

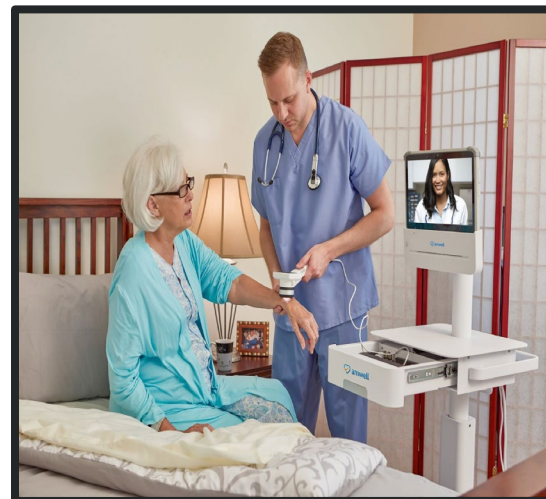
HEDGEYE



Health Care Position Monitor Update

AMWL Preview, GoodRx Field Notes,
Health Care Macro, Micro Quad Screen

September 14, 2020



Hedgeye Health Care

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Health Care Position Monitor

For Week of September 14, 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.	\$ 27.57	\$3.5B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 53.55	\$2.5B	×	×
TXG	10x Genomics Inc Class A	\$ 125.00	\$9.0B	✓	✓	EXAS	Exact Sciences Corporation	\$ 76.20	\$11.4B	×	×
TDOC	Teladoc Health, Inc.	\$ 189.91	\$15.4B	✓	✓						
Long Bias						Short Bias					
NTRA	Natera, Inc.	\$ 59.61	\$4.8B			HCA	HCA Healthcare Inc	\$ 134.00	\$45.3B		
						HRC	Hill-Rom Holdings, Inc.	\$ 87.46	\$5.8B		
						MASI	Masimo Corporation	\$ 214.06	\$11.8B		
						NVTA	Invitae Corp.	\$ 32.53	\$4.3B		
						ILMN	Illumina, Inc.	\$ 349.93	\$51.1B		
						GH	Guardant Health, Inc.	\$ 95.65	\$9.5B		

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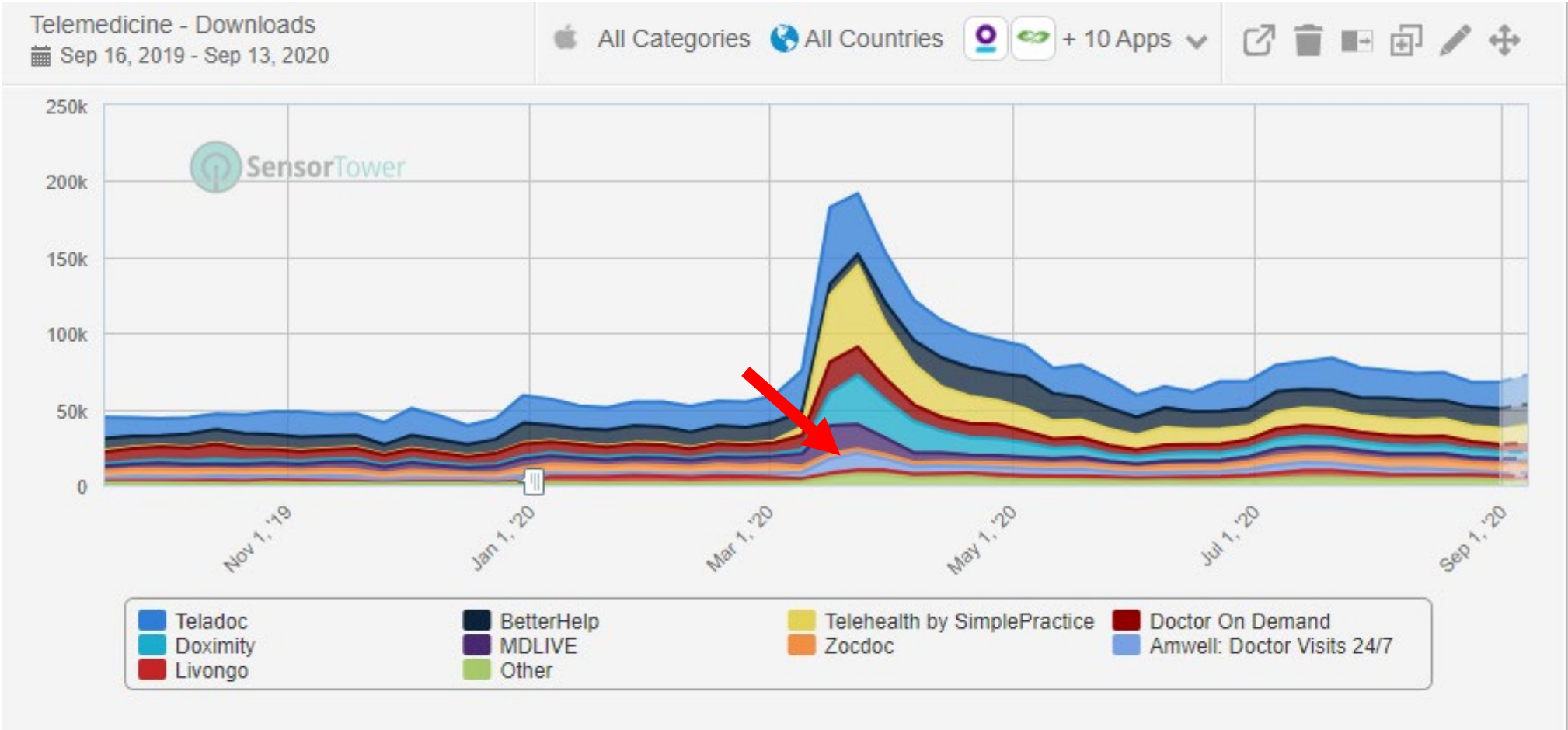
AMWL | Announces Guidance for IPO Pricing

At the midpoint of its guidance, American Well is priced on par with TDOC's current valuation

Proposed Ticker:		AMWL-US							
The Offering		Market Capitalization				American Well - Revenue			
Class A Common Stock Offered	35,000,000	Price	\$14	\$15	\$16		TTM	Hedgeye 2020	Hedgeye 2021
Class A Common Shares Outstanding	187,432,130	Total Shares	220,164,563	220,164,563	220,164,563	Revenue	\$202,058,000	\$237,000,000	\$264,000,000
IF Full Option is Excercised	190,958,074	Implied Fully Diluted Mkt Cap	\$3.08Billion	\$3.30Billion	\$3.52Billion				
From Company	3,525,944	Mkt Cap/Sales - TTM	15.3x	16.3x	17.4x				
From Certain Selling Shareholders	1,724,056	Mkt Cap/Sales - Hedgeye 2020	13x	13.9x	14.9x	Comparable Company Multiples			
		Mkt Cap/Sales - Hedgeye 2021	11.7x	12.5x	13.3x		TTM	Consensus 2020	Consensus 2021
Class B Common Shares Outstanding	26,065,766					TDOC-US	16.6x	14.4x	10.6x
		Price	\$14	\$15	\$16	LVGO-US	36.3x	30.5x	19.5x
Class C Common Shares Outstanding	6,666,667	Total Shares IF Excercised	223,690,507	223,690,507	223,690,507	ONEM-US	9.5x	9x	6.9x
Total Value of Google Investment	\$100,000,000	Implied Fully Diluted Mkt Cap	\$3.13Billion	\$3.36Billion	\$3.58Billion	OSH-US		13.9x	9.8x
Price of Shares in Transaction	\$15	Mkt Cap/Sales - TTM	15.5x	16.6x	17.7x				
Total Class A, B, & C Shares Outsanding	220,164,563	Mkt Cap/Sales - Hedgeye 2020	13.2x	14.2x	15.1x				
IF Full Option is Excercised	223,690,507	Mkt Cap/Sales - Hedgeye 2021	11.9x	12.7x	13.6x				

After agreeing to a \$100mil concurrent private placement with Google Cloud to become its “preferred global cloud partner,” \$AMWL will soon IPO for total proceeds of approximately \$490mil - \$560mil.

