

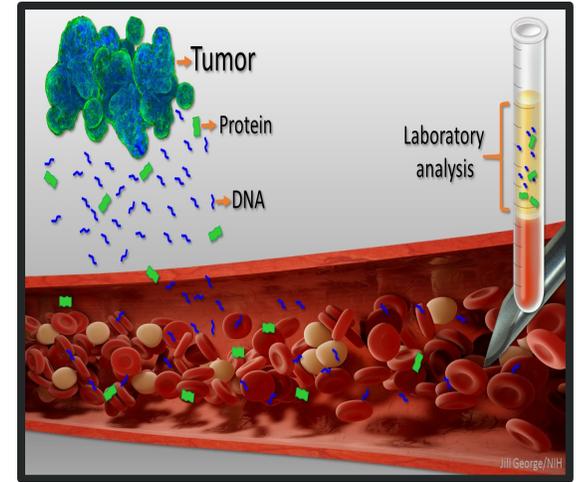
HEDGEYE



Health Care Position Monitor Update

Liquid Biopsy Check, AMN Trackers , NEO Claims Analysis, Earnings Previews

October 26, 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 October 26, 2020



Best Ideas - Longs						Best Ideas - Shorts					
		Price	Mkt Cap (\$B)	Trend	Tail			Price	Mkt Cap (\$B)	Trend	Tail
LONG						SHORT					
Active Longs						Active Shorts					
ONEM	1Life Healthcare, Inc.	\$ 31.91	\$4.0B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 66.51	\$3.1B	×	×
TXG	10x Genomics Inc Class A	\$ 142.27	\$11.1B	✓	✓	EXAS	Exact Sciences Corporation	\$ 109.70	\$16.5B	×	×
GH	Guardant Health, Inc.	\$ 104.71	\$10.4B	✓	✓						
TDOC	Teladoc Health, Inc.	\$ 216.32	\$17.6B	✓	✓						
Long Bias						Short Bias					
NTRA	Natera, Inc.	\$ 71.19	\$6.0B			HRC	Hill-Rom Holdings, Inc.	\$ 92.38	\$6.2B		
ILMN	Illumina, Inc.	\$ 323.55	\$47.4B			MASI	Masimo Corporation	\$ 244.77	\$13.4B		
						AMWL	American Well Corporation Class A	\$ 32.52	\$6.4B		
						NVTA	Invitae Corp.	\$ 45.26	\$6.7B		

Note

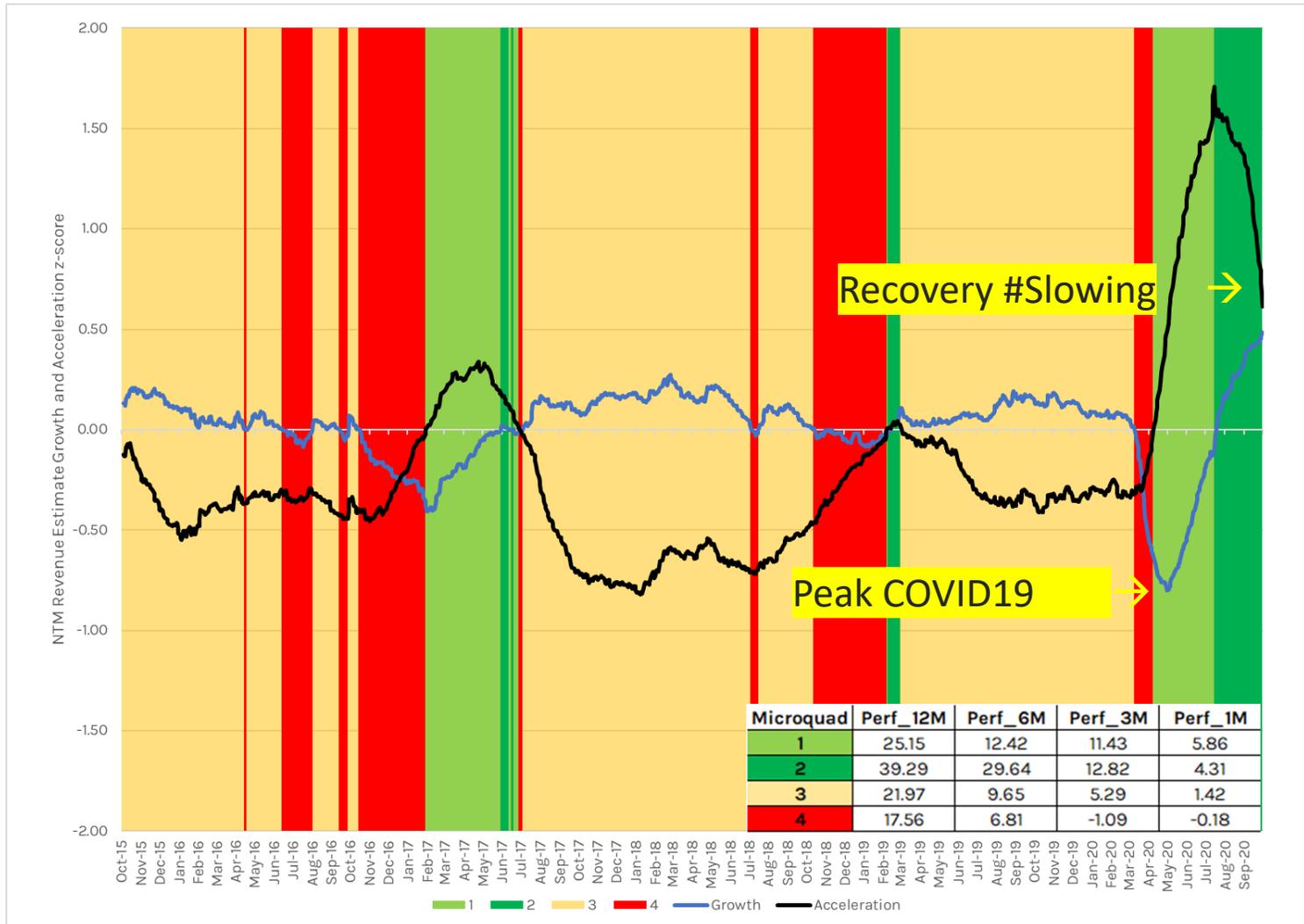
Active Longs/Shorts are high conviction ideas that we've either presented a Black Book for already or have one in the works (similar to other Hedgeye teams). Bench or Bias ideas are ones in which we've done the bulk of the work, but there may be another question we need to answer to move it over the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

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.

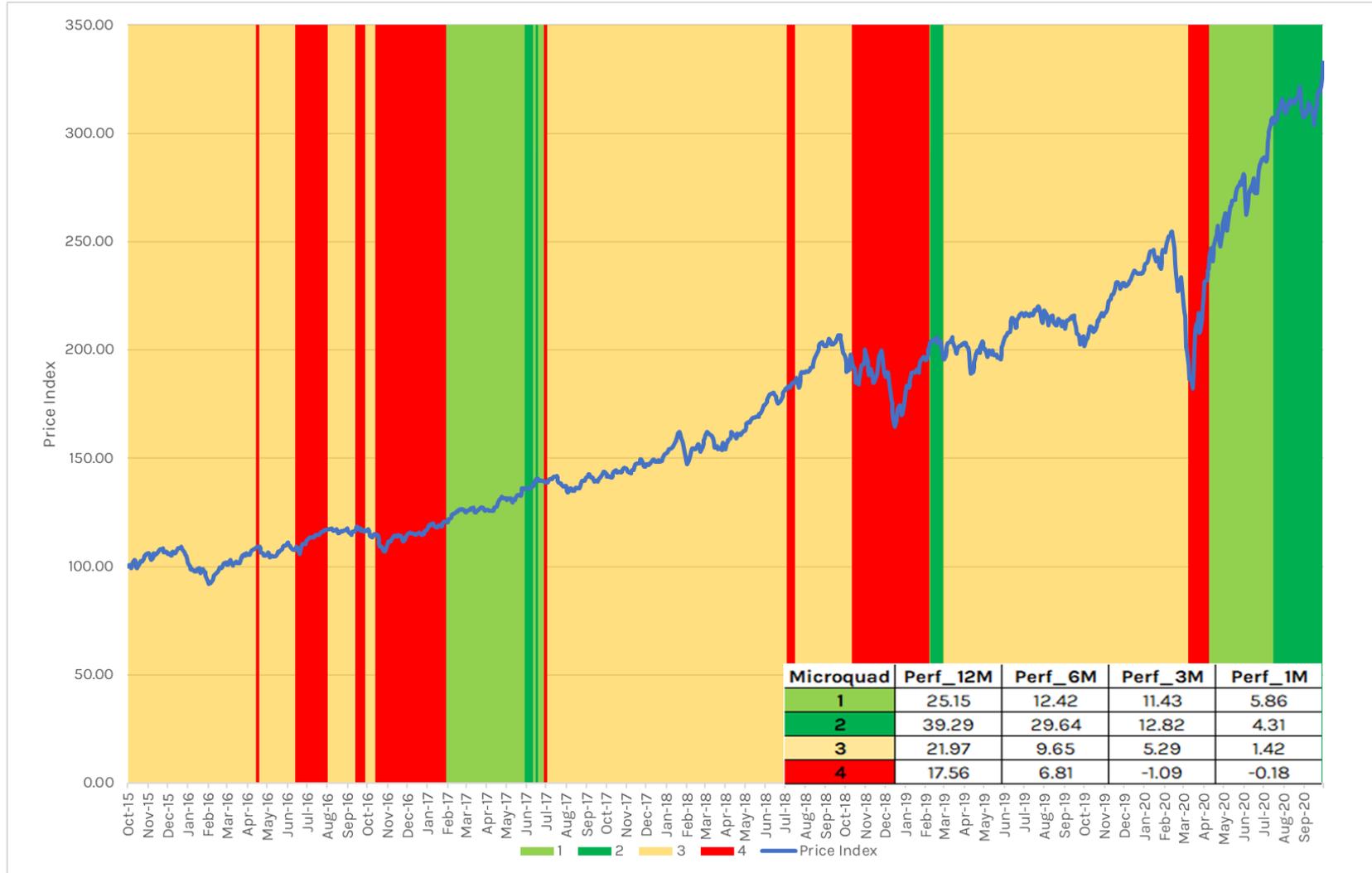
This chart displays the average of the estimate trend across our Healthcare universe and assigns a one of 4 microquads based on the +/- positioning of the two factors.

