation Services	3,910	\$44,165	232,360	\$10,262,086	\$18,022,689
11: Agriculture, Forestry, Fishing, and Hunting	n/a	n/a	n/a	n/a	n/a
71: Arts, Entertainment, and Recreation	783	\$43,510	25,027	\$1,088,914	\$3,042,283
23: Construction	n/a	n/a	n/a	n/a	n/a
61: Educational Services	648	\$29,125	7,029	\$204,718	\$649,155
52: Finance & Insurance	5,336	\$102,013	93,483	\$9,536,519	n/a
62: Health Care and Social Assistance	8,402	\$53,331	220,087	\$11,737,517	\$32,073,432
51: Information	1,317	\$89,636	34,541	\$3,096,125	n/a
55: Management of Companies and Enterprises	n/a	n/a	n/a	n/a	n/a
31-33: Manufacturing	n/a	n/a	n/a	n/a	n/a
21: Mining and Oil and Gas Extraction	n/a	n/a	n/a	n/a	n/a
81: Other Services	4,429	\$37,165	40,422	\$1,502,278	\$5,805,751
54: Professional, Scientific, and Technical Services	10,488	\$92,579	153,689	\$14,228,348	\$36,911,703
53: Real Estate and Rental and Leasing	4,321	\$55,162	35,135	\$1,938,125	\$10,879,288
44-45: Retail Trade	9,493	\$29,443	159,513	\$4,696,532	\$53,089,247
48-49: Transportation and Warehousing	2,075	\$70,870	77,317	\$5,479,457	\$26,597,641
22: Utilities	233	\$113,136	17,214	\$1,947,526	n/a
42: Wholesale Trade	n/a	n/a	n/a	n/a	n/a
Employer Establishments (with Average Payroll per Employee >75,000: 17,374			Source: Census Business Builder: Regional Analyst Edition - 3.1.0		

- We think this is a great opportunity and fit for ONEM's model. 7,000+ employers have sponsored memberships on behalf of their workforce? That's big.
- As we've been hearing from contacts during our \$AMWL and \$GDRX field work, the integration of care and expansion into the community are how providers with substantial bricks-and-mortar can remain relevant.

GoodRx's Published Total Addressable Market (TAM)

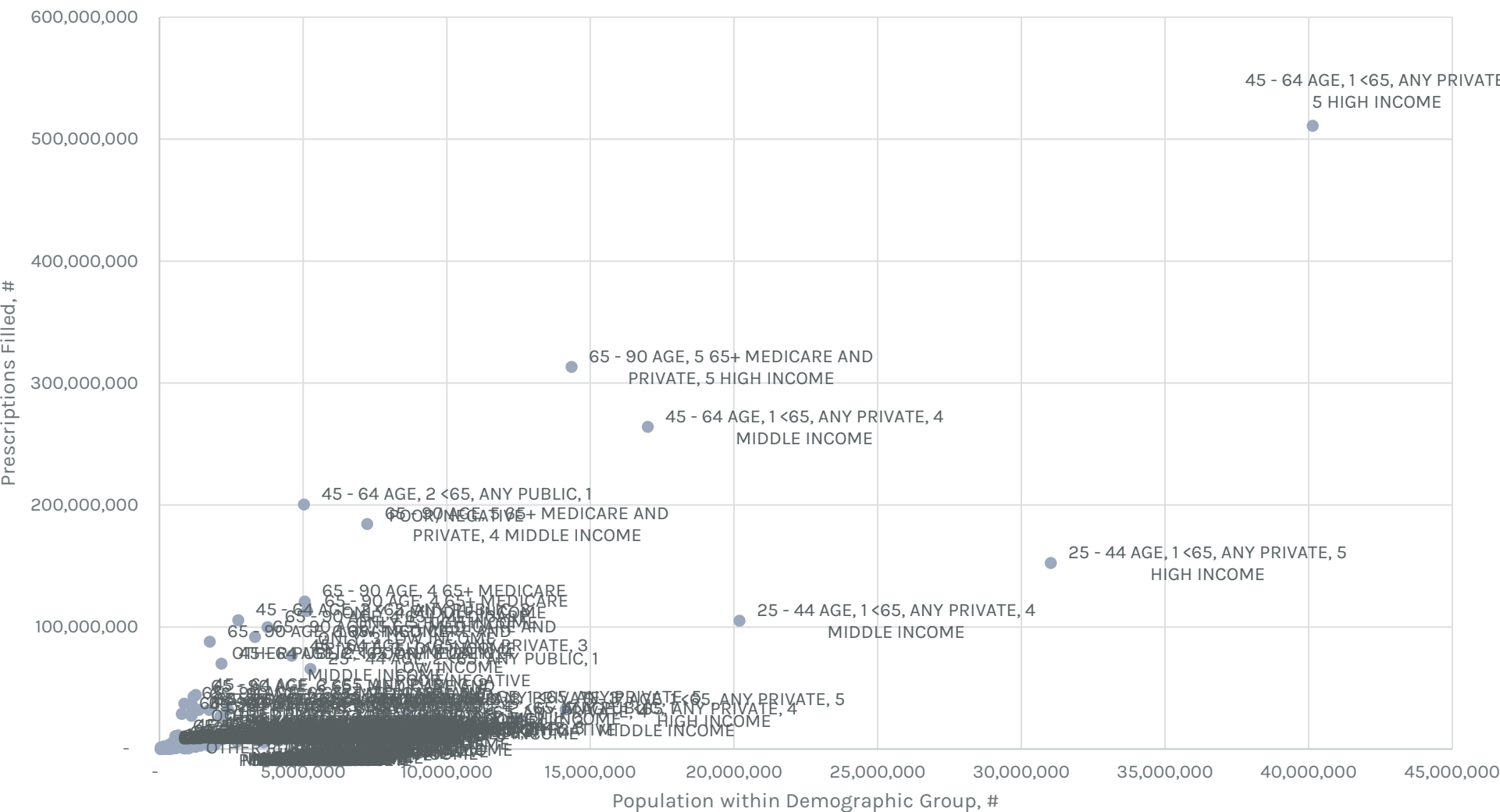
“...the U.S. prescriptions market ... is expected to reach approximately \$360 billion in 2020”



- In the S-1/A, GoodRx describes their TAM to be all of the prescription drug purchases made in the United States each year. While 100% adoption is technically possible, we are becoming incrementally more cautious of the feasibility of it. For this reason, we began our own evaluation.
- Note: “Approximately 90% of the total prescription volume and 26% of prescription spending in the United States was for generic forms of medication in 2018, with the remainder being brand medications, or medications on patent, according to a report by the IQVIA Institute.”
 - In order to expand their opportunity, GoodRx will need to successfully expand into branded drug coupons as well.

Starting with the Monthly Active Users

Combining a bevy of data sources, we can break down the US prescription drug customer



- We believe the majority of GoodRx “monthly active consumers” to be:
- 25-64 with an income between \$10k and \$55k per year.
 - Likely participating in a high deductible health plan (HDHP).
 - Likely described as “price sensitive”
- While, the younger generation is “aware” of GoodRx, they do not fill the same number of scripts as other groups.
- 65+ with a high prescription count or participating in a plan which qualifies for the “donut hole.”
 - 16% of seniors fit in this category in 2019.

Hedgeye Model for US Drug Couponing TAM

The inputs for our model can be toggled over time

Assumption Statistics	
Inputs	%
% of Customers Adopting	
Private	
1 Poor/Negative	30.00%
2 Near Poor	28.50%
3 Low Income	22.50%
4 Middle Income	7.50%
5 High Income	3.00%
Public	
Medicare	
1 Poor/Negative	30.00%
2 Near Poor	28.50%
3 Low Income	22.50%
4 Middle Income	7.50%
5 High Income	3.00%
Other Public	
Uninsured	5.00%
% of Drugs Coupon Used For	
	80.00%

Current Addressable Market	
Age Group	Active Consumers
18 - 24 AGE	6.15
25 - 44 AGE	17.70
45 - 64 AGE	13.27
65 - 90 AGE	5.47
TOTAL	42.598
*Units in Millions	

Current Addressable Market	
Age Group	Prescriptions Filled
0 - 17 AGE	25.89
18 - 24 AGE	8.59
25 - 44 AGE	54.09
45 - 64 AGE	134.38
65 - 90 AGE	108.07
TOTAL	331.02
*Units in Millions	

45 - 64 AGE

People

1 <65, ANY PRIVATE
2 <65, ANY PUBLIC
3 <65, UNINSURED

% of Population Couponing

1 <65, ANY PRIVATE
2 <65, ANY PUBLIC
3 <65, UNINSURED

Drugs per Capita

1 <65, ANY PRIVATE
2 <65, ANY PUBLIC
3 <65, UNINSURED

% of Drugs Coupon Used For

1 <65, ANY PRIVATE
2 <65, ANY PUBLIC
3 <65, UNINSURED

Active Consumers	13,274,115.04
Prescriptions Filled	134,382,760.80

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
1,730,194	641,685	4,606,402	16,994,689	40,140,243
5,029,968	1,261,489	2,743,050	2,155,359	1,116,656
1,631,568	638,068	1,505,202	2,438,297	1,613,140

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
30.00%	28.50%	22.50%	7.50%	3.00%
10.00%	10.00%	10.00%	10.00%	10.00%
100.00%	100.00%	100.00%	100.00%	100.00%

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
18.5	17.4	16.6	15.5	12.7
39.8	35.2	38.5	32.5	24.4
7.8	7.5	7.7	6.5	8.0