AMWL | App Downloads



Field Notes | GoodRx (\$GDRX) Pre-IPO

GoodRx is designed to take advantage of traditional pharmacy pricing

- The drug discount marketplace was **born out of the need for access to lower cost medications**; pharmacy benefit programs have failed consumers/patients. The **structure of pharmacy benefit programs has been the issue.**

GDRX and Blink contract with pharmacies but have different approaches.

- GoodRx took the “let’s have as large a network as we can” approach because there are different price points for different pharmacies and chains.
- Blink offers a consistent experience. Also, users pay Blink and take the proof of payment to the pharmacy. It’s an engagement play.

Why do business with GoodRx vs. the others?

- For pharmacies, PBMs offer high volume but lower price points and less profit for pharmacies. In many cases, **pharmacies are losing money to get foot traffic.**
- GoodRx is a less efficient buyer but pays better. Branded prices are still high. **It’s primarily a generic play.**
- **There’s value to a PBM for GoodRx to fulfill drugs that might have gone on the drug spend of the PBM – it keeps it off the books.**

Could anything change to disrupt GoodRx’s growth?

- **They say that over 10MM Americans visit the app and over 4MM use it ever month – that’s a “drop in the bucket” vs. the share of the big PBMs (Express, CVS, Optum – still have ~80% of the market).**
- Growth of CapitalRx and other smaller, regional PBMs is slowly eroding the Big 3’s share.
- People want to contract w/ GDRX – direct competition for PBMs.

GoodRx brand marketing – differentiated and people like them

- Contracted with many of leading EHR companies - created messaging and awareness at point of prescribing to raise awareness of savings. This has helped them capture share.
- GoodRx w/ generic and ConnectiveRx w/ branded **means there’s not a lot of overlap today.** This could change when GoodRx tries to broaden its programs.

- Look at the market - generic vs. brands; 80-85% is generic but 15-20% is where all the money is (and higher profits). That’s a challenge.

- **Doctors love GoodRx – they like advising patients and can take credit for saving them money – it makes the physicians look good.**
- **Pharma likes GDRX because of market access (>10MM app users to market to and knowing what medication patients are on).**

APIs lose in long run because of RTB

- RTB will likely be significant for patient capture. This is an up-and-coming tech within EHRs at the end of the e-prescribing process.
- **35% of the EHR marketplace has RTB – this will grow significantly over NTM.**
- **The big EHR vendors are monetizing RTB real estate in response – APIs could go by the wayside.**
- It’s entrepreneurial: **APIs become less important and ultimately are abandoned/replaced by RTB response.** Will be more competition for brands and generics as GoodRx, Blink, etc. want their programs in that space. The EHRs will be gatekeepers and make more money.

GDRX Growth

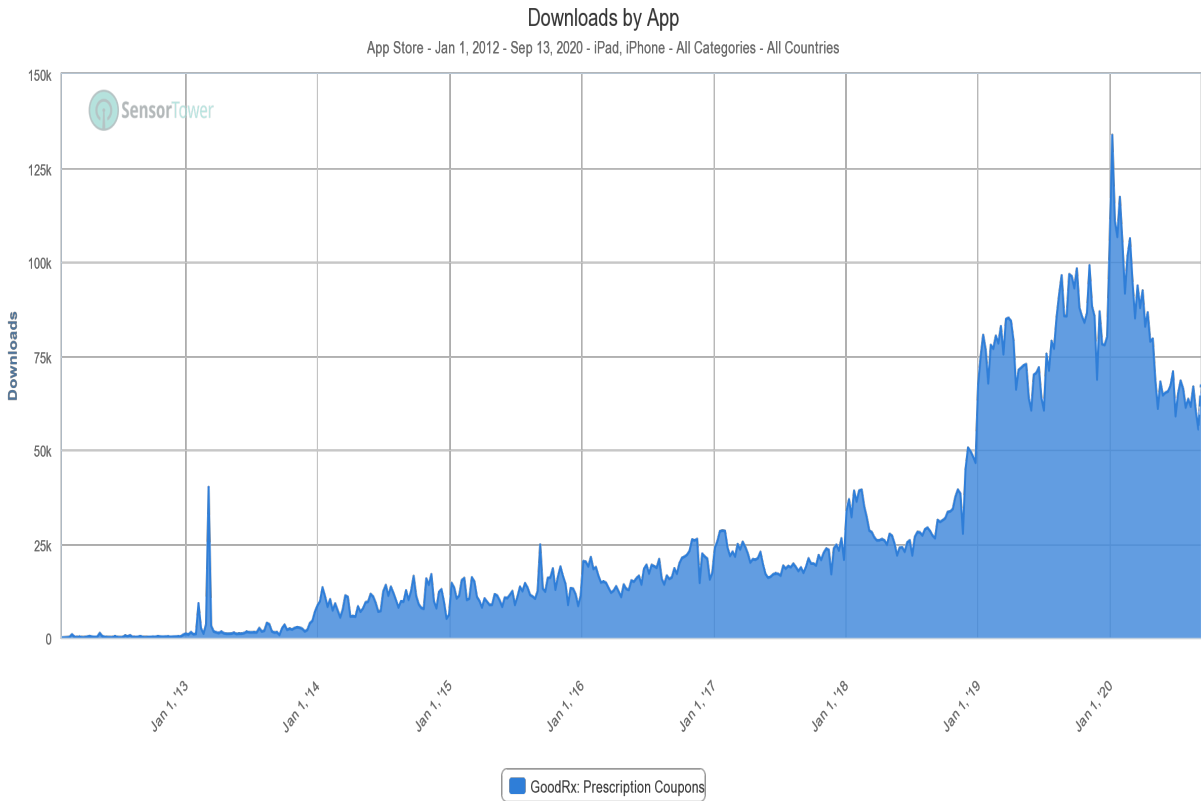
- It took GDRX nine years to get to 10MM users – **it won’t take that long to add another 10MM.**
- The more awareness of the business and share GDRX takes, the more likely it is they become a target.

GoodRx & Telehealth

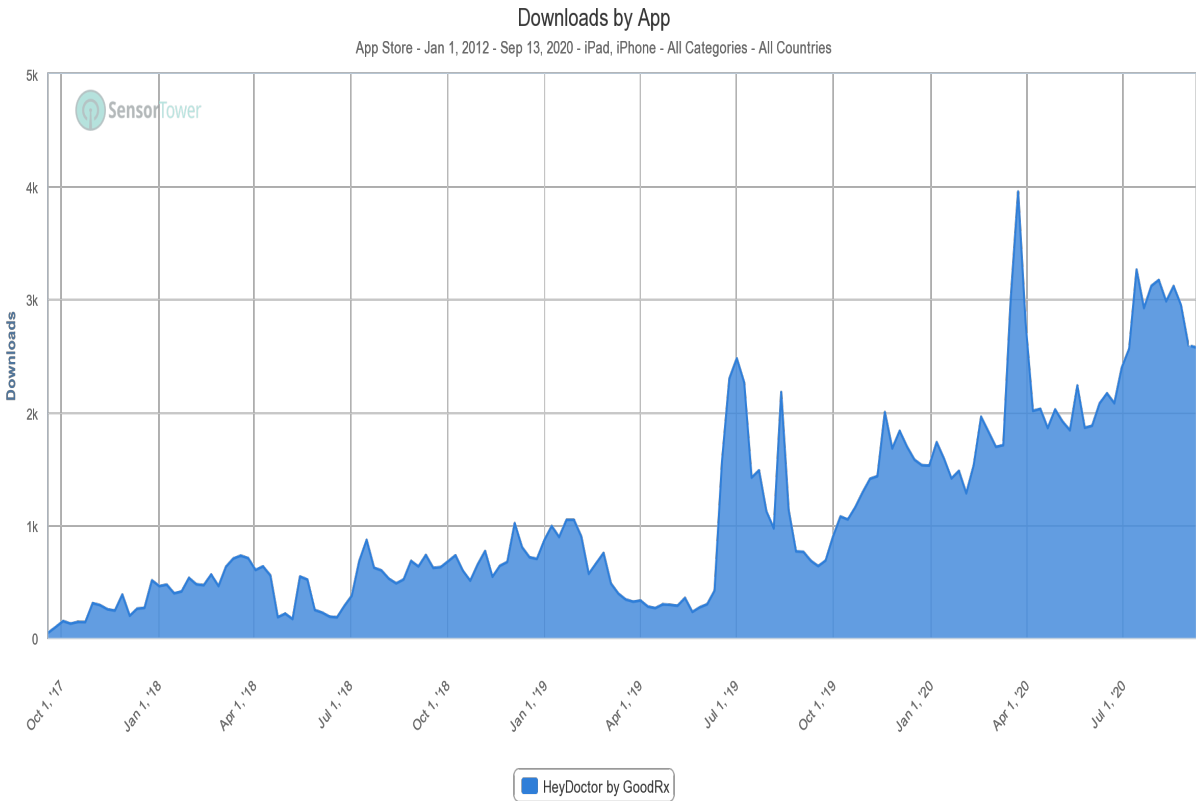
- **Directionally, tying everything together is the correct play. Should be good for concierge prescribing and medication management (big trend).** Medication management is where HeyDoctor may play better – especially for Part D and Medicare Advantage as they pay for the service more generously than commercial or union plans. If GDRX can parlay to those markets, it will absolutely be in a unique position.