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?



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Microquad Screen | October 26, 2020

Microquad1 (MQ1)

AMGN RMD
AMN SEM
CHE
EXAS
HAE
HMSY
HRC
HUM
LHCG
PRAH
PRGO
RCM

Microquad2 (MQ2)

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

Microquad3 (MQ3)

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

Microquad4 (MQ4)

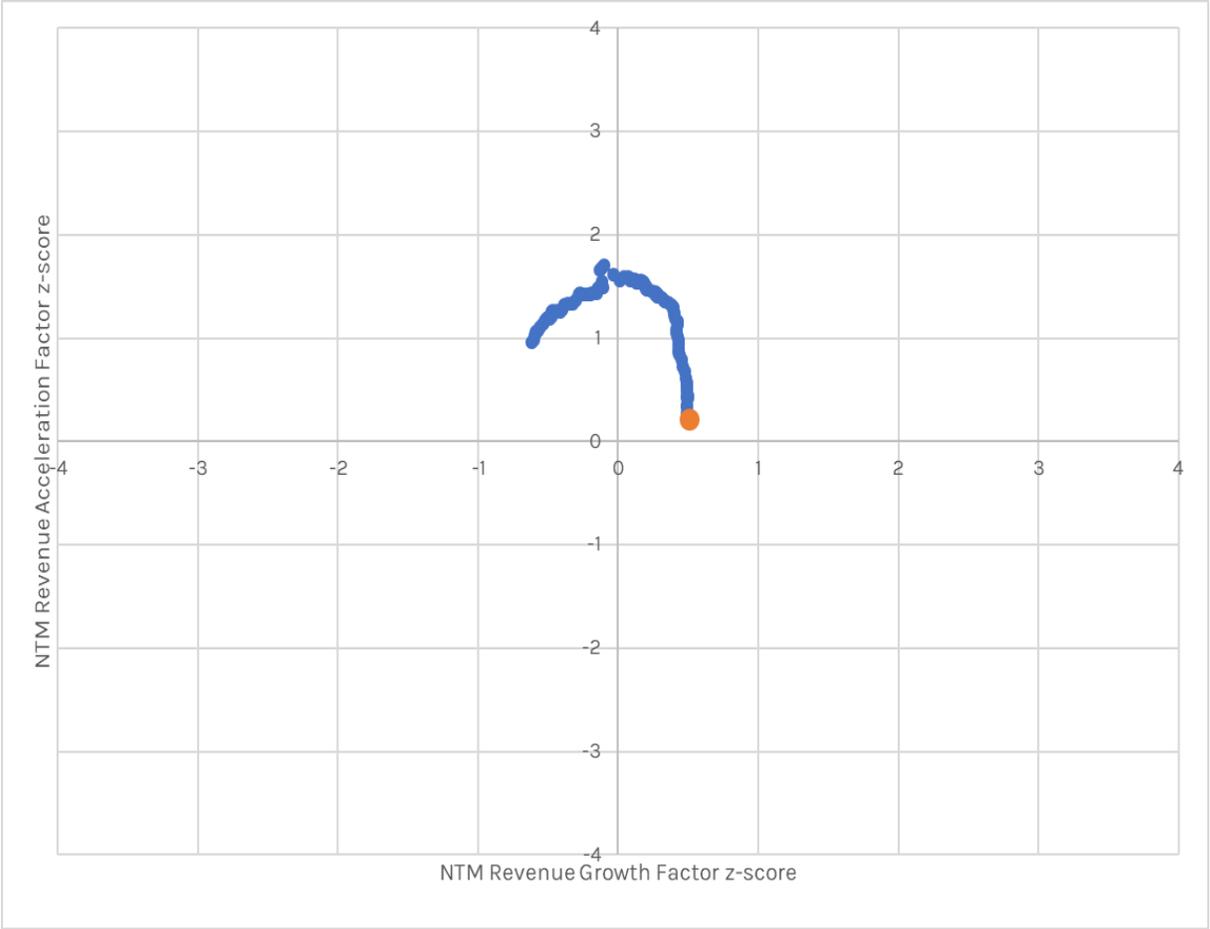
ANTM
BDX
BIOS
CRL
ENSG
GH
VRTX

Position Monitor | October 26, 2020

Sigma Positioning - Current



Sigma Positioning – Current Universe Average



Microquad Expected Return

Microquad average returns based on revenue estimate vectors

POSITION MONITOR 10/23/2020		Metrics			Sales						
Ticker	Name	Price	EV	MCAP	Correlation	Growth	Acceleration	Sales Quad	Performance 1M Actual	Expected 1M Performance	Expected 1M Performance Forward
AMN	AMN Healthcare Services, Inc.	66.99	4190.90	3147.70	0.82	-0.46	2.26	1	19.00%	1.76%	-0.53%
EXAS	Exact Sciences Corporation	103.32	15942.28	15515.29	0.80	-0.13	1.83	1	16.32%	2.94%	2.30%
HRC	Hill-Rom Holdings, Inc.	89.53	7795.69	5963.23	0.96	-1.25	2.48	1	13.81%	-0.59%	1.77%
ILMN	Illumina, Inc.	326.31	46916.88	47758.86	0.93	0.17	3.61	2	13.01%	3.24%	2.99%
NVTA	Invitae Corp.	47.03	5972.24	6976.75	0.82	2.39	0.13	2	5.97%	7.66%	0.45%
TXG	10x Genomics Inc Class A	163.70	15864.22	12776.10	0.85	0.69	0.35	2	17.19%	2.30%	1.67%
LVGO	Livongo Health, Inc.	141.92	13469.54	14417.00	0.95	0.65	-2.19	3	5.84%	-0.41%	0.86%
MASI	Masimo Corporation	237.30	13153.86	13039.18	0.97	0.11	-1.57	3	12.31%	1.67%	2.13%
NTRA	Natera, Inc.	71.08	5325.80	5974.59	0.91	1.34	-1.35	3	9.73%	2.80%	-0.20%
ONEM	1Life Healthcare, Inc.	30.53	3583.51	3853.89	0.35	0.50	-1.69	3	17.40%	0.34%	1.28%
TDOC	Teladoc Health, Inc.	221.29	16601.64	17975.05	0.93	1.02	-3.32	3	6.07%	2.36%	2.44%
GH	Guardant Health, Inc.	101.00	8859.04	10061.31	0.68	-0.43	-0.12	4	-1.59%	0.96%	1.45%
AMWL	American Well Corporation Class A	35.54	8688.16	7042.76	0.00	0.00	0.00		0.00%	1.74%	0.64%

The sigma chart coordinates for growth/acceleration (1st and 2nd 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	TTOO	171.13	-25%	-4%	1.23	-1.73	0.35%	0%	16%	-13%	-44%
2	EVH	1,195.20	-43%	-3%	-1.06	1.09	1.85%	-3%	-6%	0%	54%
3	HRC	7,795.69	96%	-3%	-1.25	2.48	1.88%	3%	14%	-21%	-6%
4	MD	2,836.67	18%	-3%	-0.04	3.90	0.68%	-2%	-5%	-26%	-35%
5	BIIB	48,545.11	25%	-3%	-2.13	2.00	0.42%	-5%	-2%	-7%	-7%
6	TRHC	1,097.82	68%	-2%	-0.98	2.10	1.59%	-4%	2%	-30%	-22%
7	SPNE	335.47	35%	-2%	1.53	1.30	1.30%	-5%	6%	41%	24%
8	VAR	15,595.35	30%	-2%	0.51	1.01	1.41%	0%	0%	30%	37%
9	ITGR	3,055.45	-65%	-2%	0.61	0.61	1.48%	-2%	16%	-6%	-13%
10	HNGR	1,242.90	47%	-1%	-	-	-	8%	18%	9%	-14%
11	VCRA	947.27	83%	-1%	1.35	-1.52	0.37%	0%	21%	39%	34%
12	BDX	83,756.22	89%	-1%	-0.16	-0.53	0.81%	1%	9%	-13%	-2%
13	TCMD	688.26	67%	-1%	-0.23	3.29	0.76%	7%	25%	2%	-12%
14	ABBV	223,502.69	56%	-1%	0.21	-3.66	1.28%	-2%	-2%	-13%	10%
15	RCM	3,674.34	95%	-1%	-0.36	0.87	1.32%	0%	11%	29%	72%
16	WAT	14,558.14	87%	-1%	0.87	1.17	2.18%	5%	17%	-2%	3%
17	MMSI	3,096.56	69%	-1%	0.07	0.70	0.83%	2%	20%	10%	62%
18	HCSG	1,622.46	30%	-1%	0.07	1.13	0.78%	-1%	14%	-12%	0%
19	HQY	4,759.73	37%	-1%	-0.56	0.95	1.97%	6%	25%	6%	4%
20	RGEN	8,811.12	94%	-1%	0.59	-1.66	1.37%	3%	26%	28%	126%