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
80.00%	80.00%	80.00%	80.00%	80.00%
80.00%	80.00%	80.00%	80.00%	80.00%
80.00%	80.00%	80.00%	80.00%	80.00%

65 - 90 AGE

People

4 65+ MEDICARE ONLY
5 65+ MEDICARE AND PRIVATE
6 65+ MEDICARE AND OTHER PUBLIC
7 65+, UNINSURED

% of Population Couponing

4 65+ MEDICARE ONLY
5 65+ MEDICARE AND PRIVATE
6 65+ MEDICARE AND OTHER PUBLIC
7 65+, UNINSURED

Drugs per Capita

4 65+ MEDICARE ONLY
5 65+ MEDICARE AND PRIVATE
6 65+ MEDICARE AND OTHER PUBLIC
7 65+, UNINSURED

% of Drugs Coupon Used For

4 65+ MEDICARE ONLY
5 65+ MEDICARE AND PRIVATE
6 65+ MEDICARE AND OTHER PUBLIC
7 65+, UNINSURED

Active Consumers	5,471,761.73
Prescriptions Filled	108,066,155.74

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
1,369,196	1,112,634	3,755,527	5,054,223	5,135,104
1,261,110	775,729	3,319,252	7,232,365	14,340,351
1,747,766	858,330	1,181,274	1,124,658	552,141
45,116	45,072	82,308	157,332	443,867

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
30.00%	28.50%	22.50%	7.50%	3.00%
30.00%	28.50%	22.50%	7.50%	3.00%
5.00%	5.00%	5.00%	5.00%	5.00%
100.00%	100.00%	100.00%	100.00%	100.00%

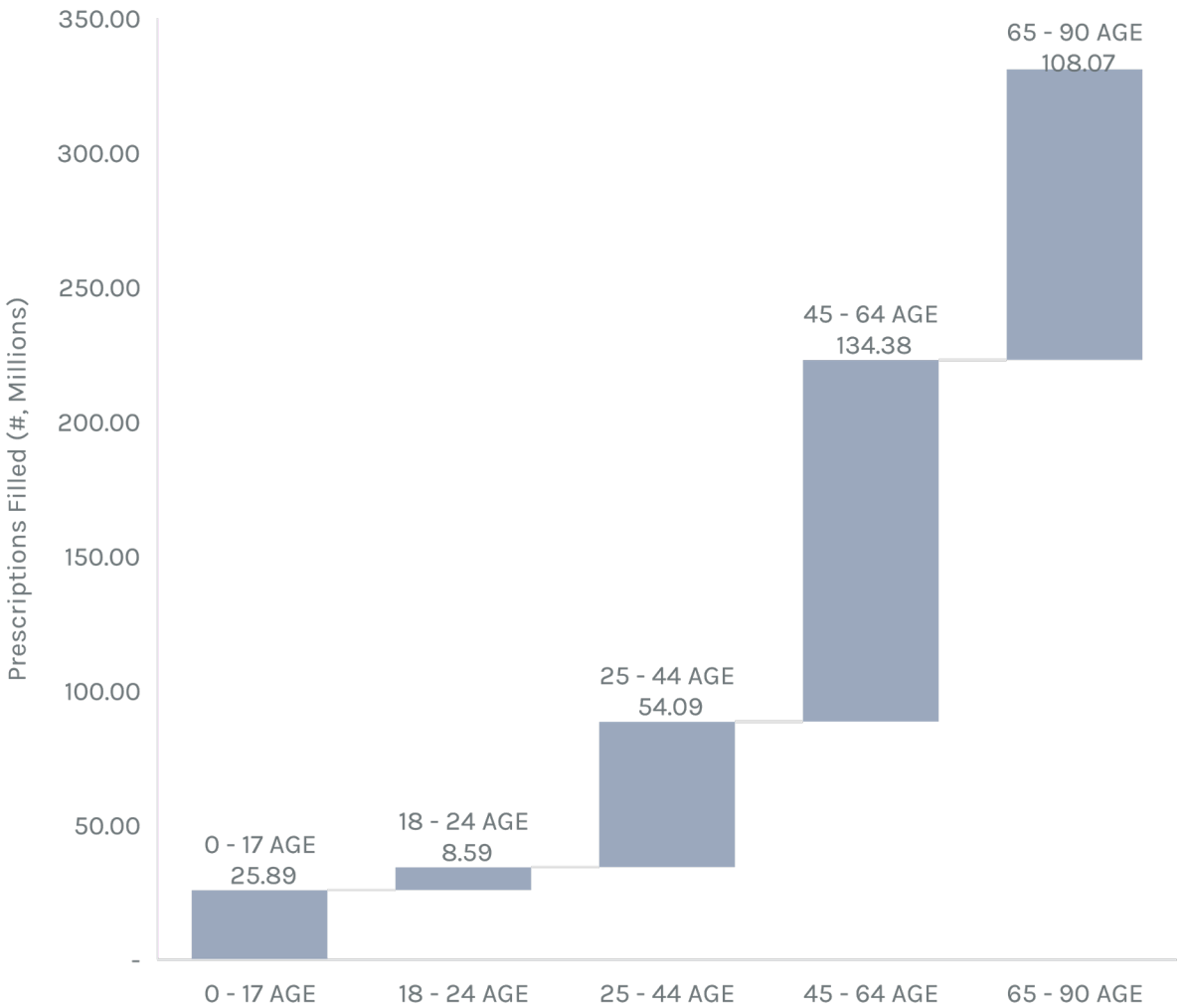
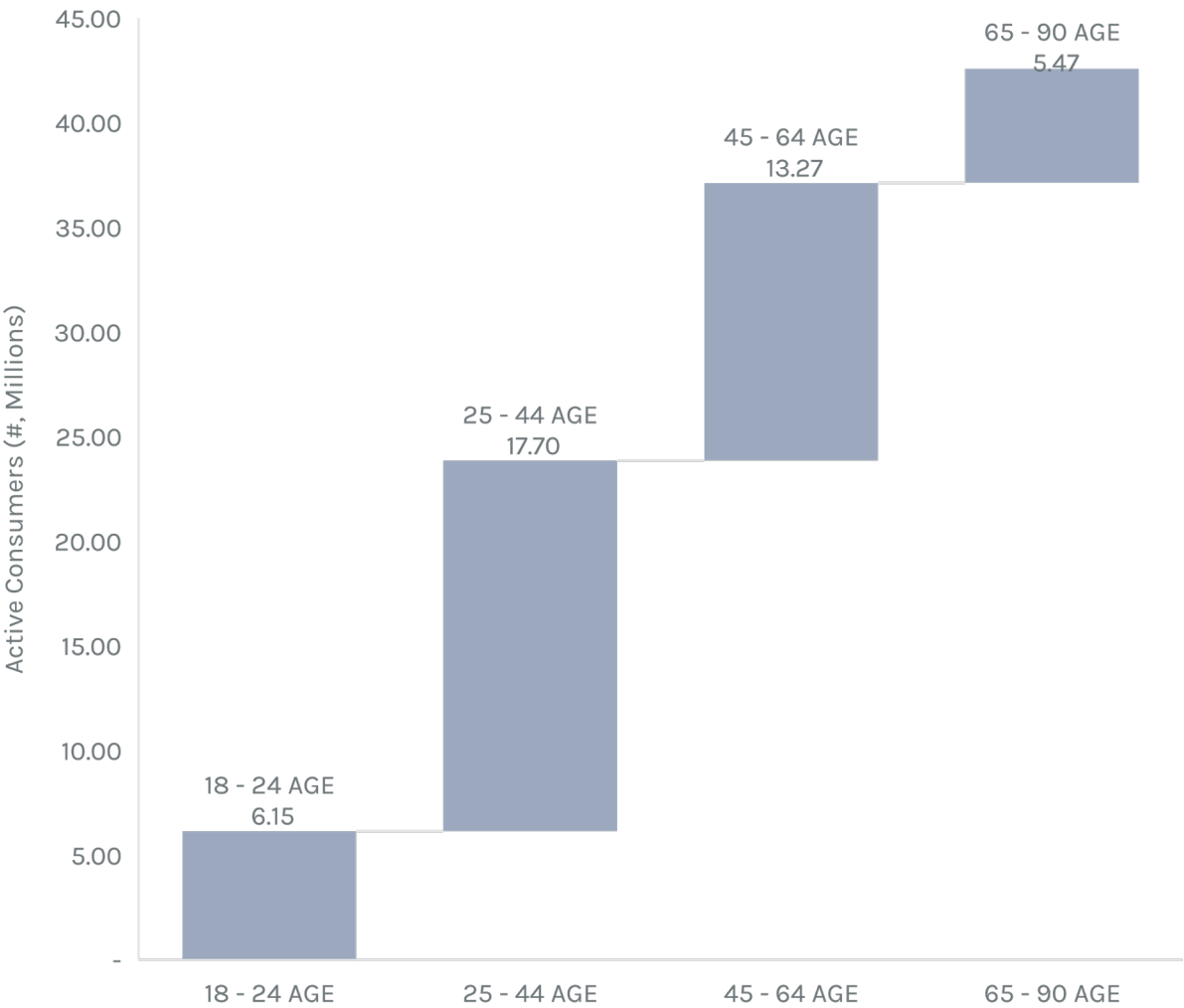
1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
23.4	26.5	26.6	23.9	22.0
25.4	37.1	27.7	25.5	21.8
50.4	43.3	36.4	32.4	19.3
28.3	10.3	5.3	13.6	11.8

1 POOR/NEGATIVE	2 NEAR POOR	3 LOW INCOME	4 MIDDLE INCOME	5 HIGH INCOME
80.00%	80.00%	80.00%	80.00%	80.00%
80.00%	80.00%	80.00%	80.00%	80.00%
80.00%	80.00%	80.00%	80.00%	80.00%
80.00%	80.00%	80.00%	80.00%	80.00%

- Formula: # of Consumers * % of Demographic Participating * # of Drugs per Capita per Group * % Drug Coupon Used
 - After calculating a TAM for each group, the total is added to forecast a total figure for GoodRx (Active Consumers & Prescriptions Filled)
- Our assumptions for this model are based on the survey data we collected in September, as well as, conversations we've had with experts in the field familiar with GoodRx and its customer.