GDRX | App Downloads

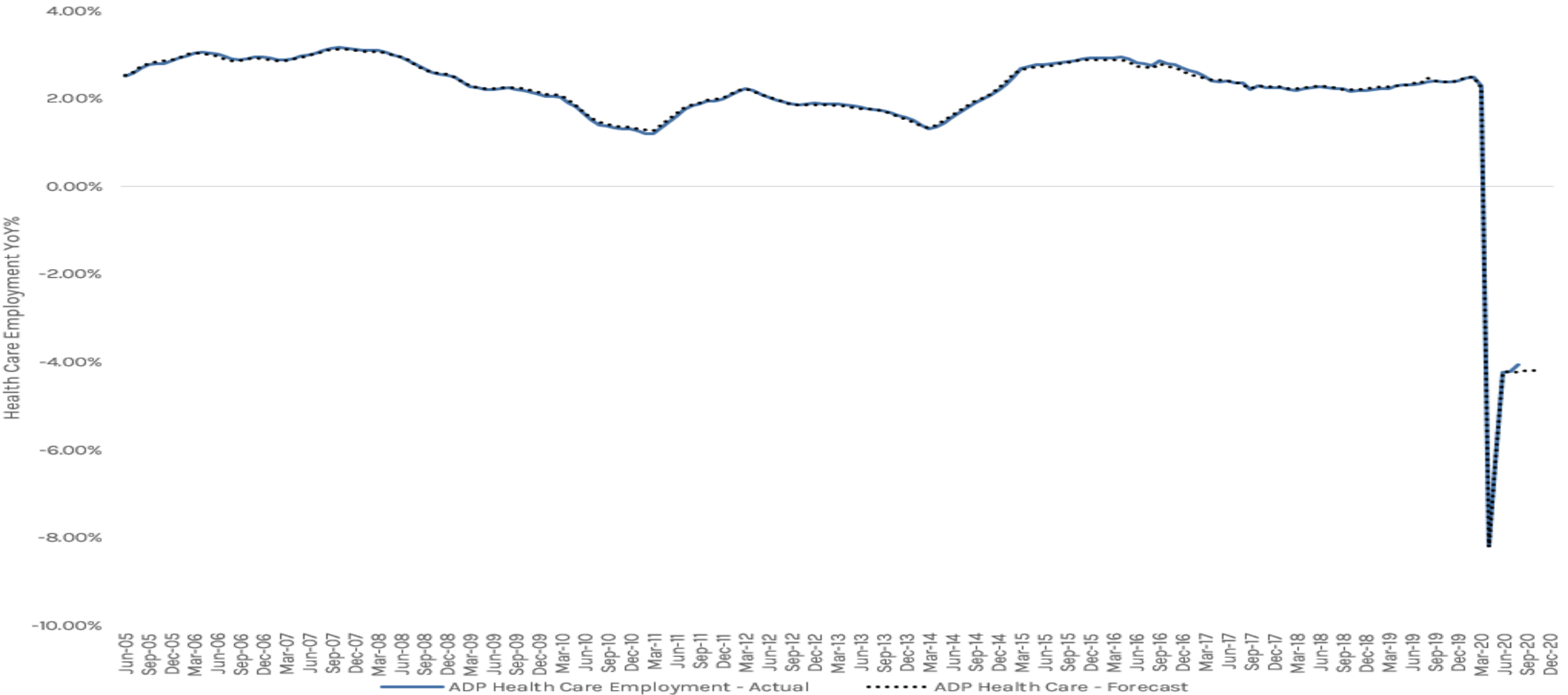
GoodRx



HeyDoctor by GoodRx

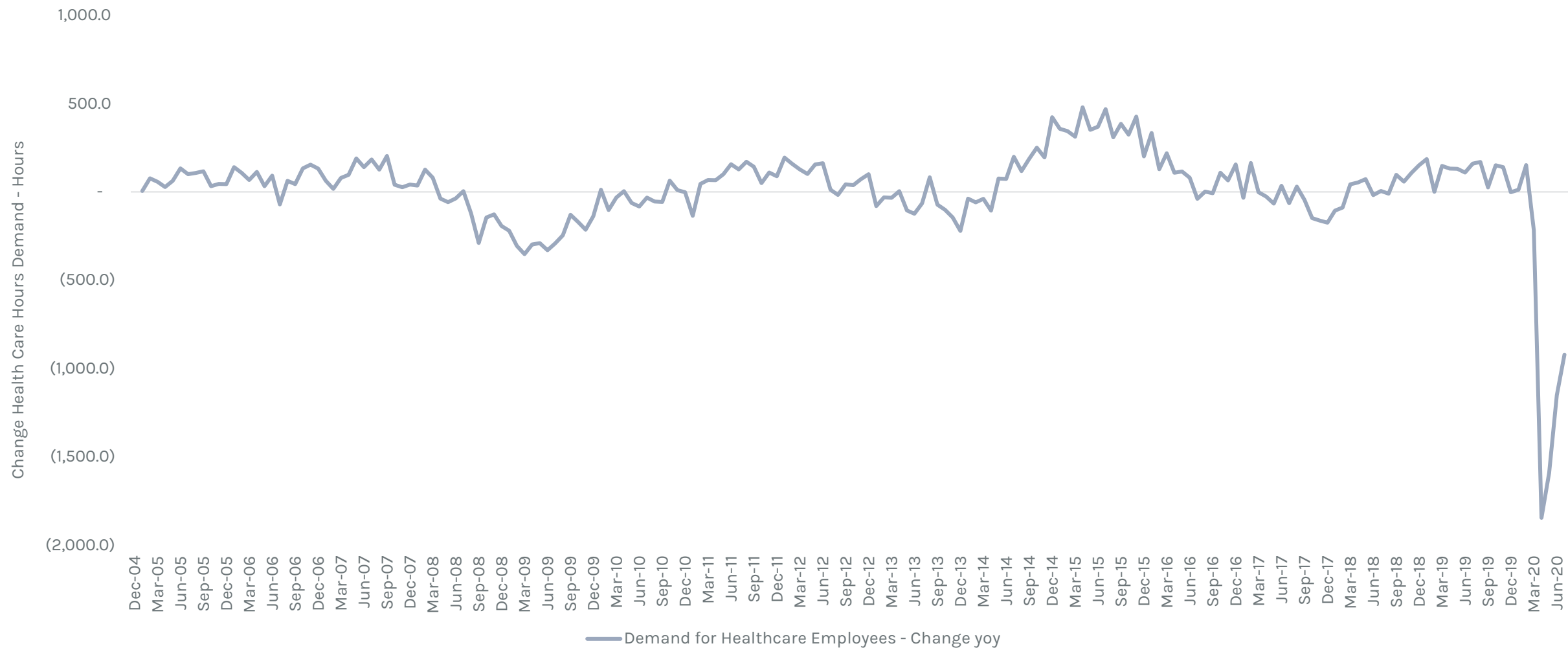


ADP Employment Report | July 2020



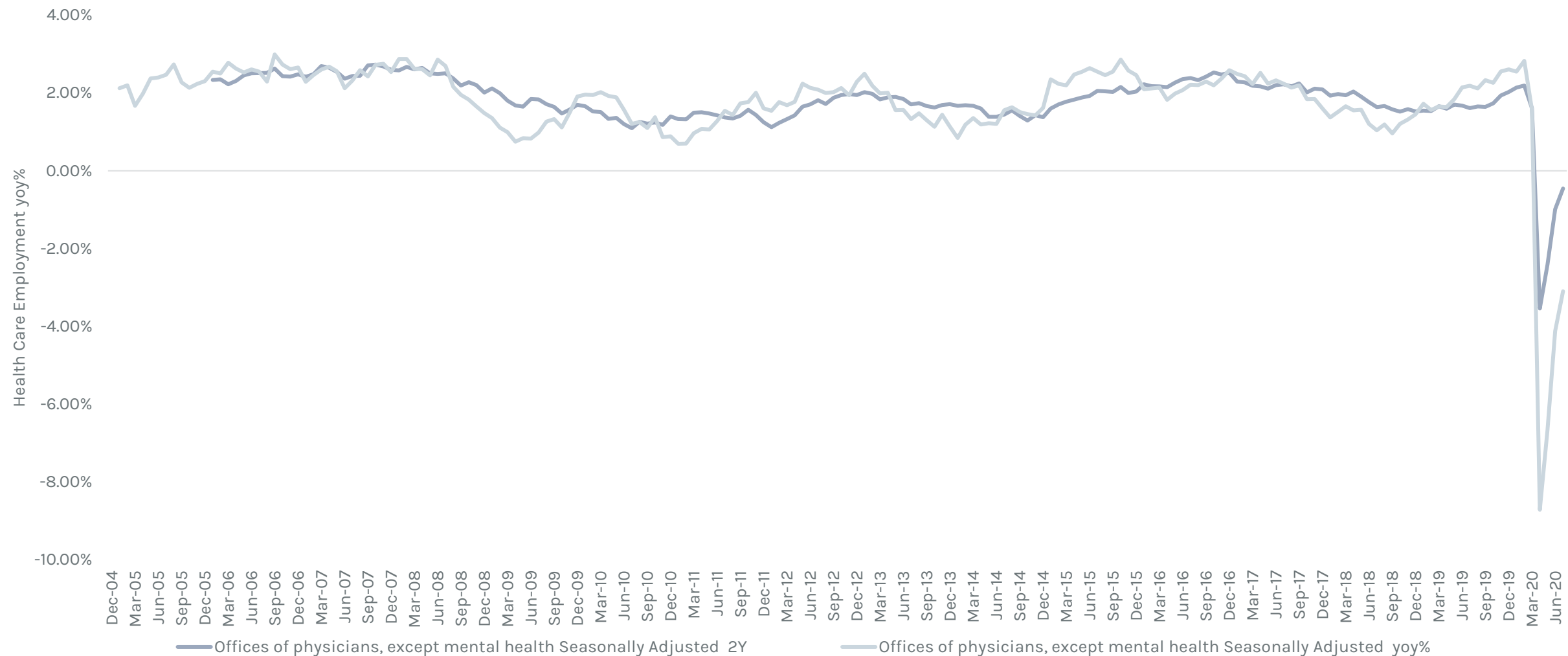