- 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	11,230.24	92%	19%	0.91	-3.36	2.49%	-3%	29%	-4%	309%
2	PHR	1,184.20	-	10%	-	-	-	-	-	-	-
3	ADPT	6,059.81	37%	9%	2.22	2.35	3.26%	-4%	8%	31%	90%
4	ARAY	395.87	33%	8%	0.71	3.54	1.21%	-1%	33%	34%	13%
5	ISRG	84,411.81	93%	6%	0.79	1.02	1.49%	-2%	12%	7%	34%
6	CUTR	306.58	61%	6%	0.77	0.76	1.40%	10%	22%	60%	-24%
7	ANGO	441.04	33%	5%	0.65	1.38	0.96%	-4%	13%	26%	-23%
8	REGN	69,781.05	63%	5%	1.88	-0.58	2.41%	-3%	4%	-9%	90%
9	COO	19,529.35	96%	5%	0.23	2.73	1.11%	1%	8%	24%	26%
10	LMNX	937.18	50%	5%	1.20	-2.76	0.95%	-3%	-14%	-43%	5%
11	AXGN	463.22	-	5%	-	-	-	-	-	-	-
12	MOH	11,250.02	34%	4%	1.10	-2.15	1.42%	1%	39%	17%	76%
13	PFE	254,288.05	10%	4%	0.66	-1.85	1.06%	1%	7%	2%	5%
14	TDOC	16,601.64	93%	4%	1.02	-3.32	1.74%	-2%	6%	2%	217%
15	CMD	2,834.62	-18%	4%	0.10	1.55	0.76%	10%	18%	3%	-25%
16	JNJ	406,582.33	82%	4%	1.38	-0.02	0.51%	-2%	0%	-1%	14%
17	NSTG	1,470.34	65%	4%	1.49	-0.33	1.08%	-10%	-15%	-1%	66%
18	TXG	15,864.22	85%	3%	0.69	0.35	1.22%	-13%	17%	48%	150%
19	TMO	201,975.82	94%	3%	1.49	-2.08	1.08%	2%	15%	16%	64%
20	UNH	304,147.80	95%	2%	0.16	2.19	1.10%	0%	13%	11%	35%

- 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.

Upcoming Field Work | October 26, 2020

We've been vetting subject matter experts in key coverage areas, namely NGS, Liquid Biopsy, and Telehealth/Remote Patient Monitoring (RPM).

Liquid Biopsy & NGS

- We had an introductory/exploratory discussion with a group based in Australia to check compliance and gauge areas subject matter expertise around their studies involving liquid biopsy.
 - We look forward to following up with them in more detail over the coming week(s) due to their collective experience studying circulating tumor cells and cell-free DNA to screen for melanoma, ovarian cancer, etc.
 - The initial feedback from Down Under echoed the sentiment from here in the U.S., including:
 - Challenges w/ early detection.
 - Concern/suspicion regarding Grail/Galleri's data (it's a "black box").
 - Interest in Guardant360's trajectory
- We're having another intro discussion with a Canadian thought leader this week and hosting a live event on the outlook for liquid biopsy on November 3.
- **Questions/discussion topics include, but are not limited to:**
 - Overall outlook for liquid biopsy tests like Guardant360, Galleri, and Thrive's, among others.
 - Natera's Signatera – differentiated and defensible moat?
 - Is any of the data released thus far differentiated?
 - What are the hurdles to demonstrating a clinical benefit in cancer screening?
 - Should we expect test developers to run a long-term trial to show survival benefit, or are there intermediate markers that can demonstrate meaningful utility?
 - "End markets" like early detection, companion diagnostics/therapy selection, and recurrence monitoring/residual disease.

companies. We'll be publishing Field Notes on these discussions.

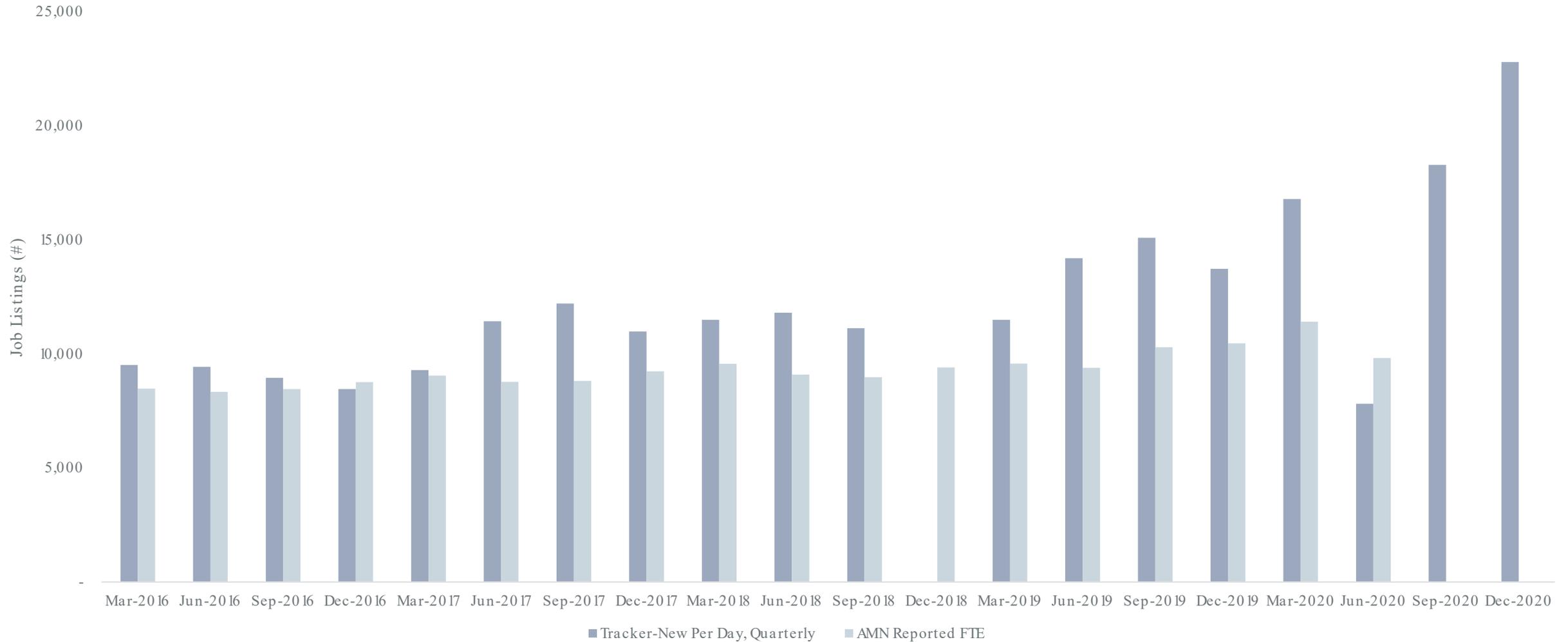
- Core RPM and telehealth names: TDOC/LVGO, AMWL, MASI (2/3 are reporting this week).
- "New" to the public market: HCCO/SOC Telemed, OAC/Hims, and GoodRx are all fair game too.
- Prior field work helped to shape our "Convergence" theme, as it's become clearer that everyone in healthcare is battling for ownership of the patient relationship, and patients' data.
- We have a call with Amnon Gavish, former Amwell and TytoCare, on Friday the 30th.
- **Questions/discussion topics include, but are not limited to:**
 - End market dynamics – hospitals and health plans saturated?
 - Room for reacceleration of telehealth utilization given COVID spikes?
 - How much room is there to grow/expand within a given account? Why?
 - Who is winning the battle for the patient/consumer? Who is losing?
 - Are DTC options competitive or a separate market?
 - Teladoc/Livongo synergies make sense?
 - Reimbursement for telehealth/remote monitoring.
 - M&A / partnership activity.

Telehealth & RPM

- We have calls lined up this week with vetted executives at privately held telehealth/telemedicine

AMN Tracker | October 2020

Tracker continues to improve sequentially and alongside the share price pushing higher every day...