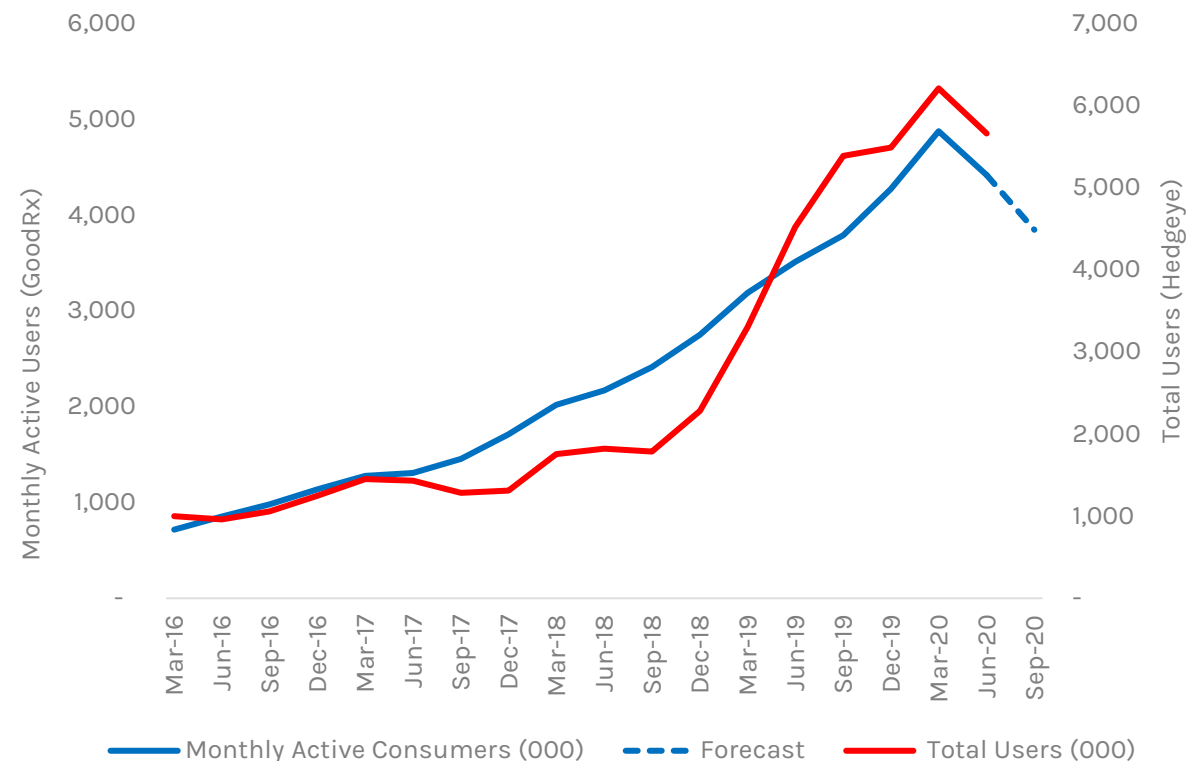
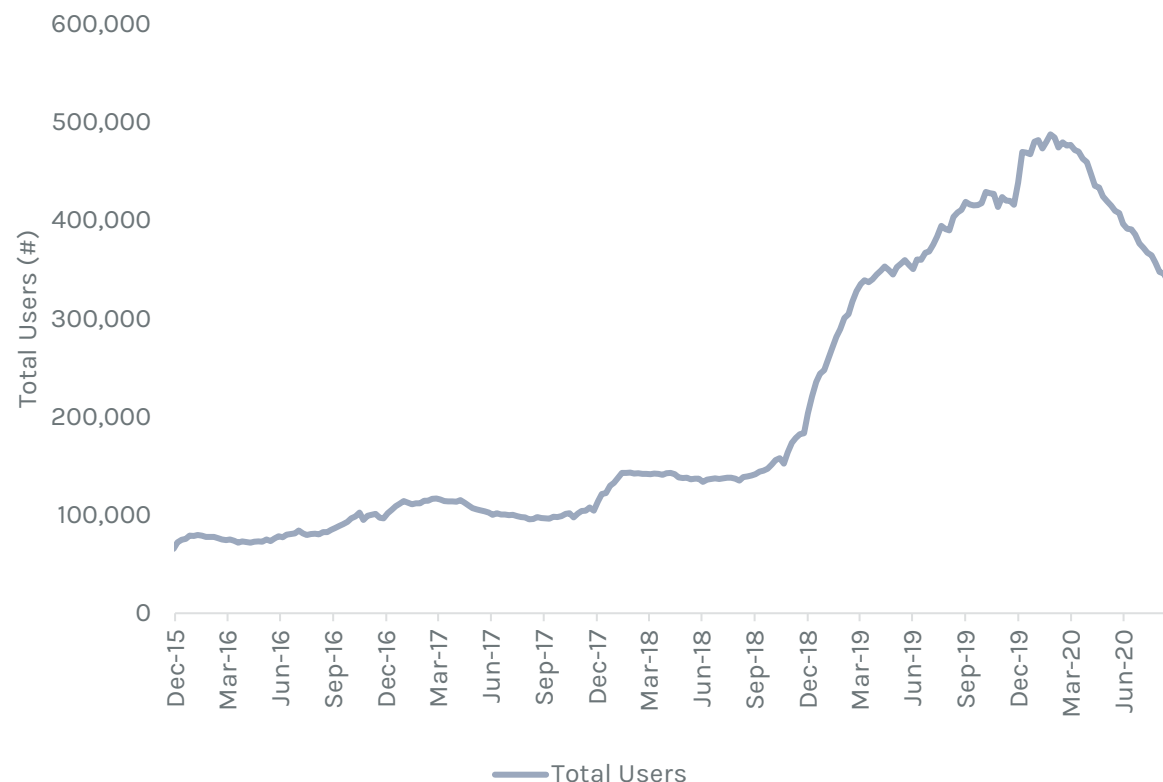
While Possible, \$360M Seems Unlikely

Preliminary Forecast: Drug coupon TAM to be approximately 42.6M active consumers and 331M scripts/year



GDRX | App Downloads and Total Users

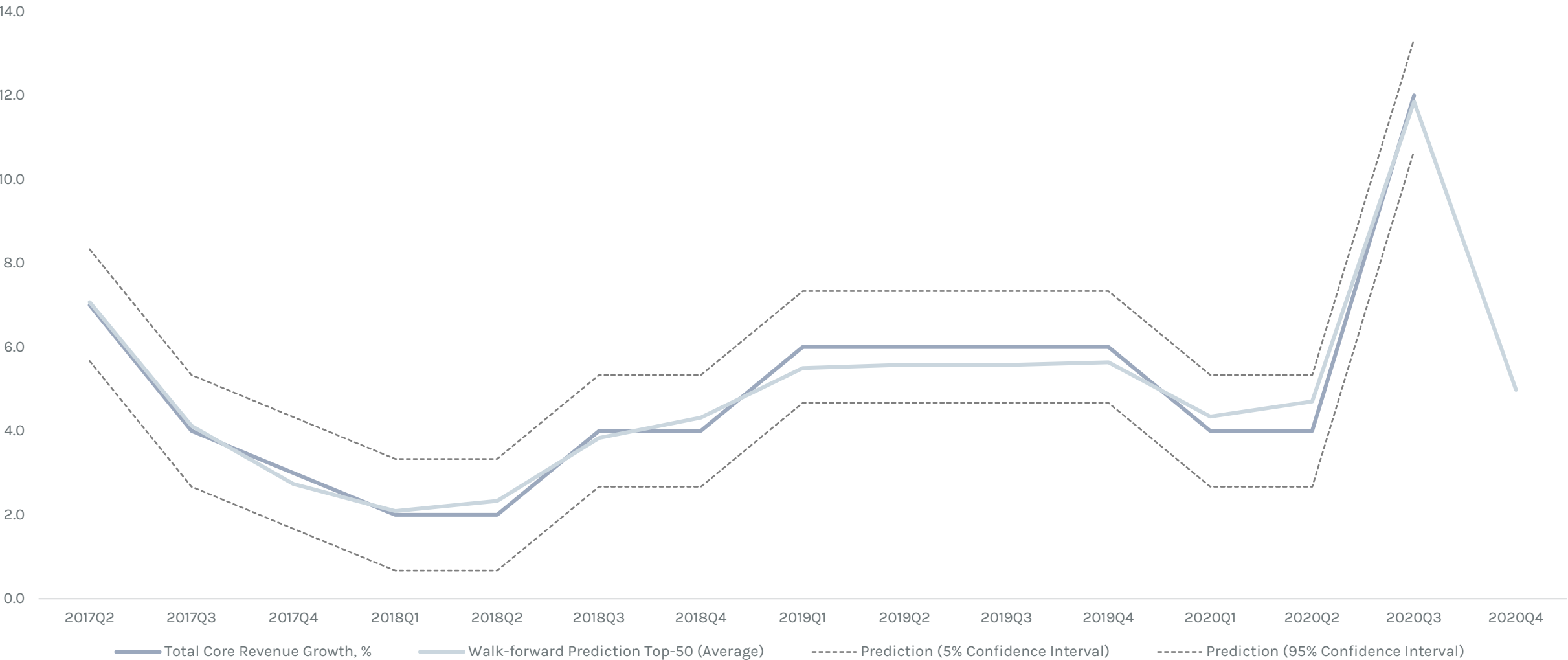
Hedgeye Total Users shares strong correlation with Company Reported Monthly Active Users



- While we can debate the company's total addressable market, adoption will dictate the company's growth in monthly active users, followed by their quarterly reported revenue.
- Using our proprietary data set, we should have a good way of following the adoption and users on a weekly basis.