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Demand for Healthcare Employees



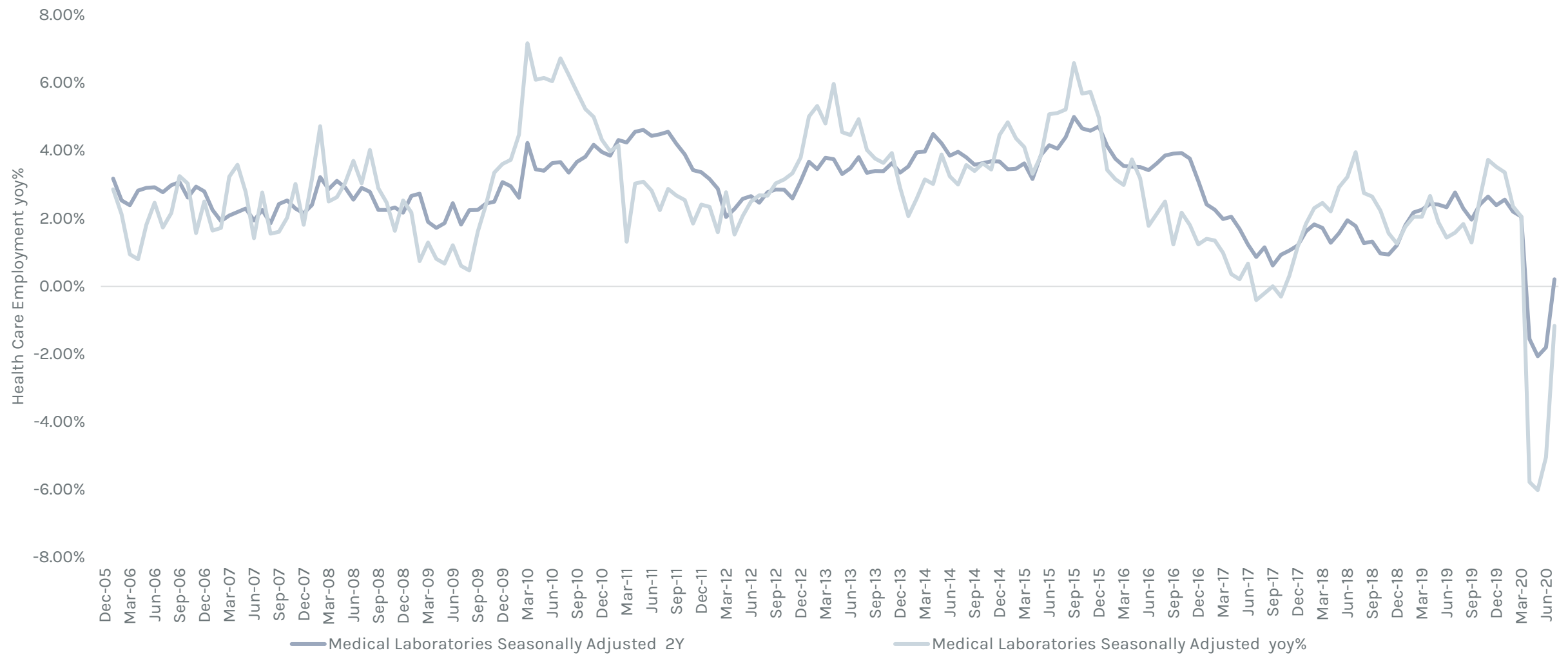
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Offices of Physicians, except Mental Health