AMN Tracker | October 2020

New Per Day, Weekly

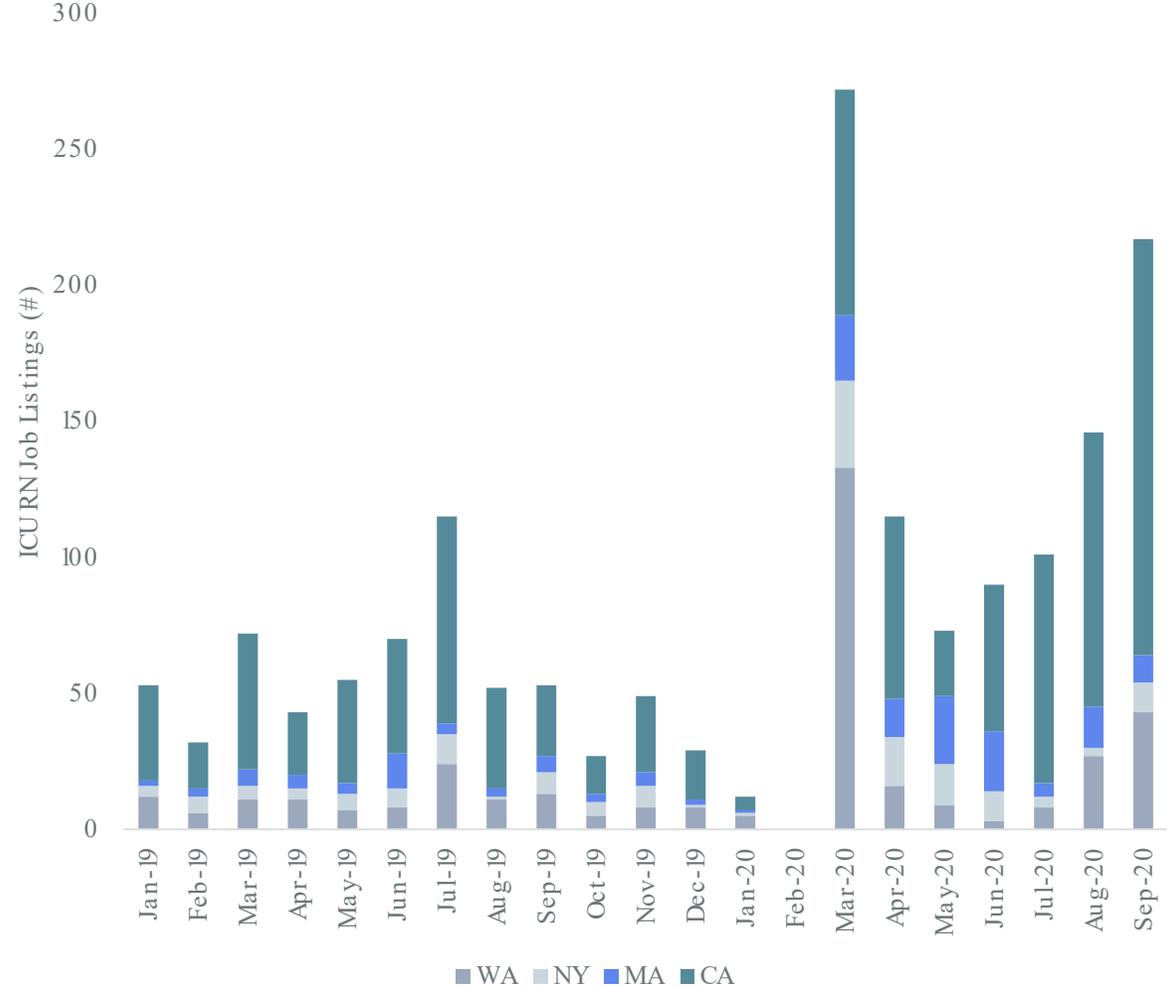


New Per Day, Rolling 4 Week

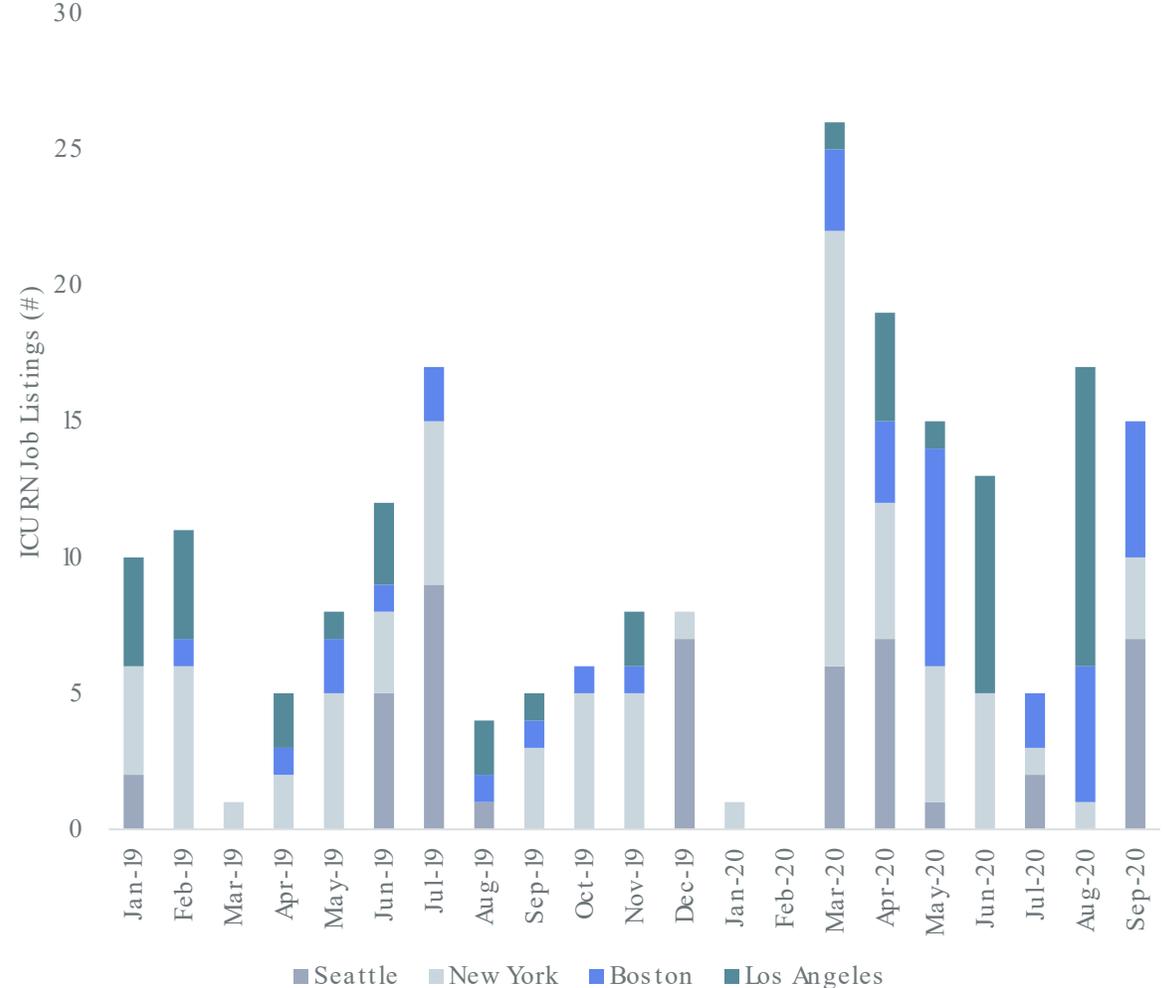


ICU RN | Job Listings Tracker

ICU RN – by State

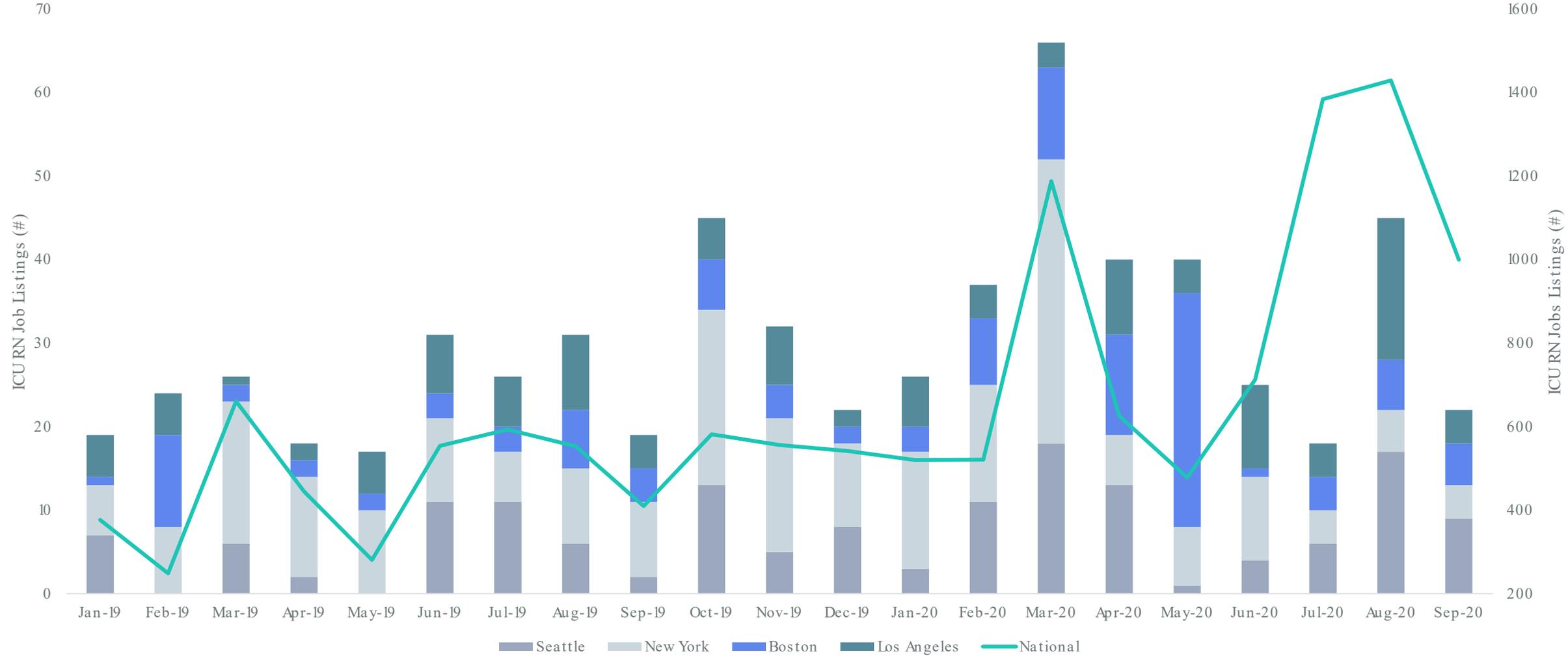


ICU RN – by City