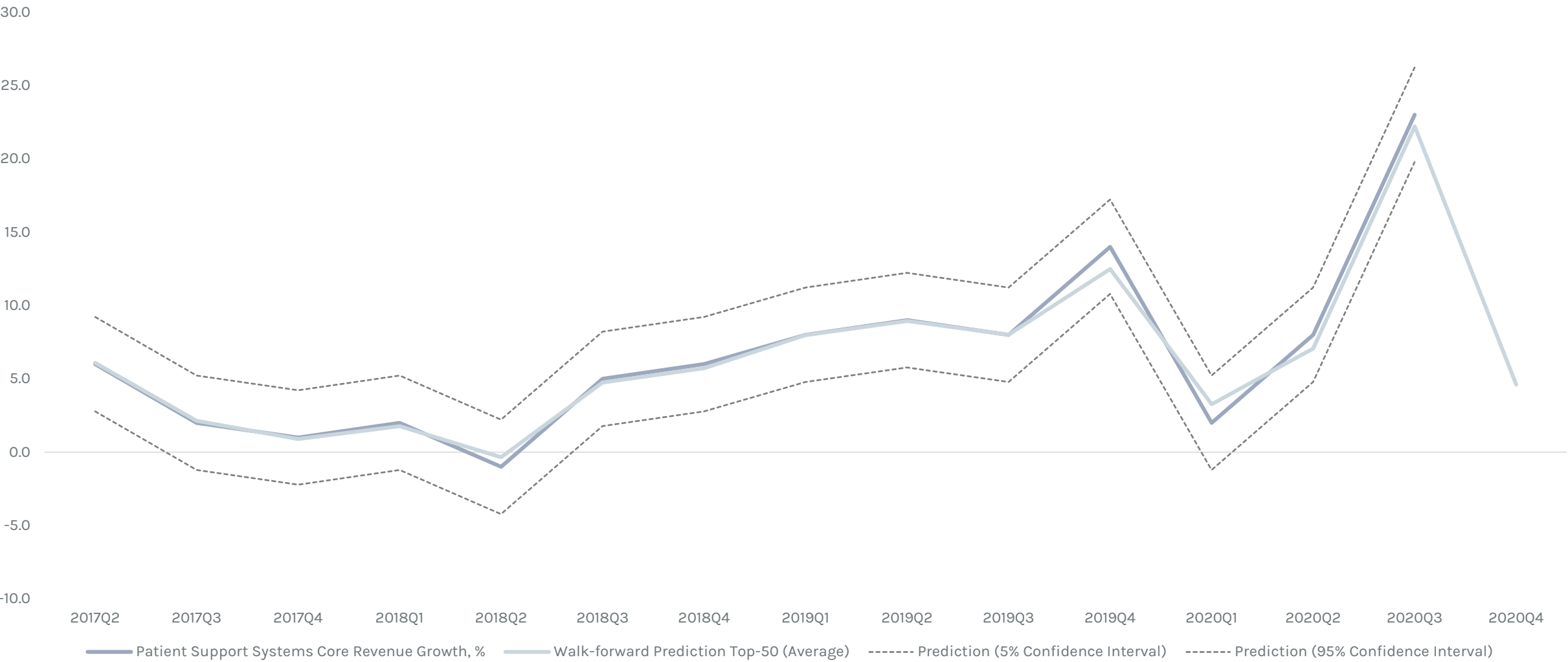
HRC | 4Q20 Forecast Algorithm

Total Core Revenue



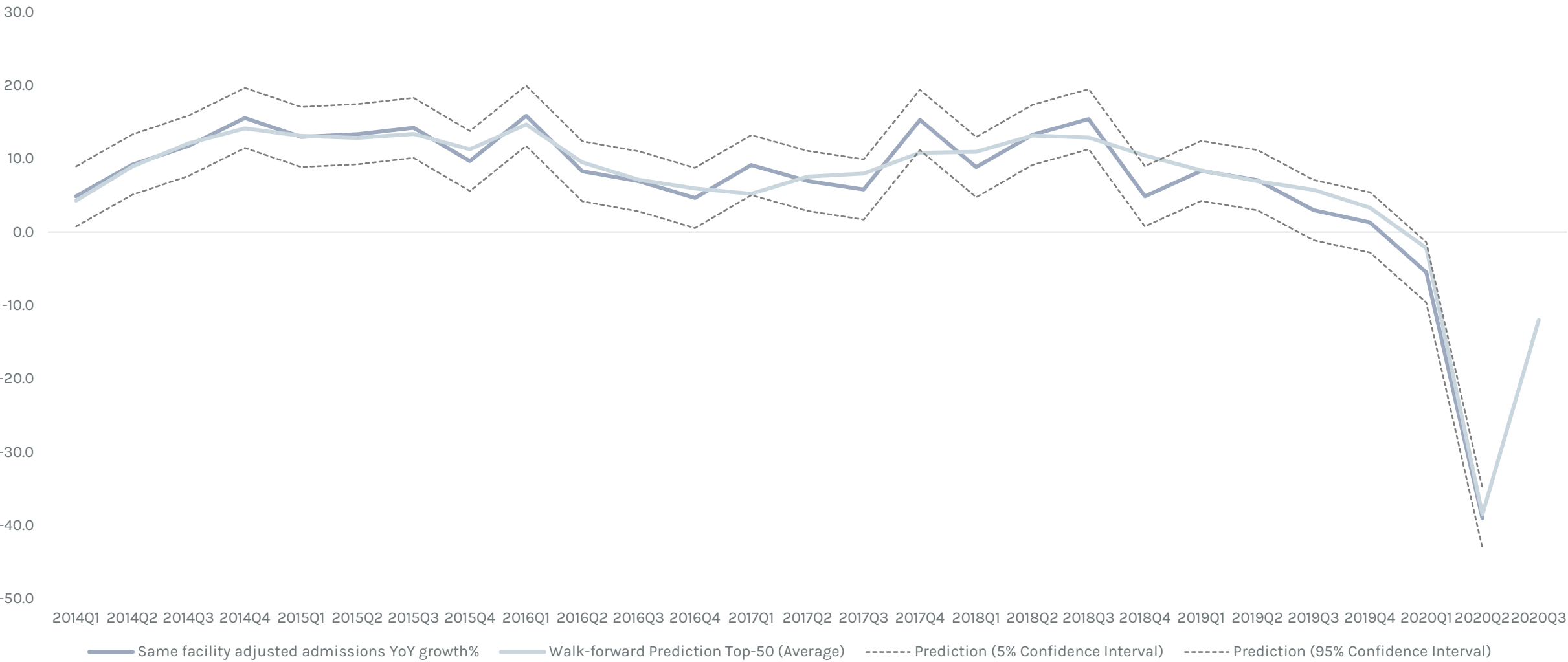
HRC | 4Q20 Forecast Algorithm

Patient Support Systems Core Revenue



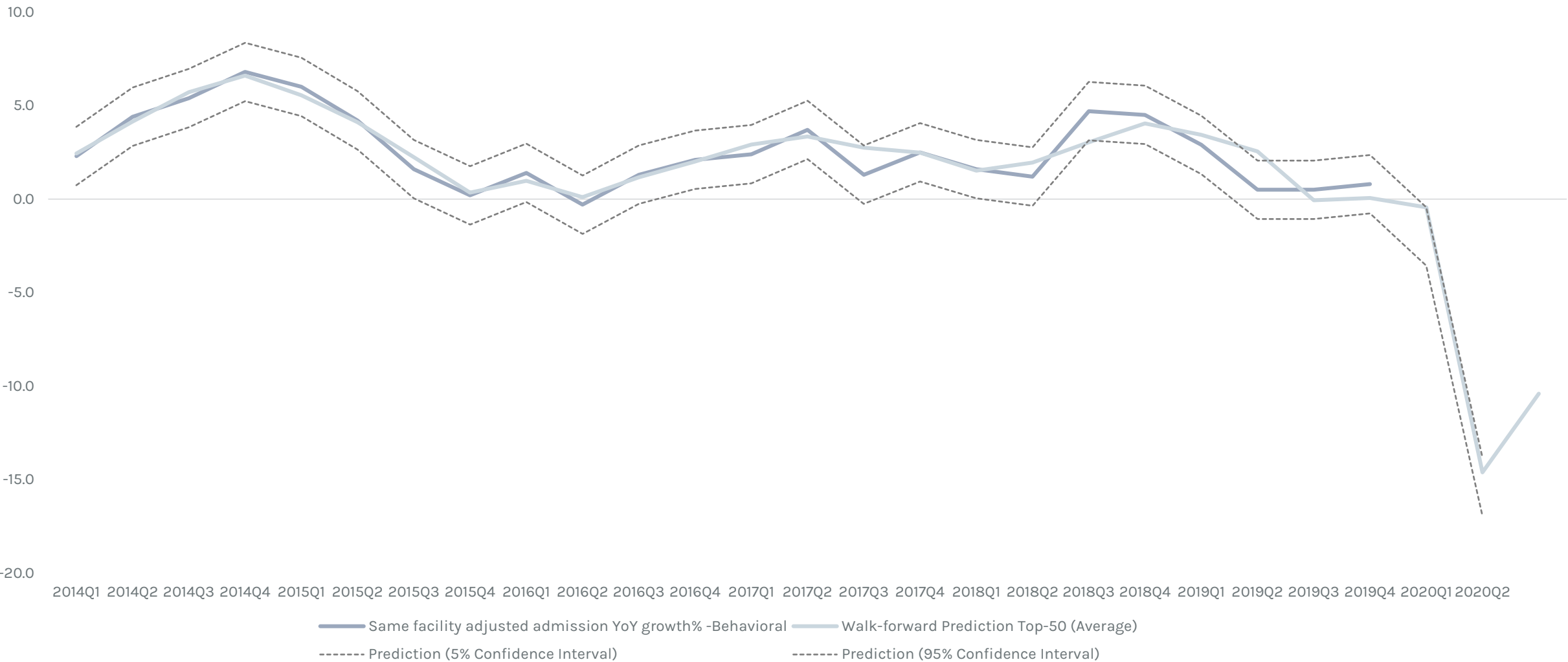
USPH | 3Q20 Forecast Algorithm

Same Facility Adjusted Admissions