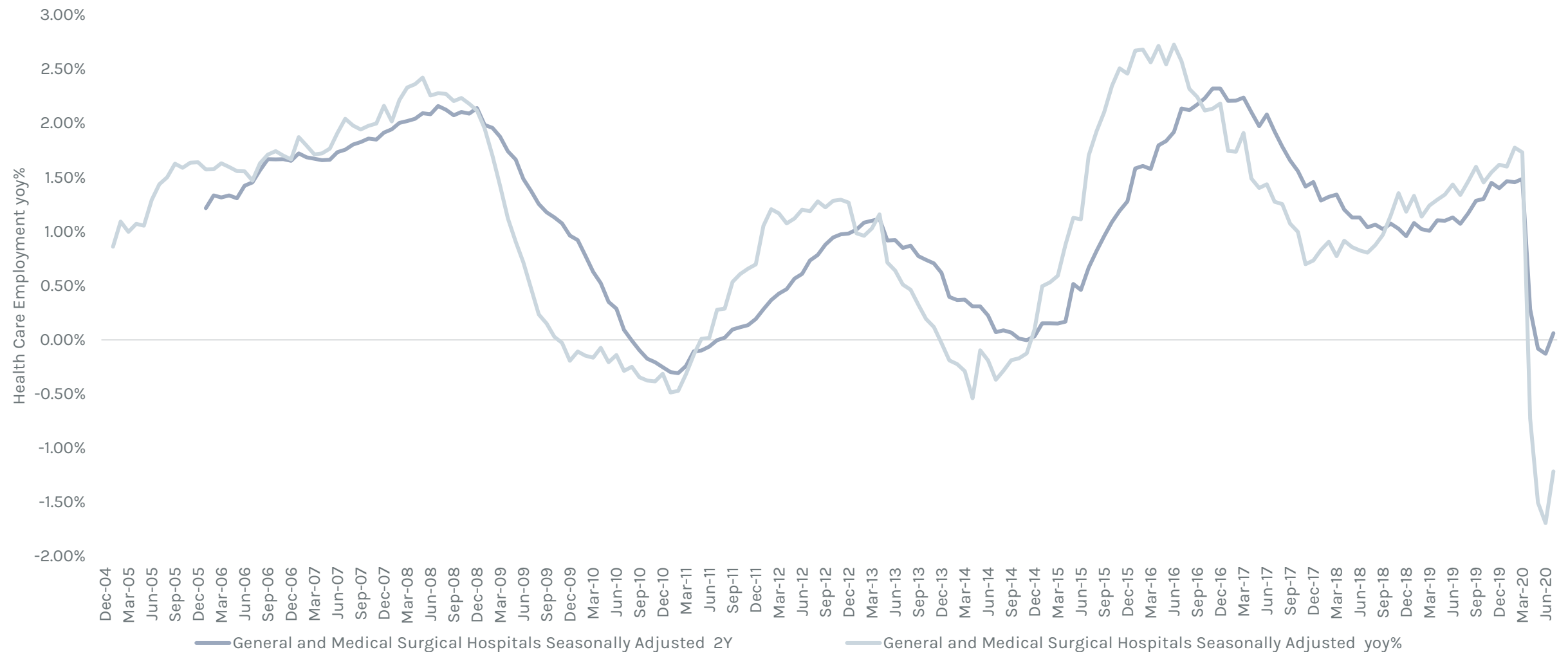
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Medical Laboratories



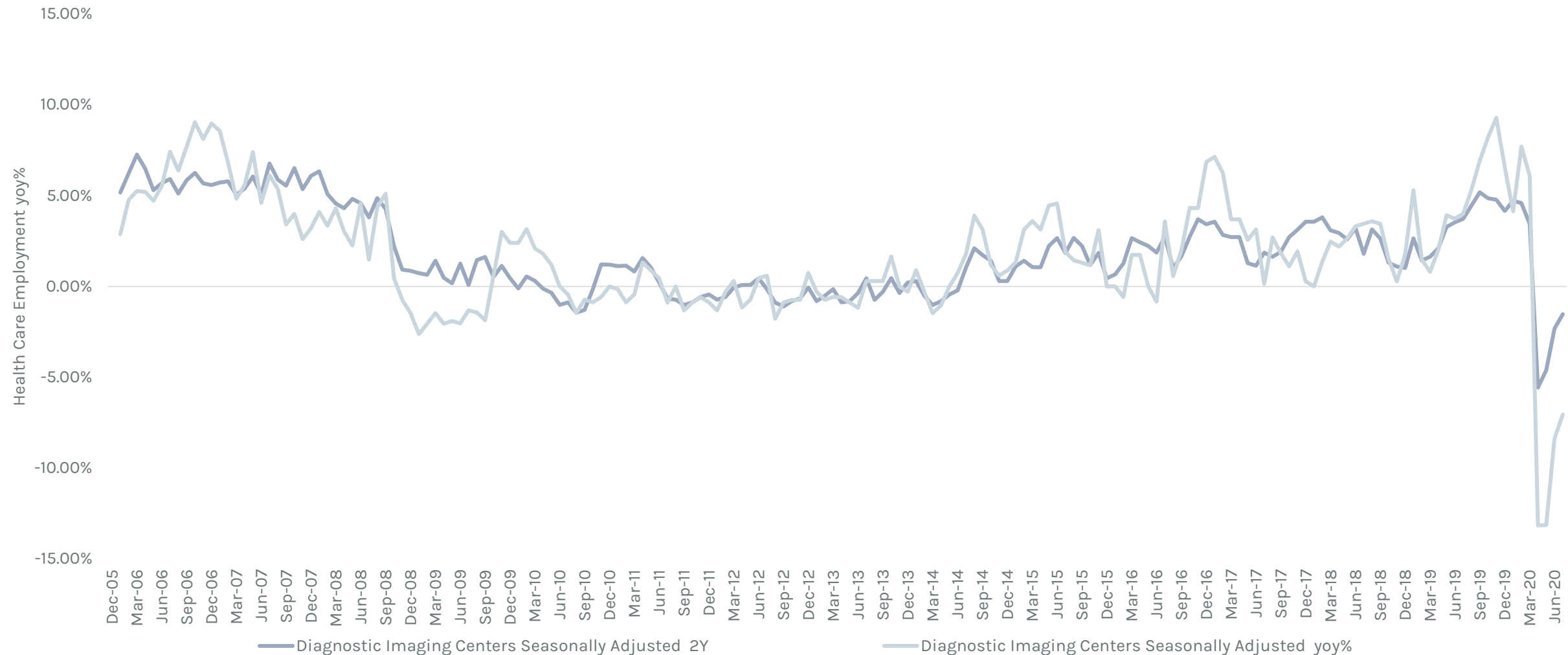
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General and Medical Surgical Hospitals