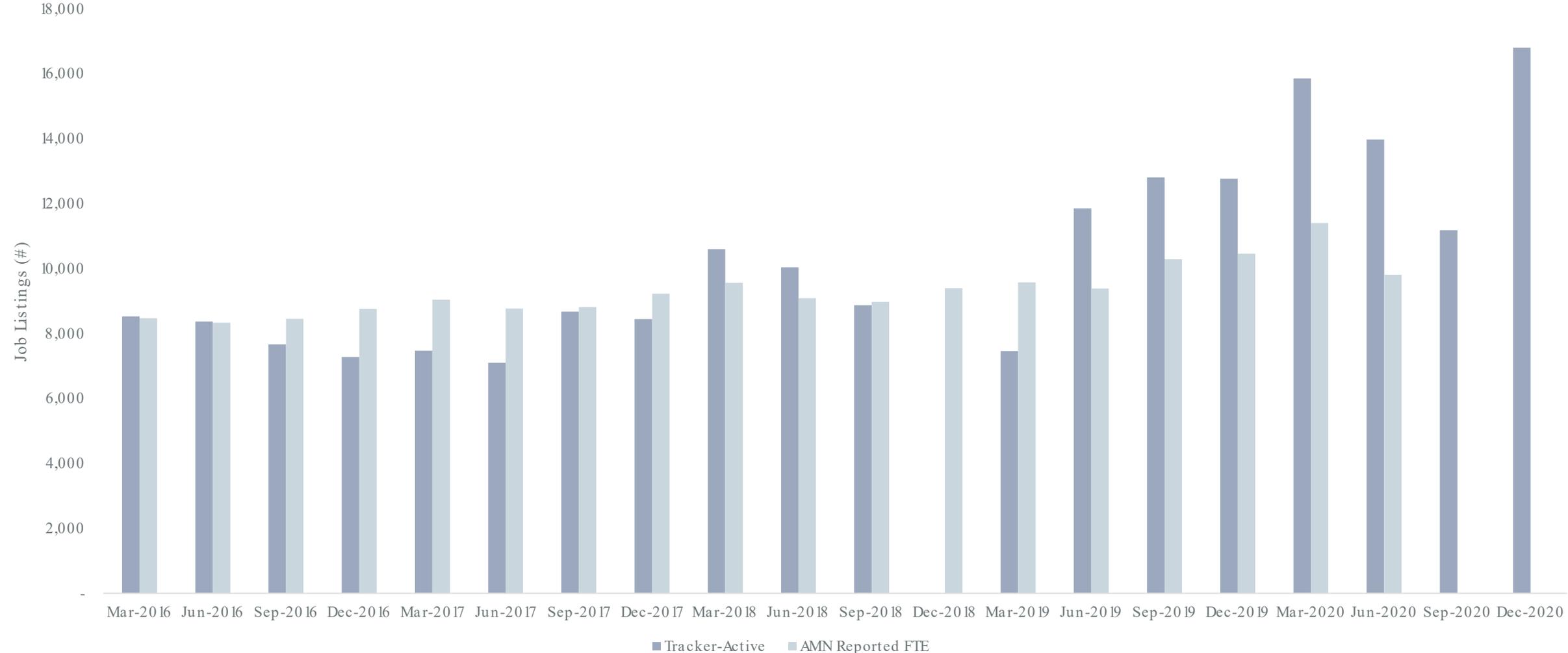
ICU RN | Job Listings Tracker

Major Cities v National Listings



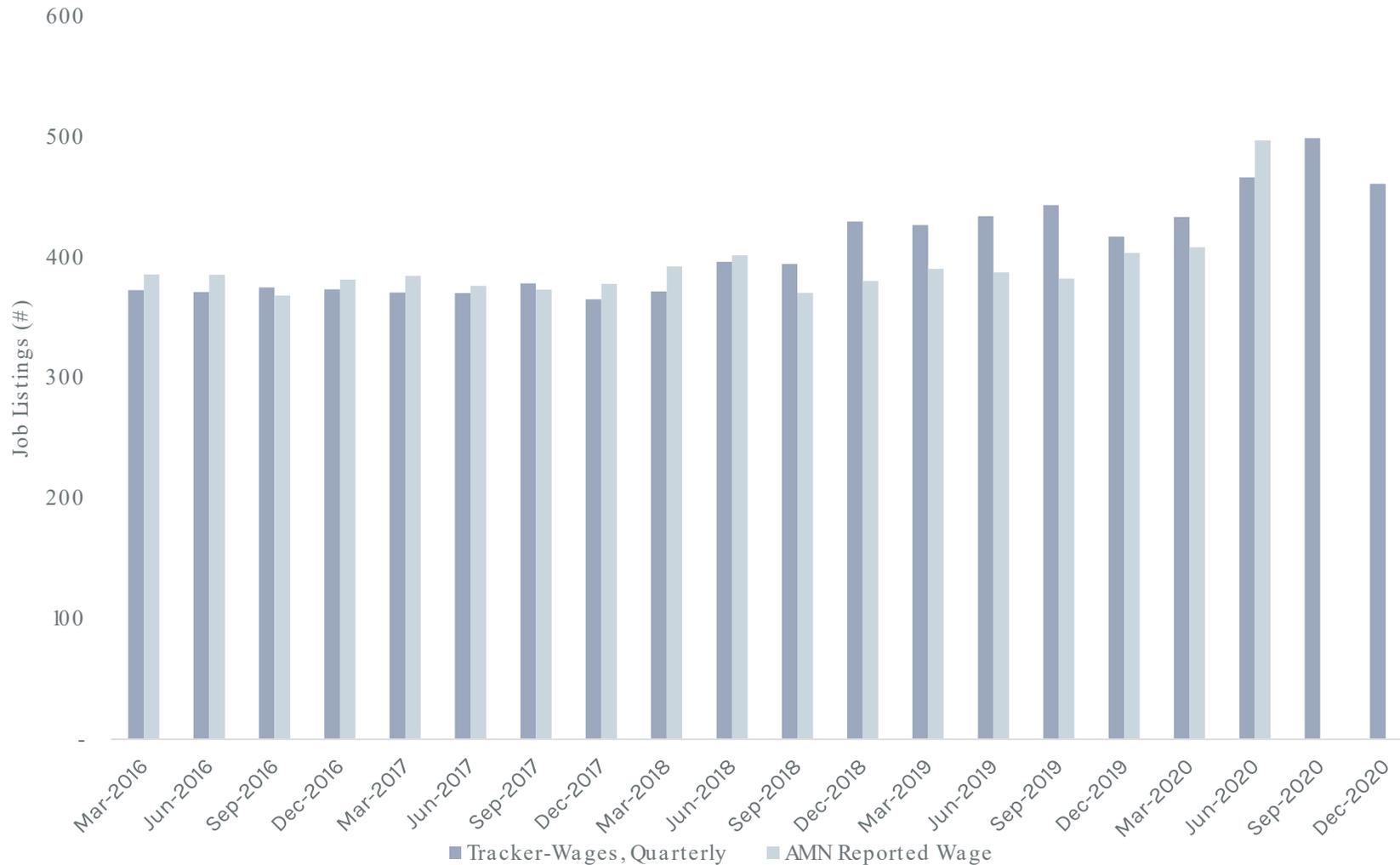
AMN Tracker | October 2020

Tracker Forecasts an Average of 7,853 Health Care Professionals on Assignment in 3Q20