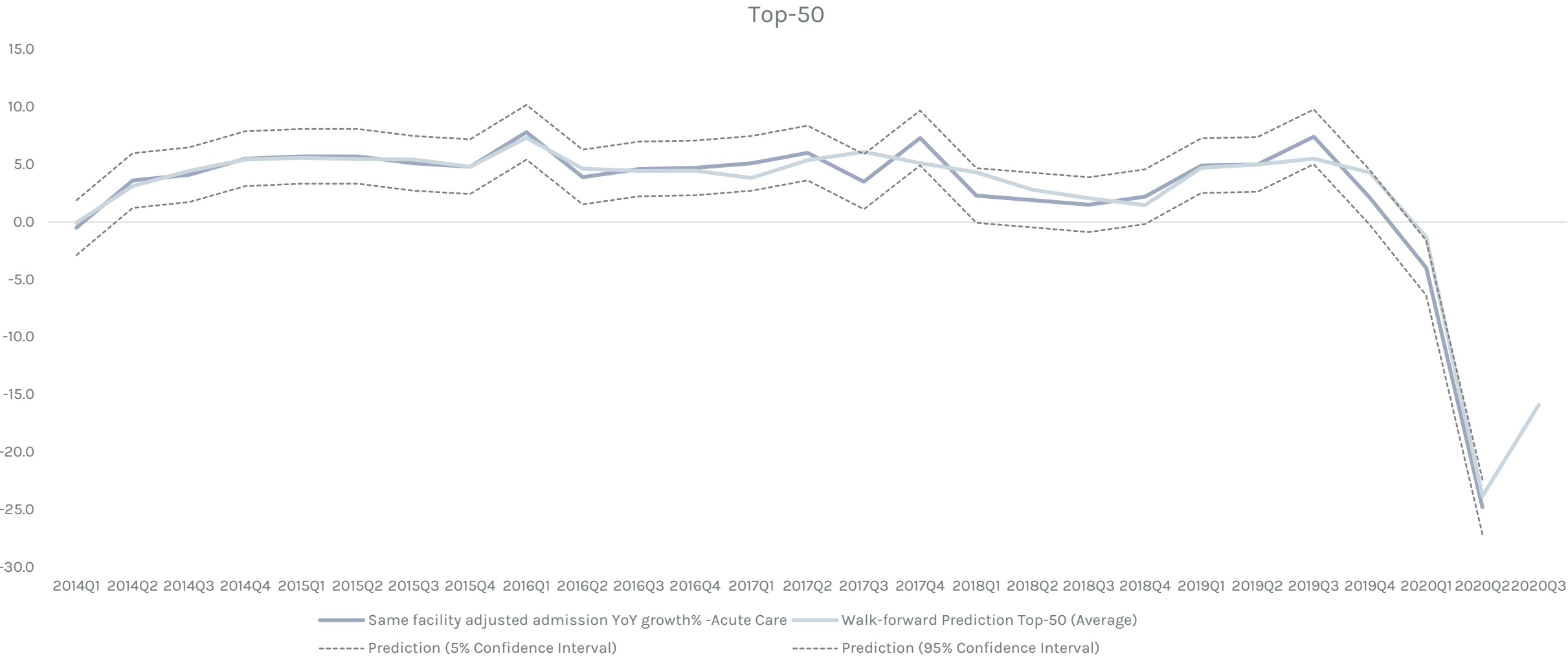
UHS | 3Q20 Forecast Algorithm

Same Facility Adjusted Admissions, Behavioral



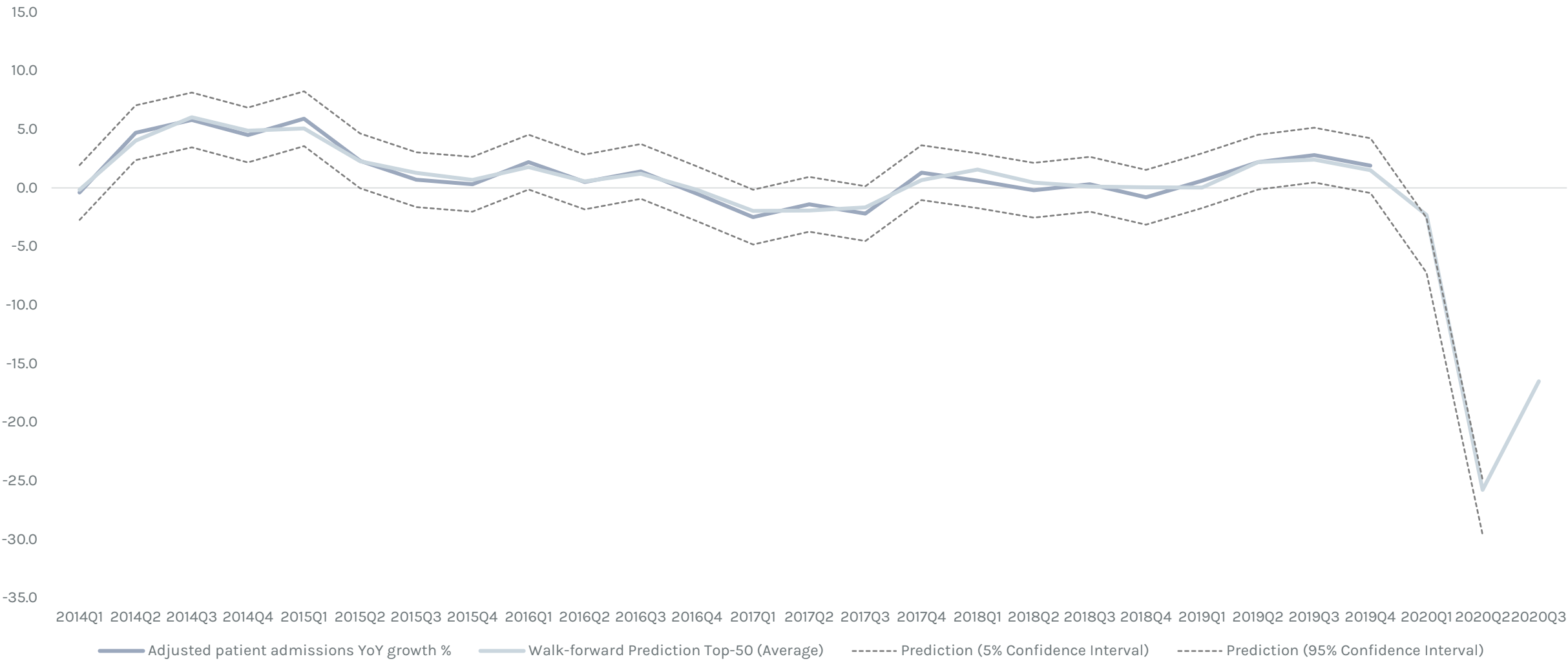
UHS | 3Q20 Forecast Algorithm

Same Facility Adjusted Admissions, Acute Care



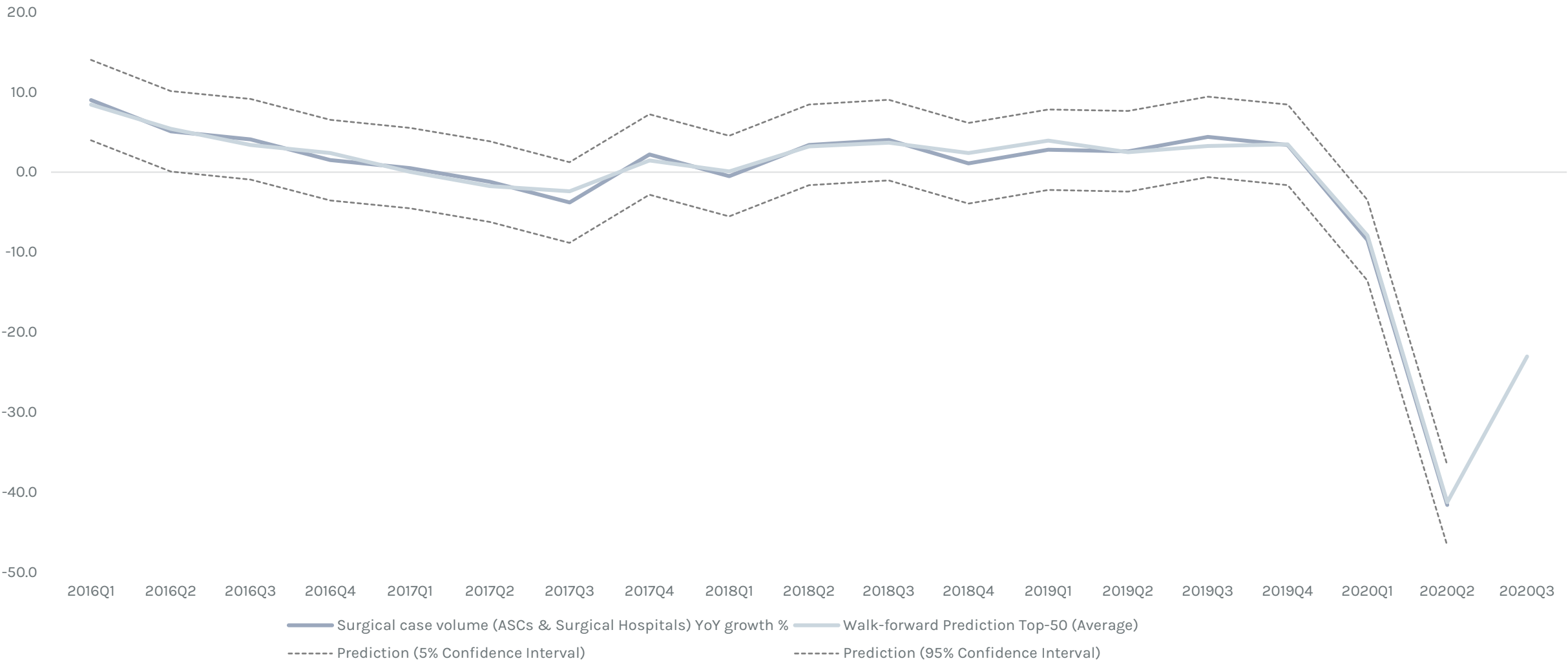
THC | 3Q20 Forecast Algorithm