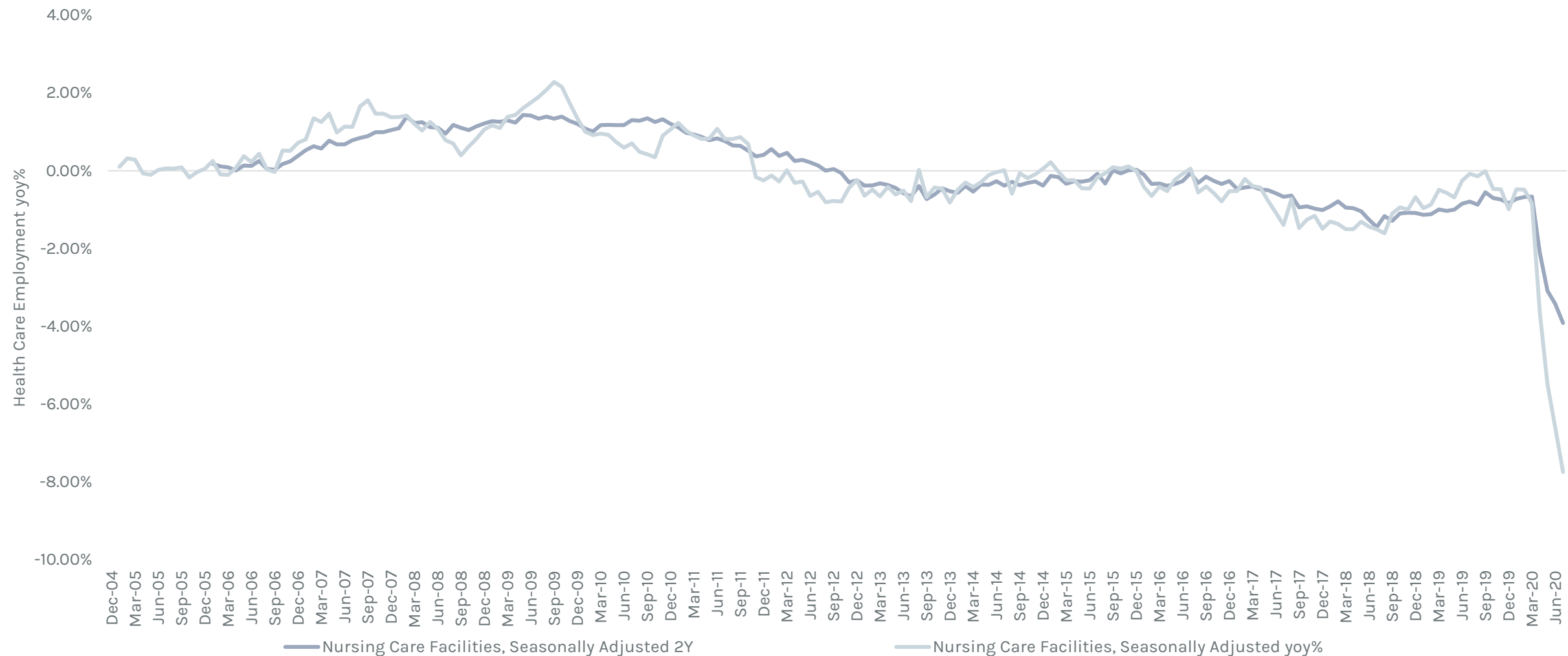


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Diagnostic Imaging Centers

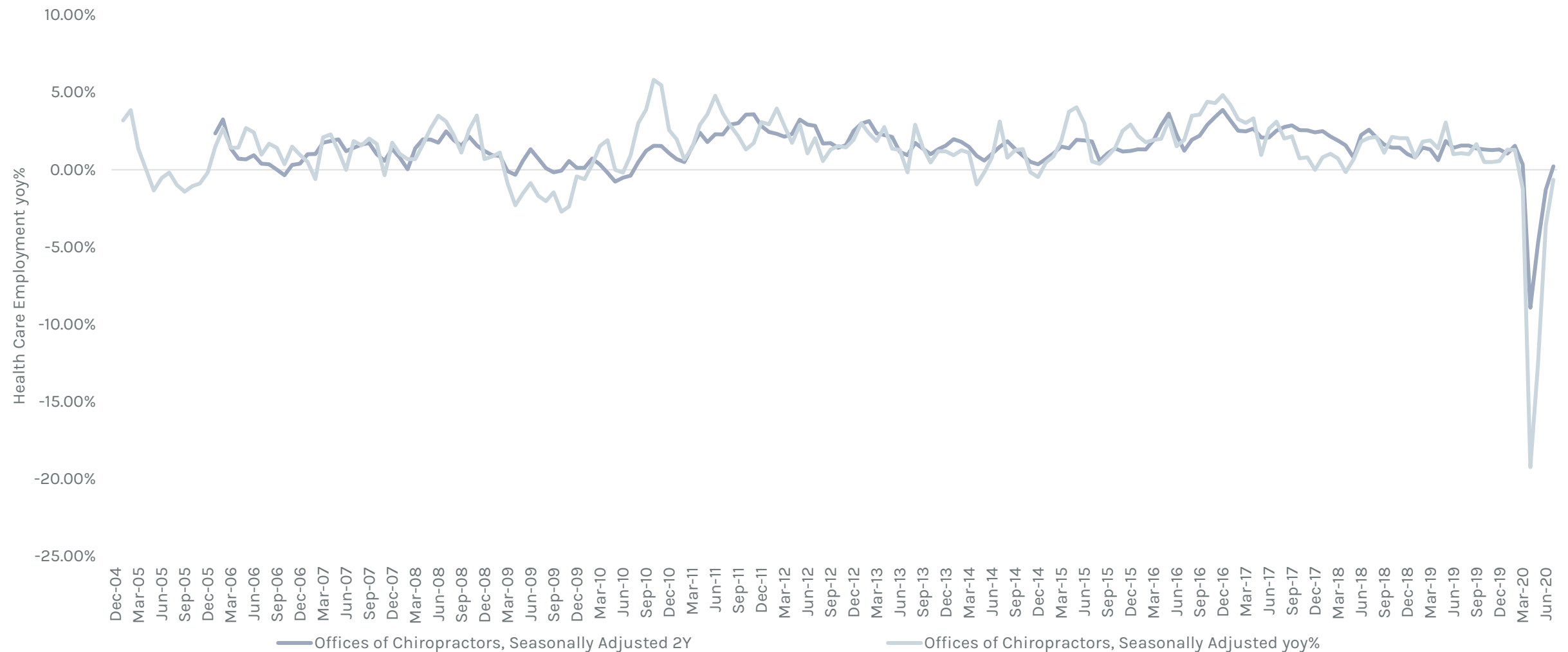