Wages Tracker | October 2020

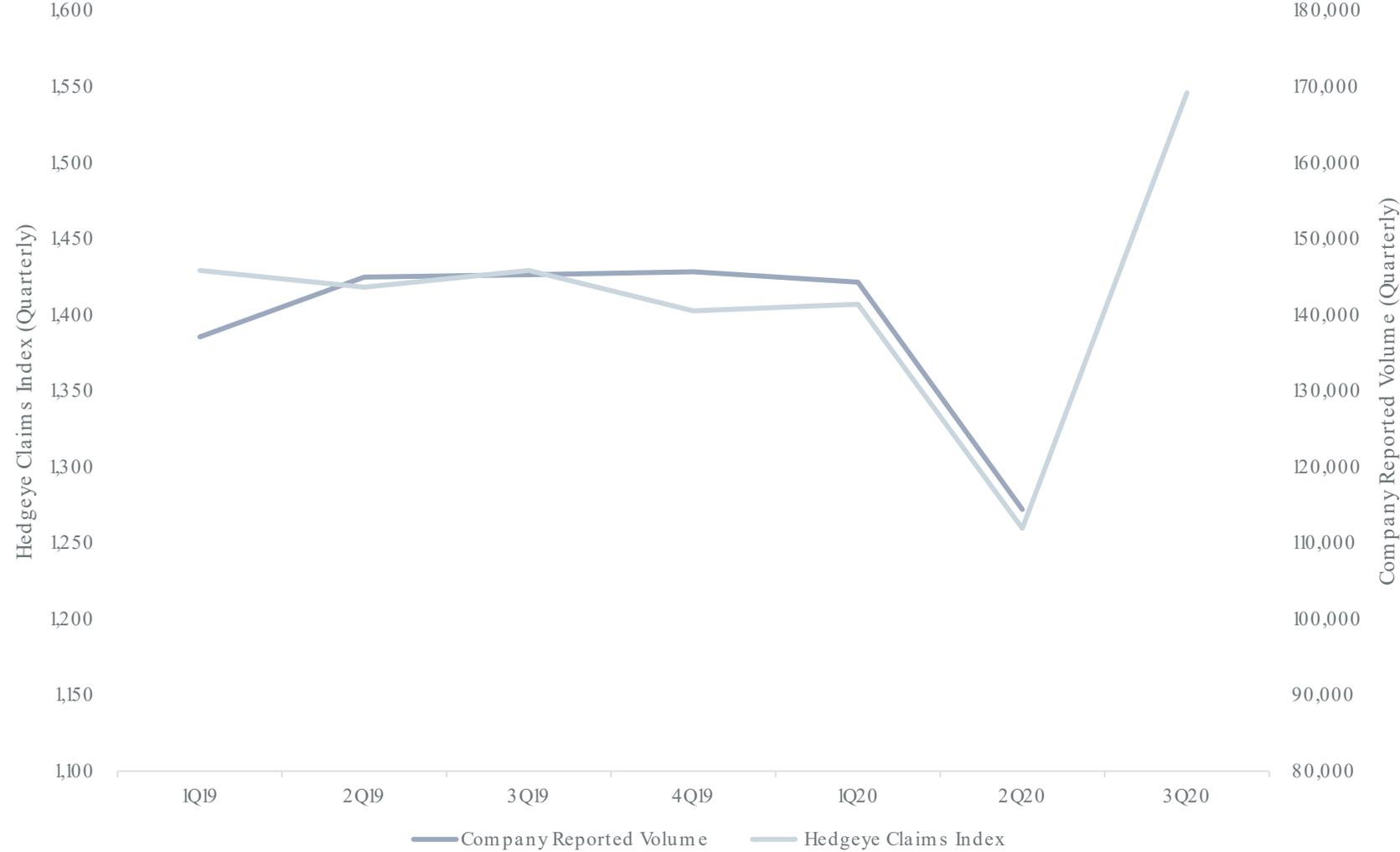
The average hourly wage of travel nurses has risen throughout the year



	Low, Hourly	High, Hourly	Average, Hourly
Mar-2016	\$30.06	\$36.23	\$32.65
Jun-2016	\$30.14	\$35.76	\$32.51
Sep-2016	\$30.43	\$37.60	\$32.84
Dec-2016	\$30.65	\$36.96	\$32.71
Mar-2017	\$29.69	\$36.53	\$32.48
Jun-2017	\$29.69	\$35.75	\$32.42
Sep-2017	\$30.42	\$37.13	\$33.14
Dec-2017	\$29.69	\$34.94	\$31.99
Mar-2018	\$30.37	\$37.69	\$32.54
Jun-2018	\$32.71	\$38.12	\$34.71
Sep-2018	\$31.31	\$38.56	\$34.54
Dec-2018	\$36.15	\$39.84	\$37.63
Mar-2019	\$35.53	\$40.20	\$37.38
Jun-2019	\$34.66	\$42.67	\$38.02
Sep-2019	\$36.56	\$42.81	\$38.82
Dec-2019	\$34.03	\$39.27	\$36.54
Mar-2020	\$34.51	\$51.13	\$37.96 ↑
Jun-2020	\$35.91	\$61.46	\$40.85 ↑
Sep-2020	\$39.00	\$60.30	\$43.69 ↑
Dec-2020	\$36.14	\$45.33	\$40.37

NEO | Claims Data Tracker

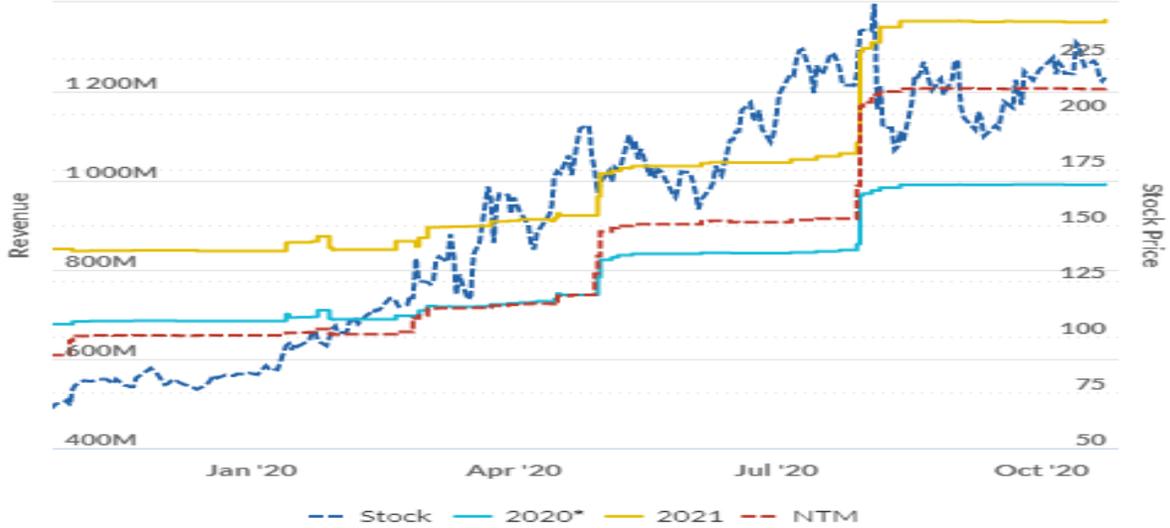
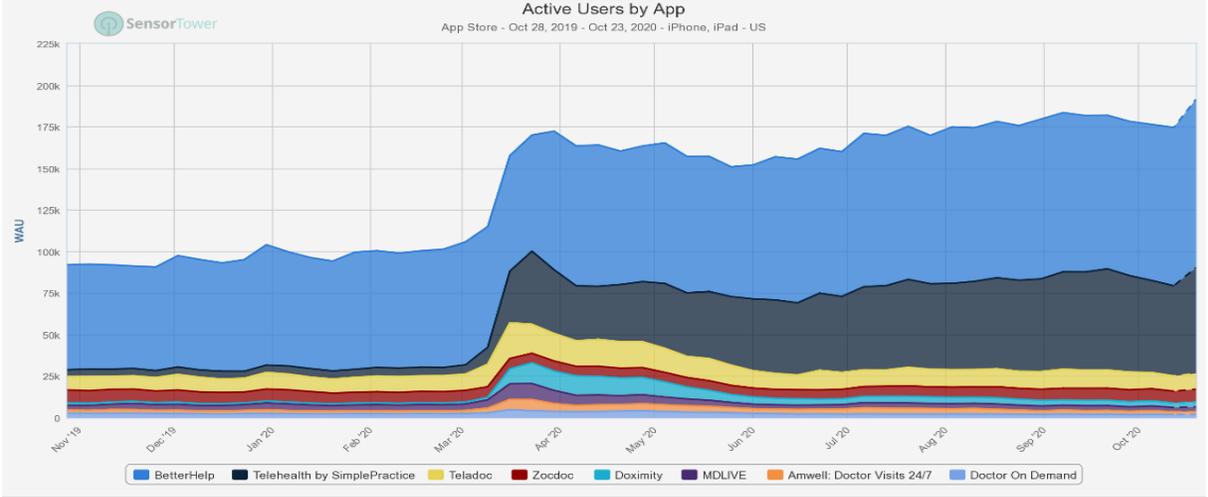
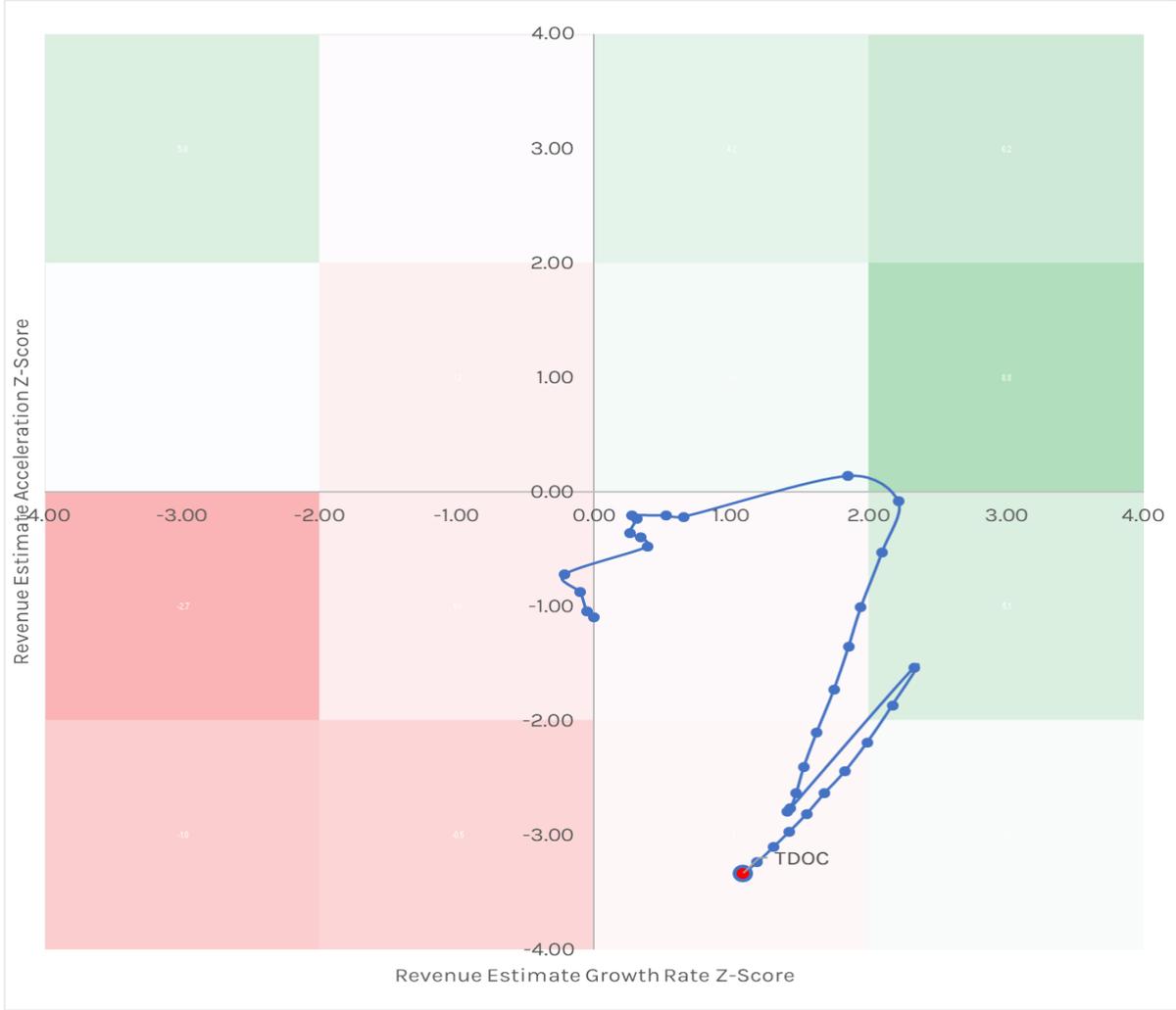
Claims Index versus company reported volume