Adjusted Patient Admissions



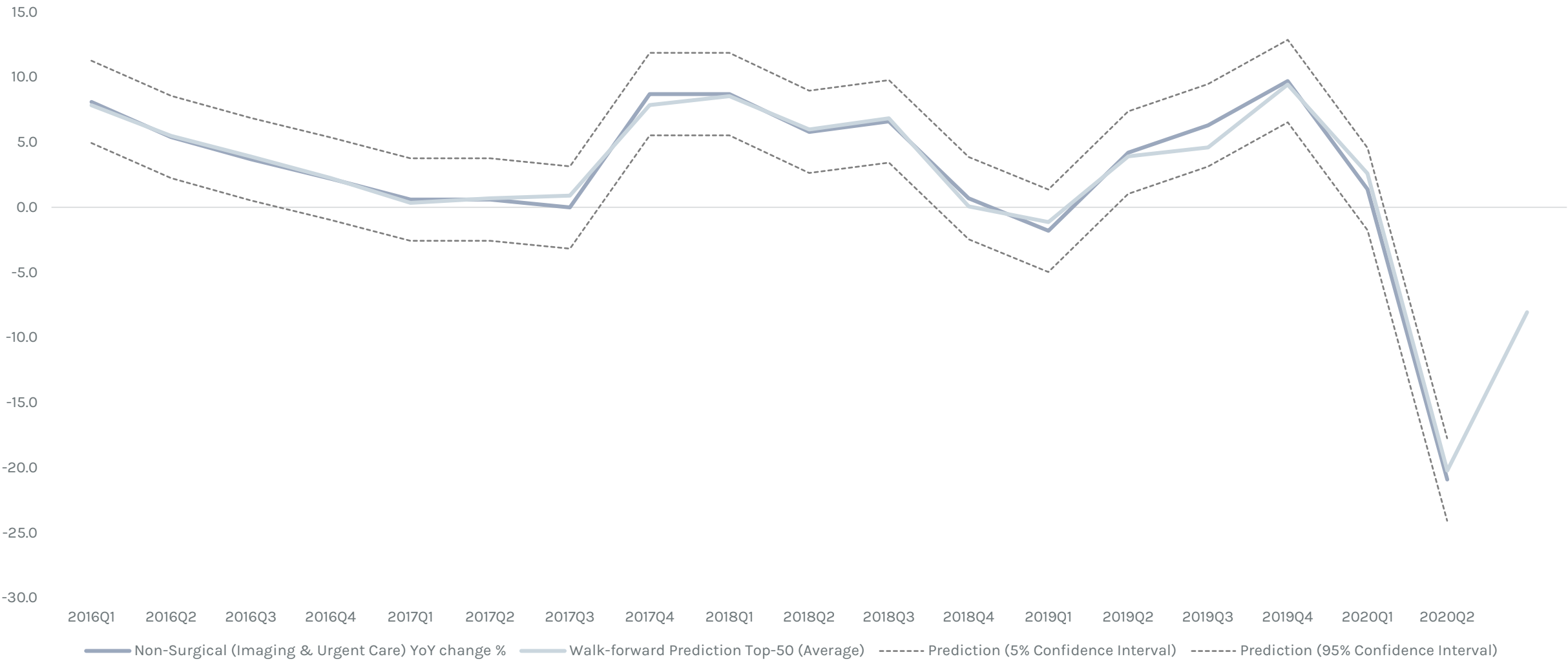
THC | 3Q20 Forecast Algorithm

Surgical Case Volume, ASCs & Surgical Hospitals



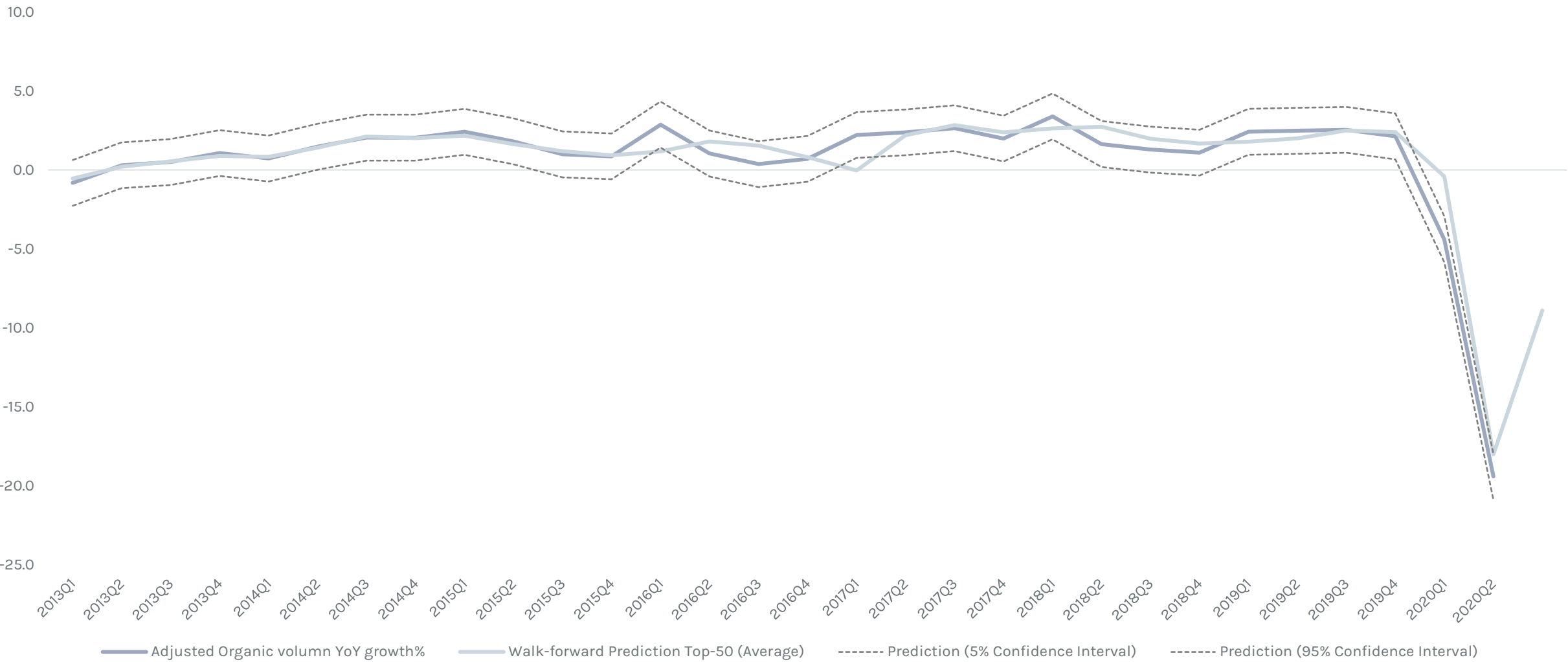
THC | 3Q20 Forecast Algorithm

Non-Surgical Volume, Imaging & Urgent Care



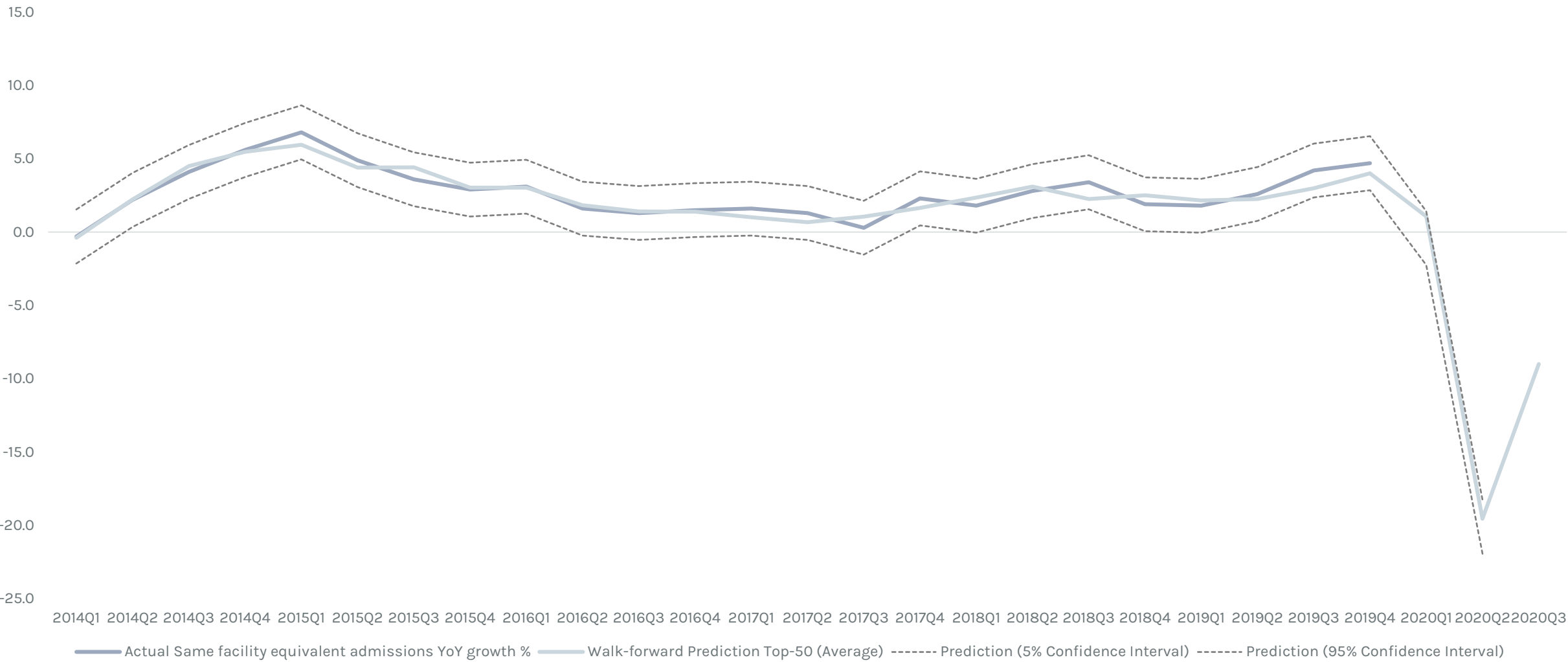