Nursing Care Facilities

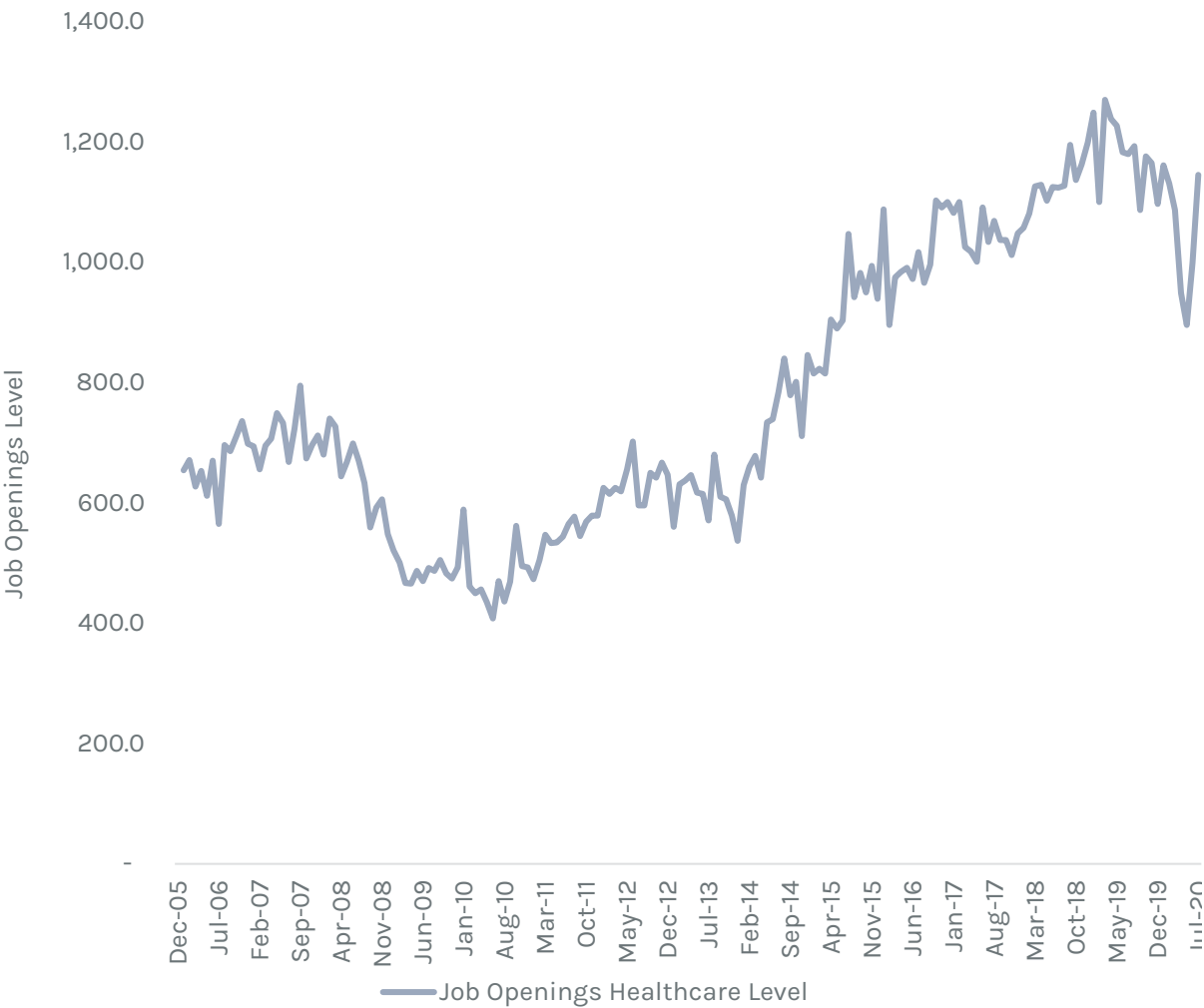


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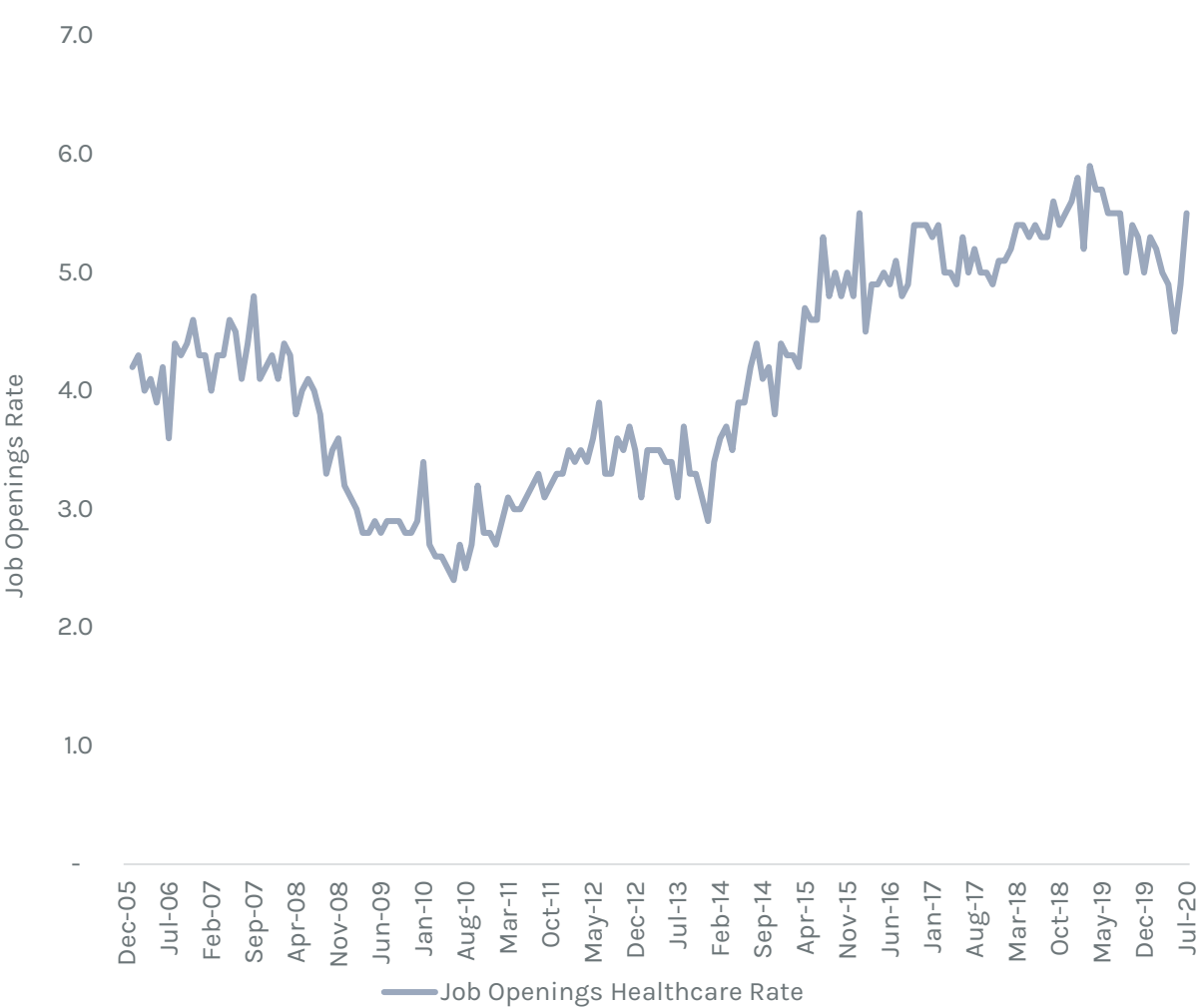
Offices of Chiropractors