“Based on current trends, we now expect to report organic revenue growth in excess of 20% for quarter 3. This growth will be driven by a combination of modest year-over-year organic revenue growth in core oncology testing as well as a boost from COVID-19 testing.” -2Q20 Earnings Call

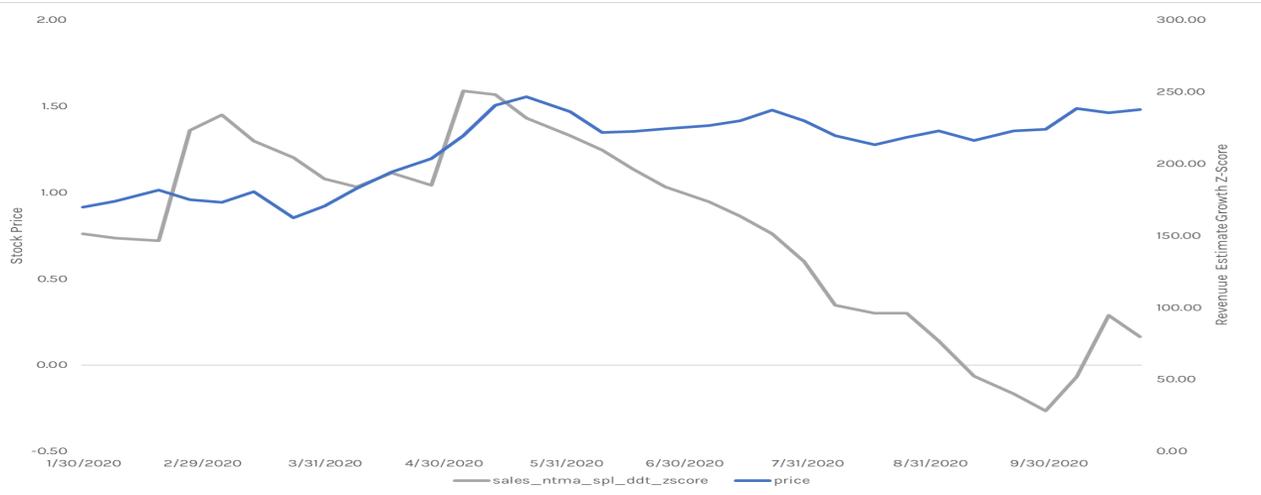
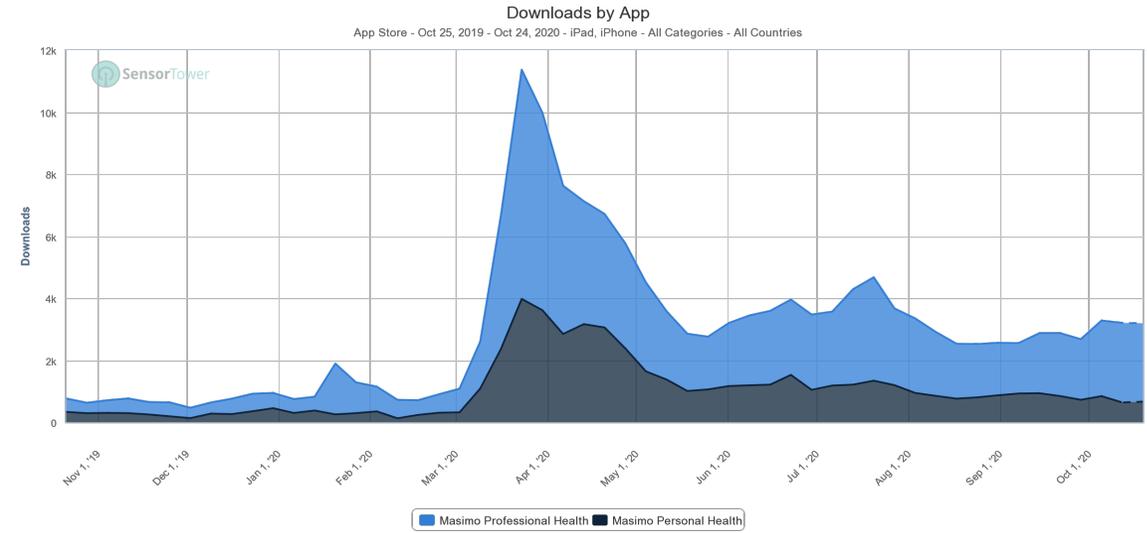
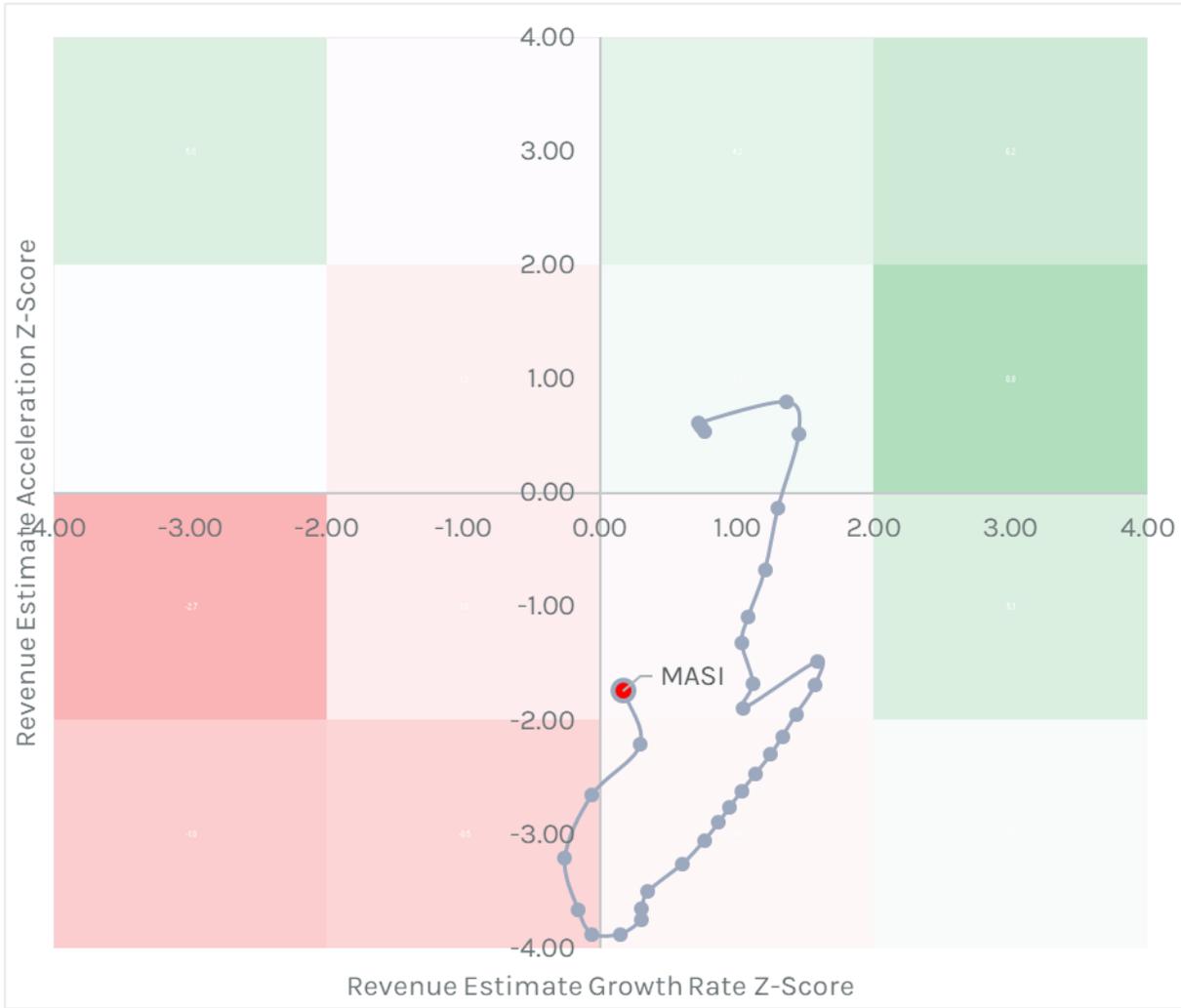
TDOC 3Q20 | COVID-19 Re-Accelerating