LH+DGX | 3Q20 Forecast Algorithm

Adjusted Organic Volume



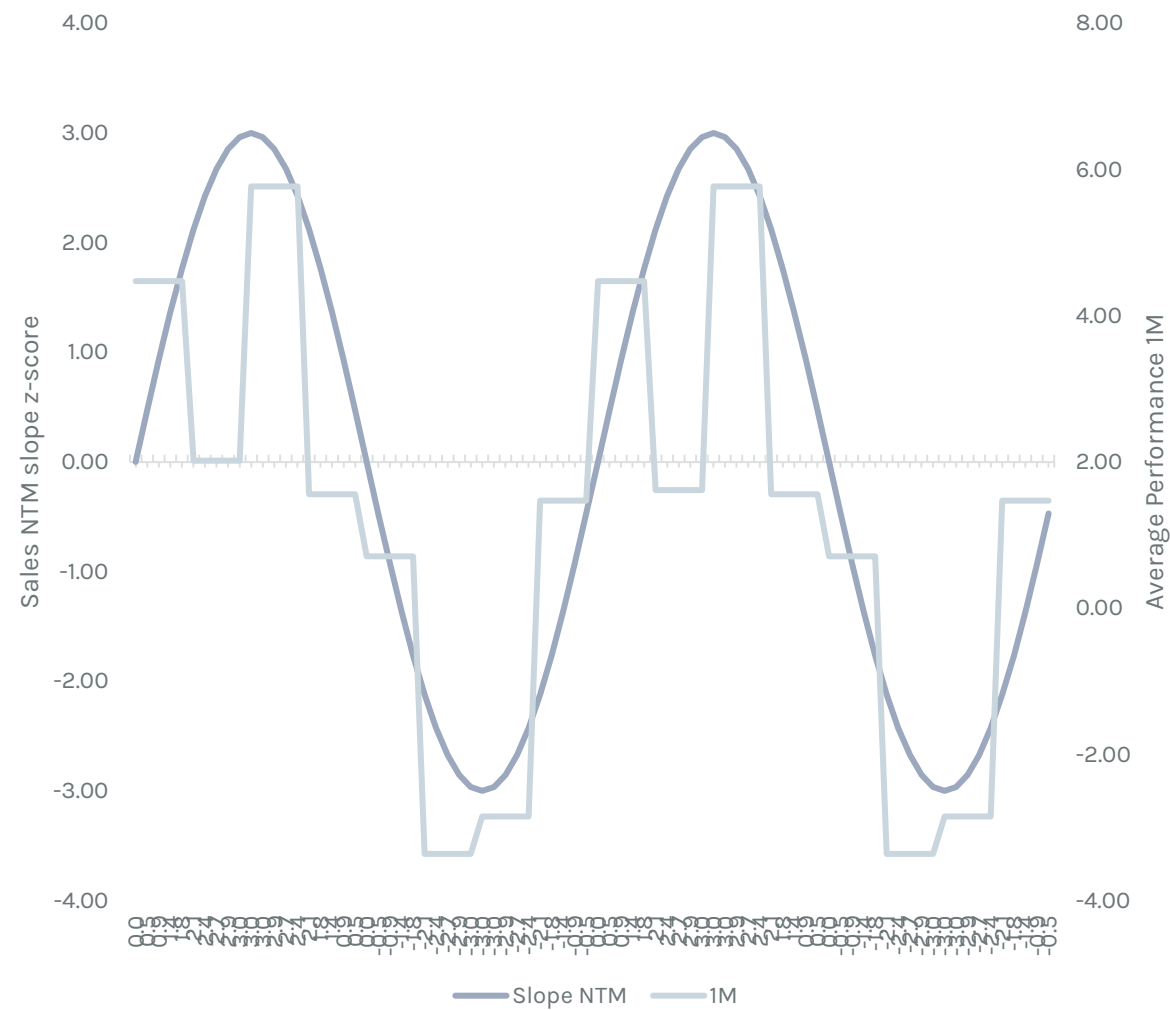
HCA | 3Q20 Forecast Algorithm

Actual Same Facility Equivalent Admissions

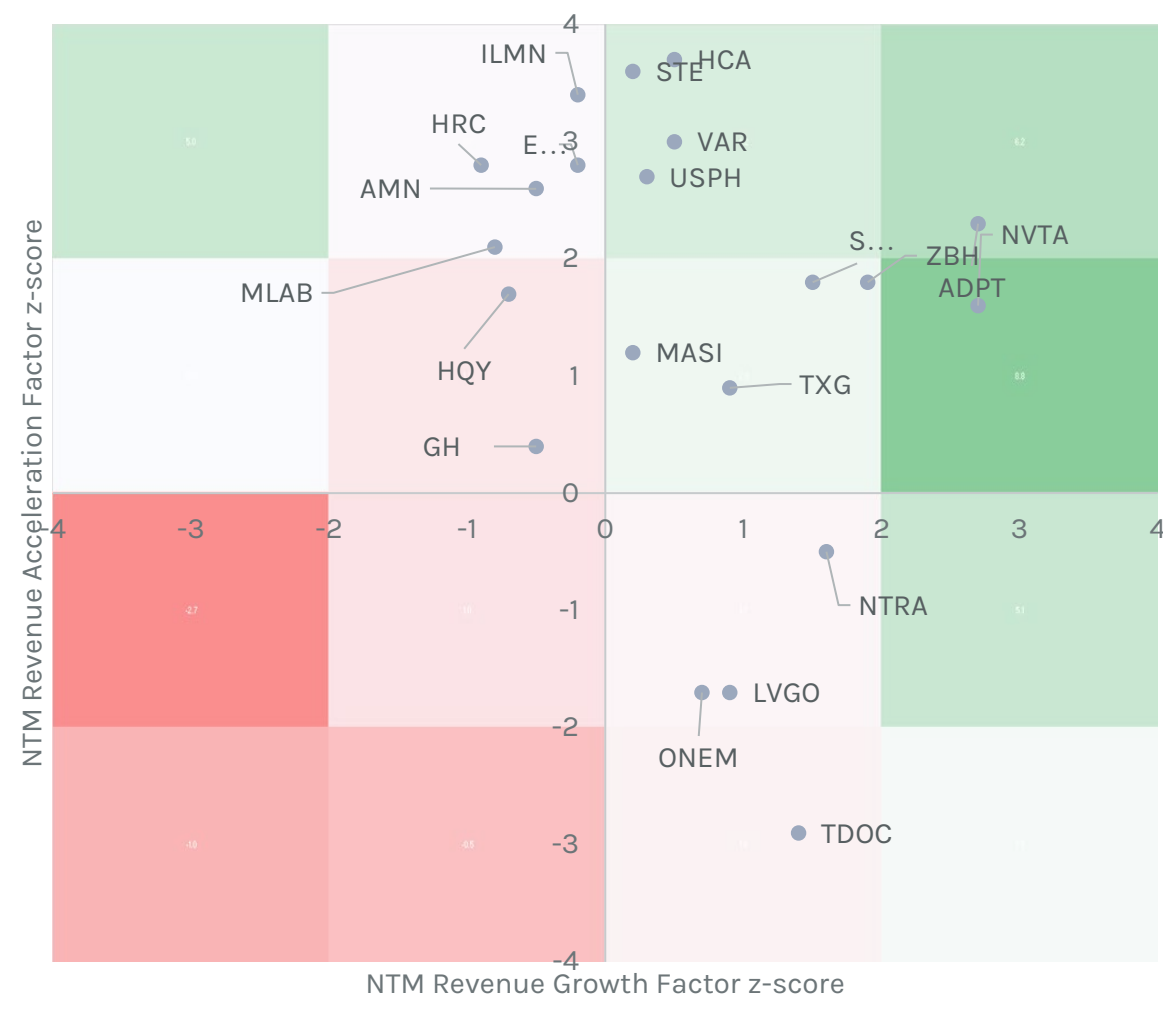


Healthcare Position Monitor vs Microquads

Sales NTM slope vs 1M Performance Back Test