Job Openings Healthcare Level

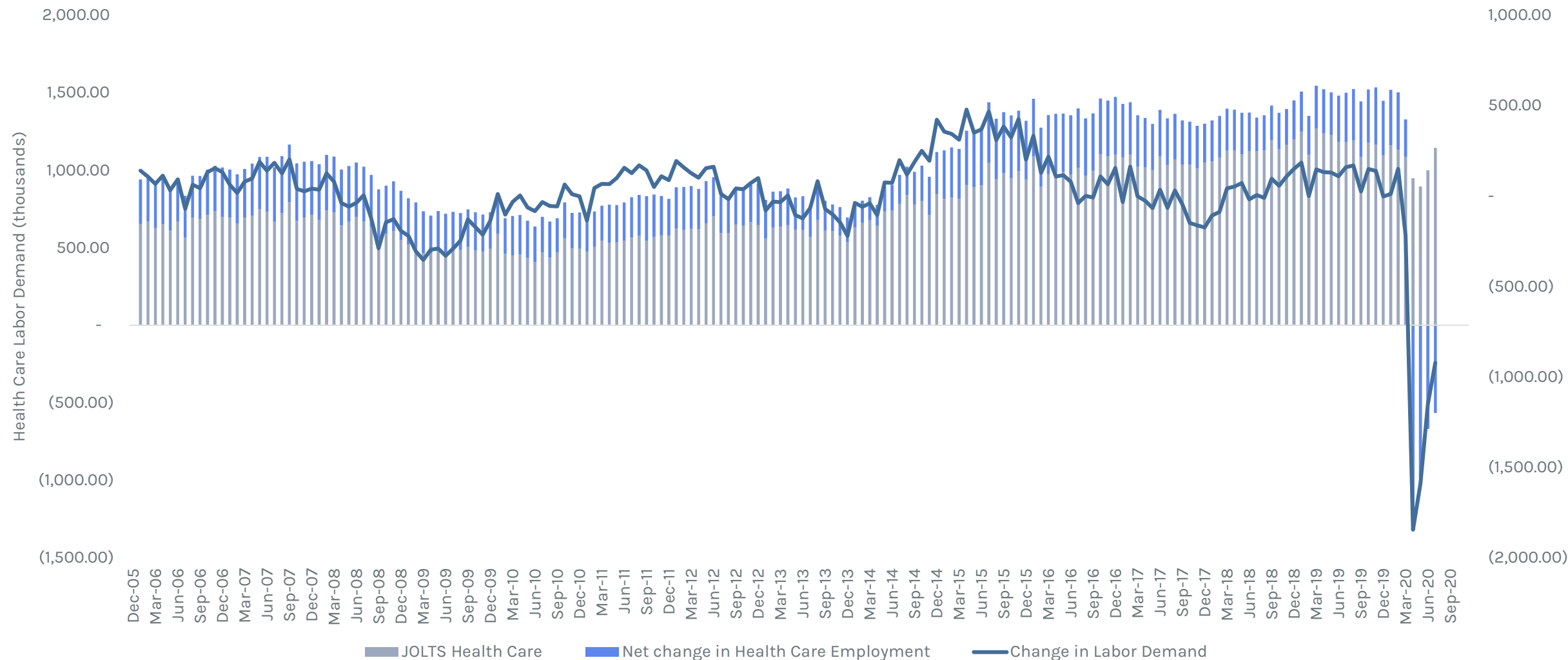


Job Openings Healthcare Rate



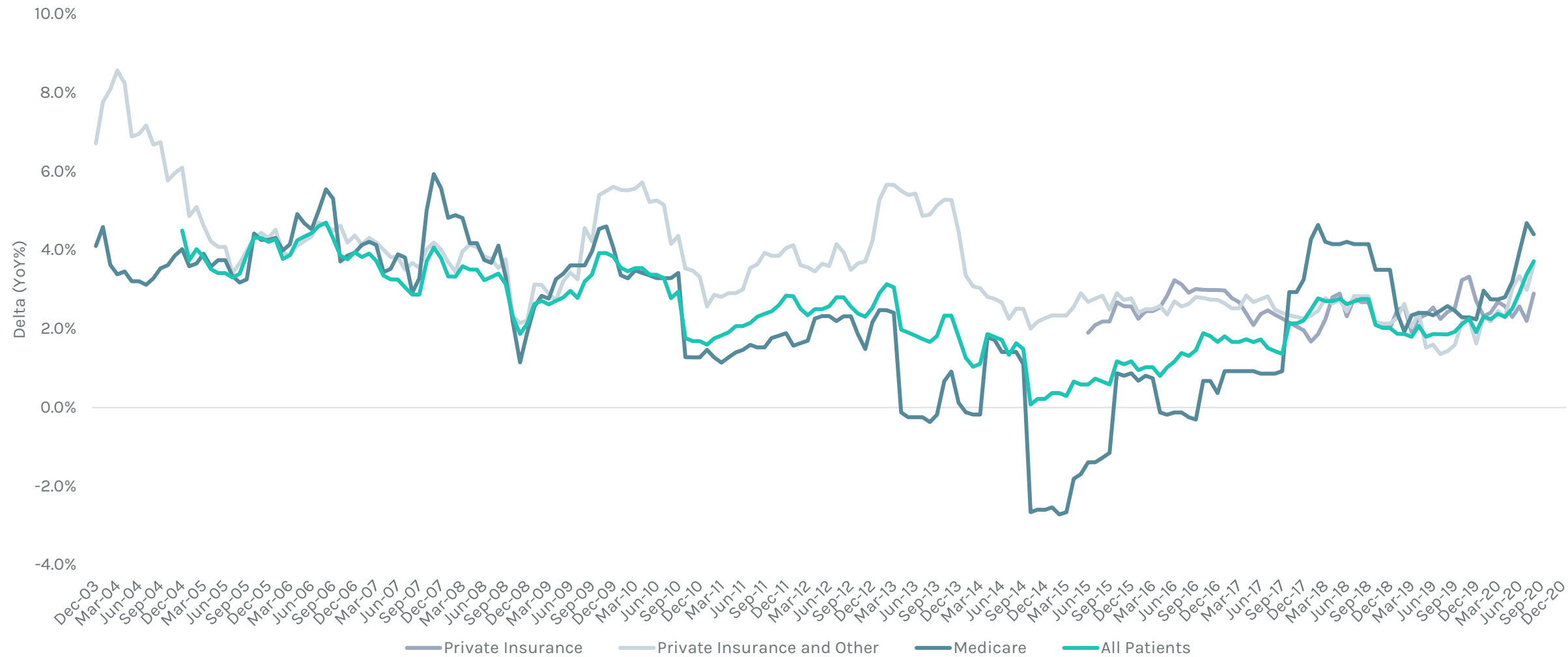
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JOLTS & Change in HC Employment



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PPI Industry Data for General Medical and Surgical Hospitals by Patient Type



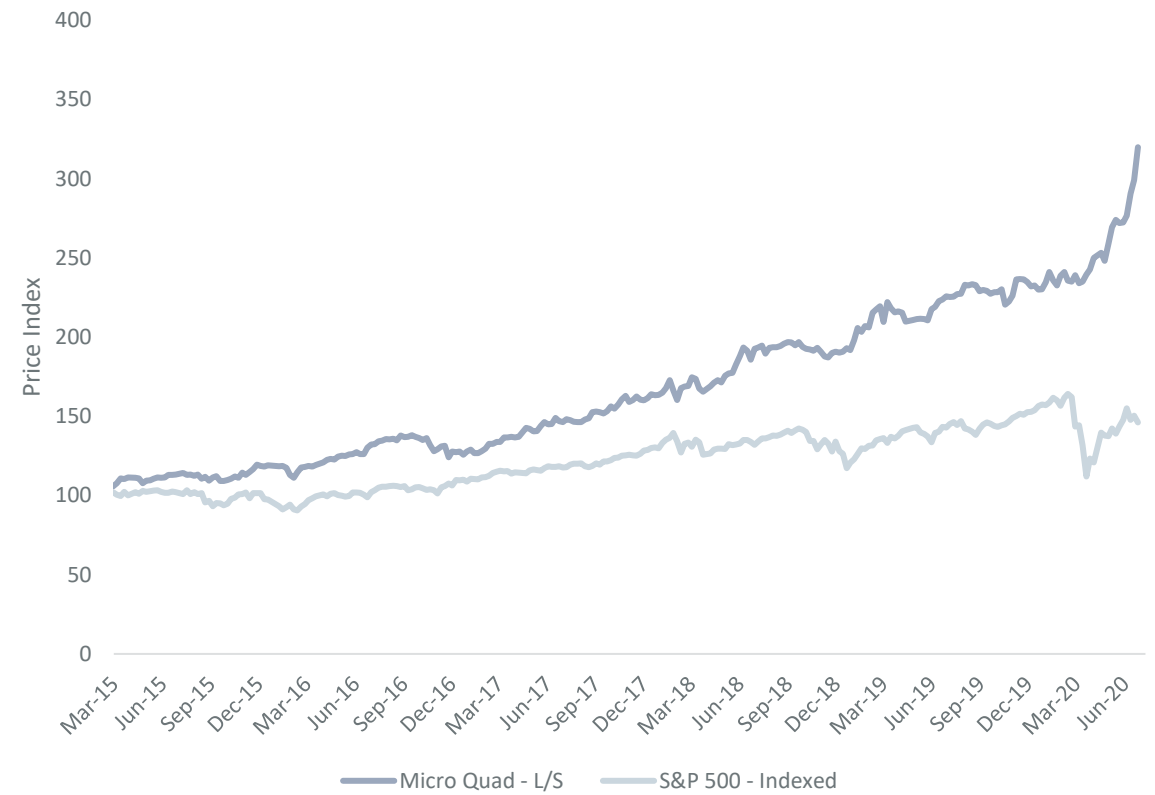
Stocks by Revenue Micro Quad | Current

Quad 1			Quad 2			Quad 3		Quad 4	
ADUS	GKOS	PRAH	A	HCA	NVTA	ABBV	OPK	ANTM	
AMGN	HAE	Q	ABMD	ICUI	PDCO	CVET	PKI	MASI	
AMN	HMSY	RCM	ABT	IDXX	PODD	DGX	QDEL	PRGO	
BAX	HRC	RMD	ALGN	IRTC	REGN	DXCM	RGEN	VRTX	
BDX	IART	SEM	AMED	ISRG	STAA	ENSG	TDOC		
BEAT	ILMN	TRHC	ATRC	JNJ	SYK	GILD	TMO		
BIOS	IQV	UNH	BIO	LLY	TECH	HOLX	WST		
CERN	LHCG	USPH	BSX	MDT	TFX	HUM			
CHE	MLAB		CNMD	MEDP	TXG	LH			
COO	MMSI		CSII	MTD	VEEV	LMNX			
CRL	MRK		EHC	NEO	WAT	LVGO			
EXAS	OMCL		EW	NEOG	ZTS	NTRA			
GH	PEN		GMED	NSTG					

Hypothetical Portfolio - Long Only Quad 2 and L/S



We constructed a long only Micro Quad 2 portfolio, updated and rebalanced weekly and measured by the forward weekly performance.



The addition of shorts from the remaining Micro Quads and adjusted for gross exposure according to Hedgeye Macro Quads yields similar to better returns with lower volatility.

For more information, contact us at:

sales@hedgeye.com