Weekly Users remains strong for BetterHelp



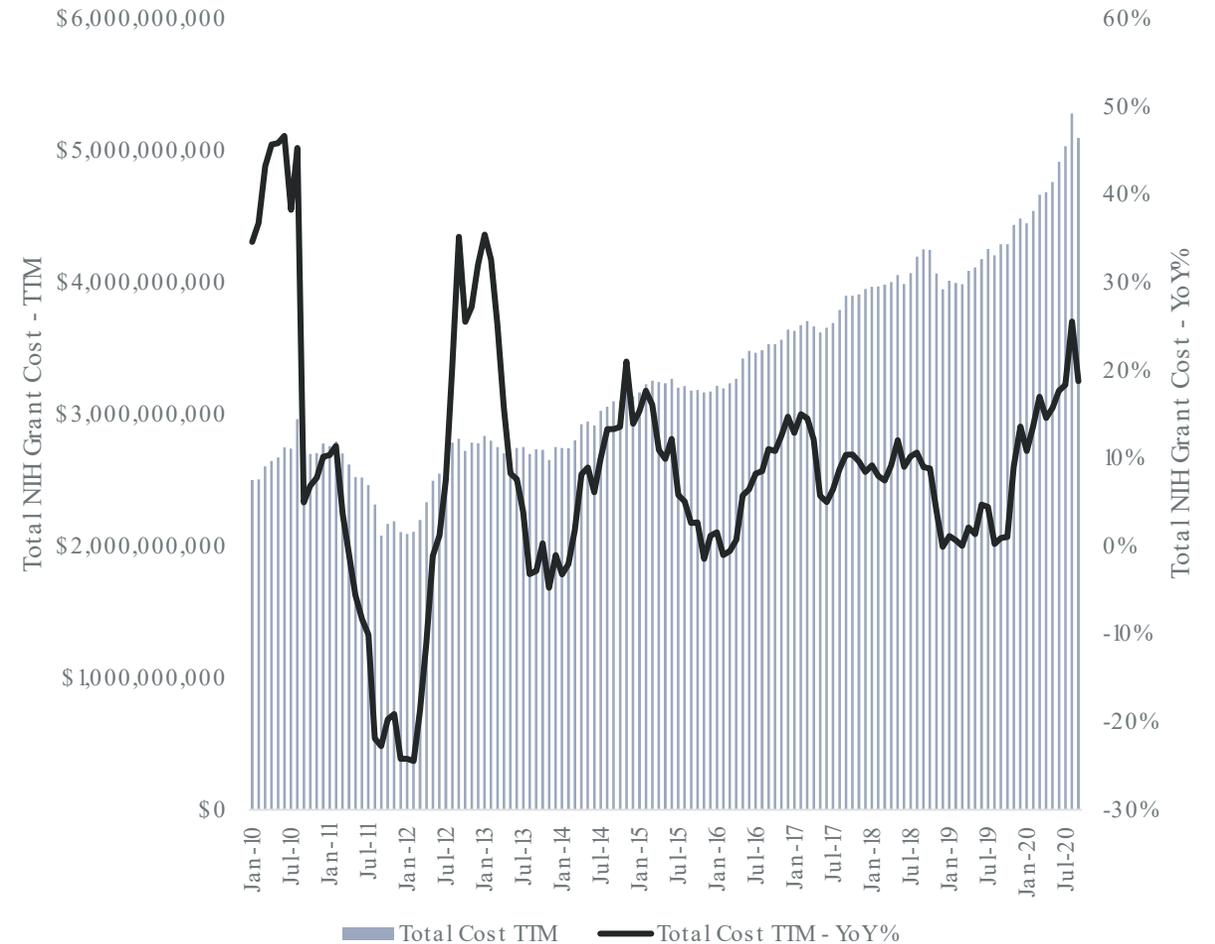
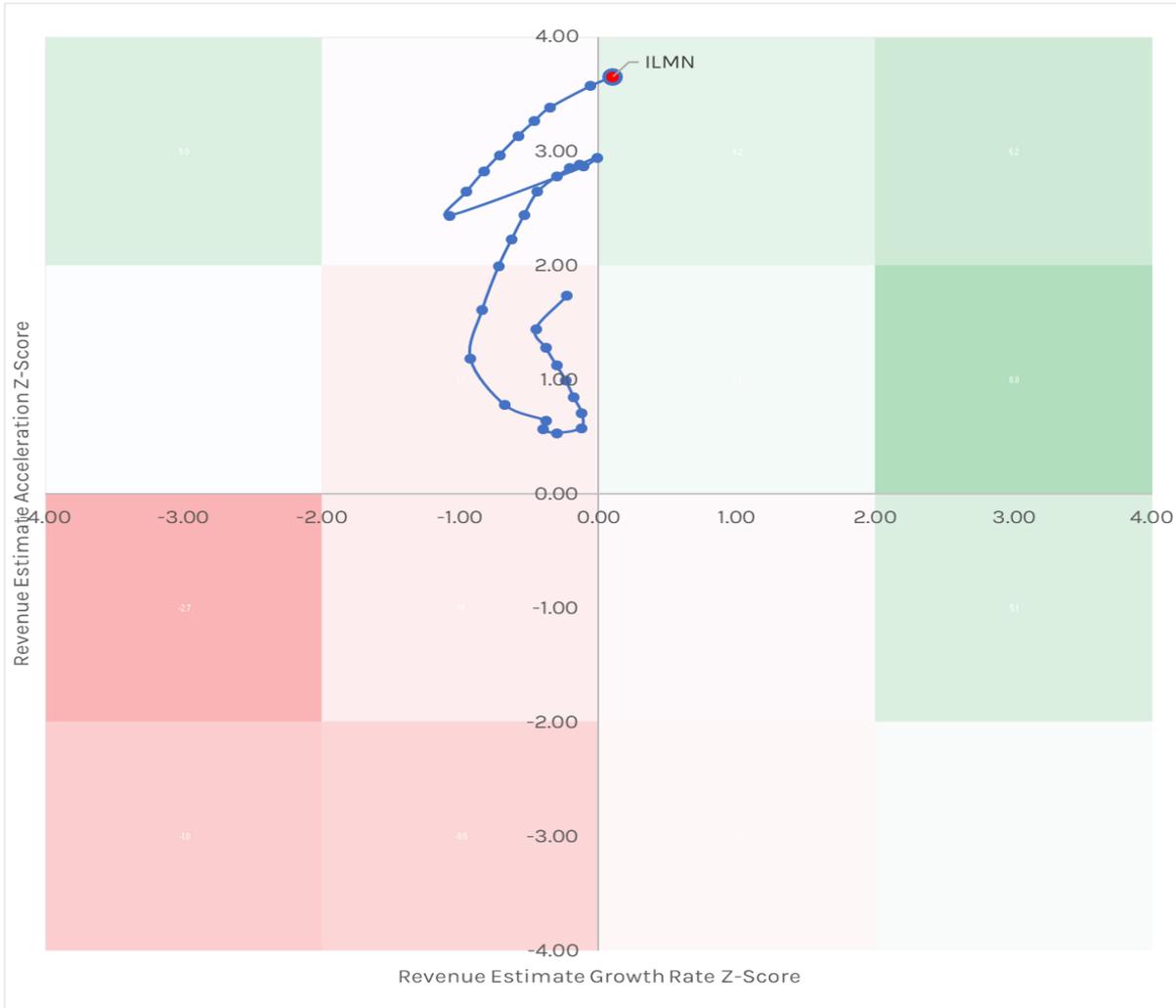
MASI 3Q20 | COVID-19, CapEx, Commodity

App downloads sequentially flat, positive year over year, COVID is a tailwind vs Hospital Capex



ILMN 3Q20 | NIH Tailwind

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



For more information, contact us at:

support@hedgeye.com