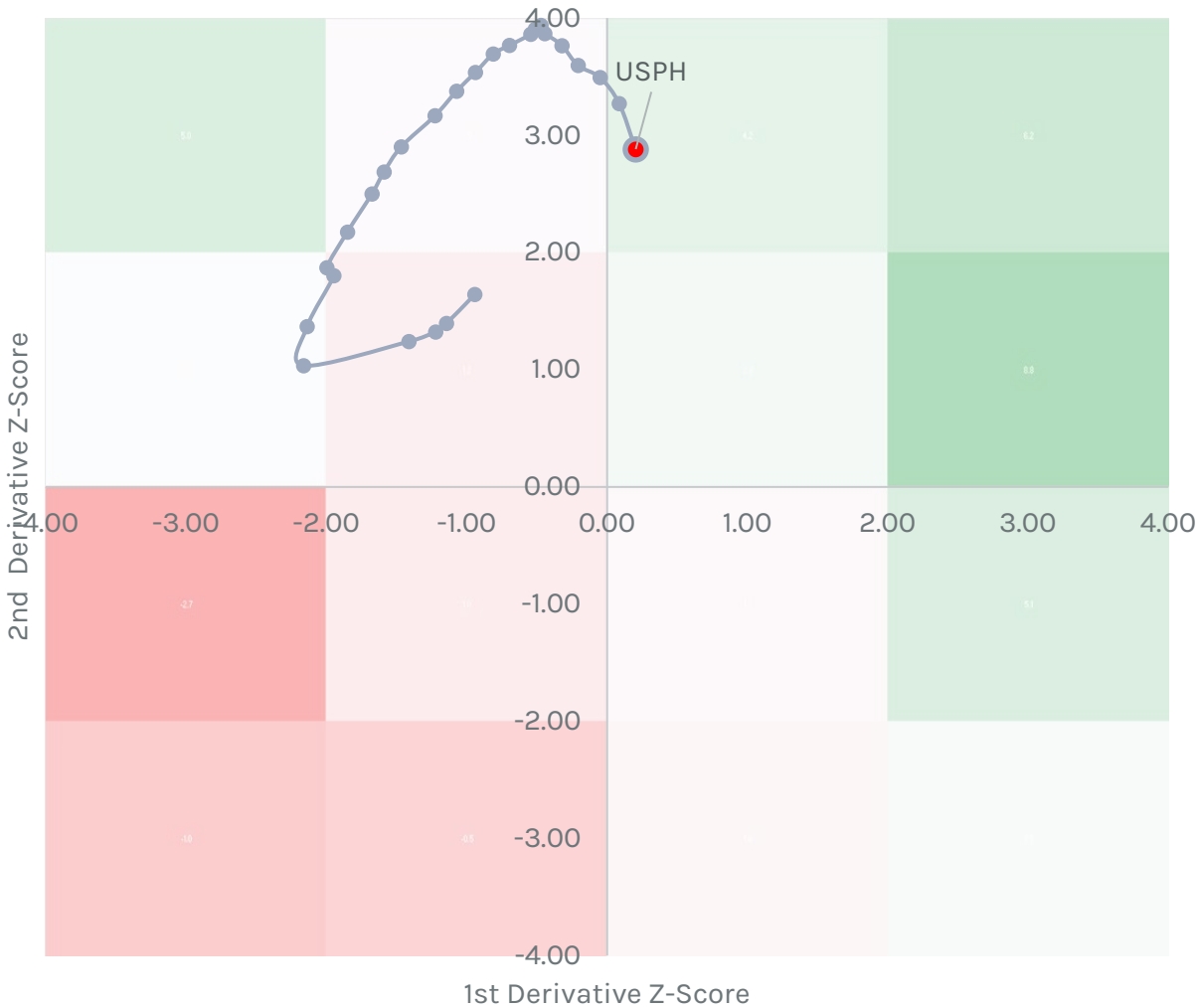


Health Care Position Monitor

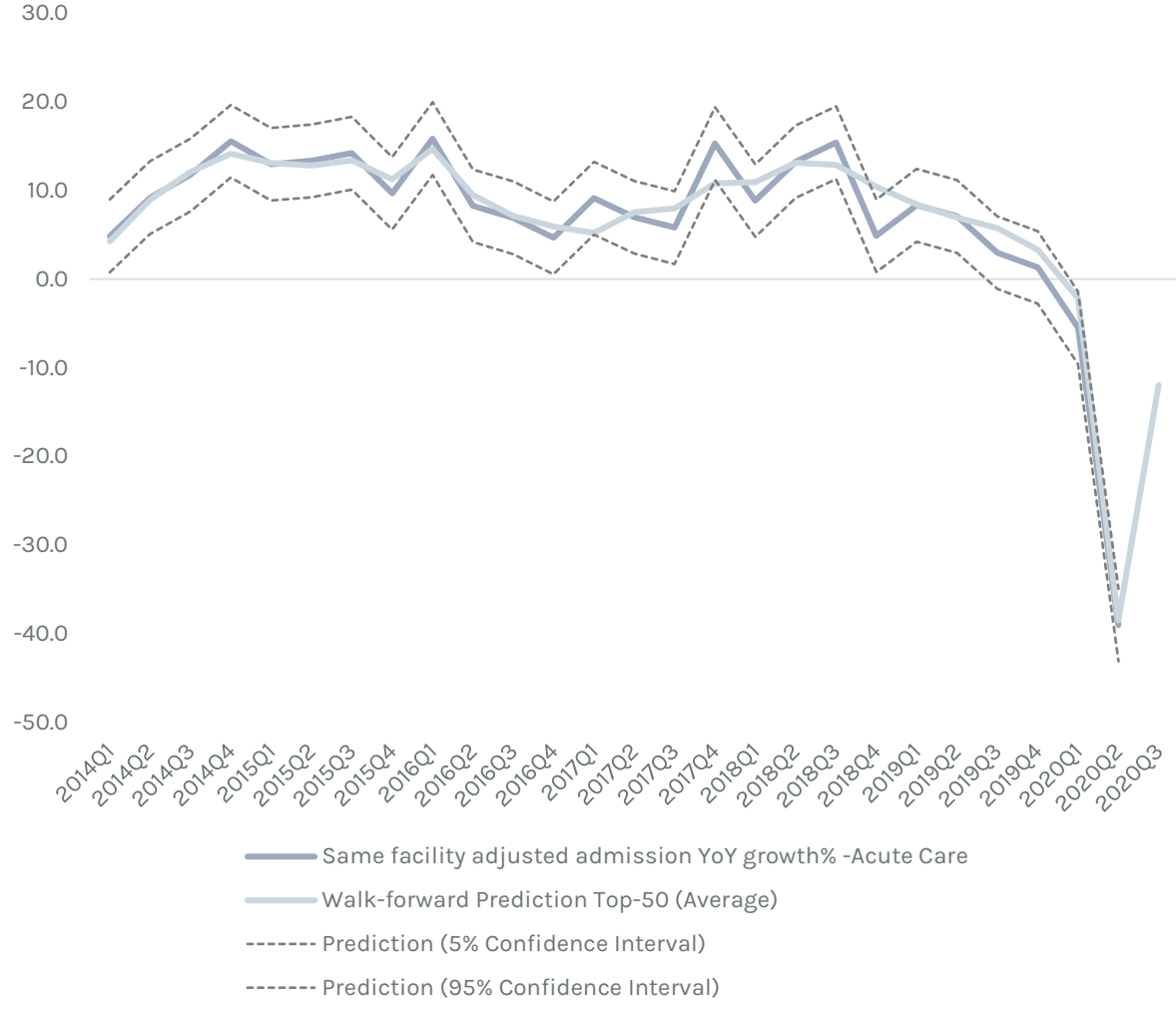


USPH | 3Q20 Rebound to -12% Same Facility Growth - Algorithm HEDGEYE

Revenue Estimate Trend



Same Facility Adjusted Growth Rebound



For more information, contact us at:

support@hedgeye.com