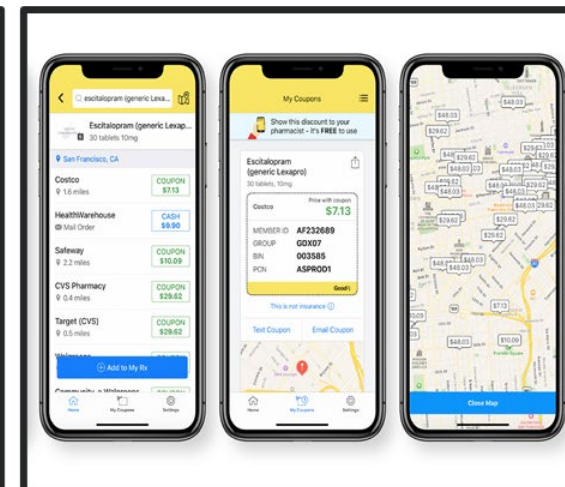




Health Care Position Monitor Update

Race for a Liquid Biopsy Alternative and GoodRx IPO

September 28, 2020



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Health Care Position Monitor

For Week of September 28, 2020

GoodRx

GRAIL

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.	\$ 27.10	\$3.4B	✓	✓	AMN	AMN Healthcare Services, Inc.	\$ 58.05	\$2.7B	×	×
TXG	10x Genomics Inc Class A	\$ 125.37	\$9.5B	✓	✓	EXAS	Exact Sciences Corporation	\$ 99.50	\$14.9B	×	×
TDOC	Teladoc Health, Inc.	\$ 214.60	\$17.4B	✓	✓						

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.

Race for a Liquid Biopsy Alternative

“Someone will figure it out, but it’s anyone’s guess who that will be.”

CB Rank (Company)	Organization Name	Headquarters Location	Estimated Revenue Range	Total Funding Amount	Total Funding Amount Currency	Website
2,844	Thrive Earlier Detection	Cambridge, Massachusetts, United States	Less than \$1M	367,000,000	USD	https://thrivedetect.com/
3,850	Personal Genome Diagnostics (PGD)	Baltimore, Maryland, United States	\$10M to \$50M	99,800,000	USD	http://personalgenome.com
9,221	Inivata	Cambridge, Massachusetts, United States	\$10M to \$50M	129,354,304	USD	http://www.inivata.com/
10,065	Pathway Genomics	San Diego, California, United States	\$1M to \$10M	43,000,000	USD	http://www.pathway.com
14,529	Celsee Diagnostics	Plymouth, Michigan, United States	Less than \$1M	12,752,368	USD	http://denovosciences.com
18,905	Paragon Genomics	Hayward, California, United States	Less than \$1M	8,000,000	USD	https://www.paragongenomics.com/
19,238	C2i Genomics	New York, New York, United States		12,000,000	USD	https://c2i-genomics.com/
23,095	StageZero Life Sciences	Richmond Hill, Ontario, Canada	\$1B to \$10B	20,728,003	USD	https://www.stagezerolifesciences.com
23,551	Elypta	Stockholm, Stockholms Lan, Sweden	Less than \$1M	10,100,000	EUR	https://elypta.com/
27,039	OncoCyte	Alameda, California, United States	Less than \$1M	8,300,000	USD	http://www.oncocyte.com
31,889	Apostle	Menlo Park, California, United States	Less than \$1M	5,683,333	USD	http://apostlebio.com
32,635	CirculoGene Theranostics	Birmingham, Alabama, United States	Less than \$1M	4,645,000	USD	http://www.circulogene.com
39,608	Anixa Biosciences	Melville, New York, United States	Less than \$1M	11,765,000	USD	https://www.anixa.com/
40,978	BioFluidica	San Diego, California, United States	\$1M to \$10M	10,290,379	USD	http://www.biofluidica.com/
41,750	NOVIGENIX	Epalinges, Vaud, Switzerland	\$1M to \$10M	1,000,000	EUR	https://www.novigenix.com
44,003	iCellate	Stockholm, Stockholms Lan, Sweden	\$1M to \$10M	54,000,000	SEK	http://www.icellate.se/
44,178	Expedeon	Cambridge, Massachusetts, United States		5,240,000	GBP	https://www.expedeon.com
52,075	Clara Biotech	Lawrence, Kansas, United States		310,980	USD	https://clarabio.tech
87,658	Diatech Pharmacogenetics	Jesi, Marche, Italy	Less than \$1M	1,704,000	EUR	http://www.diatechpharmacogenetics.com
109,866	Lexent Bio	San Francisco, California, United States				https://www.lexentbio.com/
132,985	Predicine	Hayward, California, United States				http://www.predicine.com/
136,932	Vortex Biosciences	Menlo Park, California, United States				https://vortexbiosciences.com
139,818	MultiPLAI Health	London, England, United Kingdom				https://multiplaihealth.com/
178,674	Exosomics Siena	Siena, Toscana, Italy				https://www.exosomics.eu/
182,625	Biochain	Newark, California, United States				https://www.biochain.com/
209,543	IMB Dx	Seoul, Seoul-tukpyolsi, South Korea				http://www.imbdx.com
301,038	Consort Partners		Less than \$1M			http://consortpartners.com/
313,064	Geno Biotech	Shanghai, Shanghai, China				http://www.genosaber.com/
321,591	Cancerfree	Taipei, T'ai-pei, Taiwan				https://www.cancerfree.io/
335,287	CytoAurora Biotechnologies, Inc.	Chupei, T'ai-wan, Taiwan				https://www.cytoaurora.com
357,101	GenExosome Technologies	Freehold, New Jersey, United States				http://www.genexo-tech.com/
412,562	Dynasty Gene	Qingpu, Shanghai, China				http://www.dynastygene.com/
455,488	Geneseq Biosciences	Melbourne, Victoria, Australia				https://www.geneseq.com.au/
466,429	CatchGene					http://www.catchgene.com/
548,505	Noviogendix Holding	Nijmegen, Gelderland, The Netherlands				http://www.noviogendix.nl
577,721	Mirna Biosens	C��rdoba, Andalucia, Spain				https://mirnabiosens.com/
726,428	Shenzhen Haipulos Biotechnology	Shenzhen, Guangdong, China				https://www.haplox.cn/
799,244	Tenuto Medical	Tel Aviv, Tel Aviv, Israel				http://tenuto-medical.com
829,070	Lifeint	Xiamen, Fujian, China				http://www.lifeint.cn/

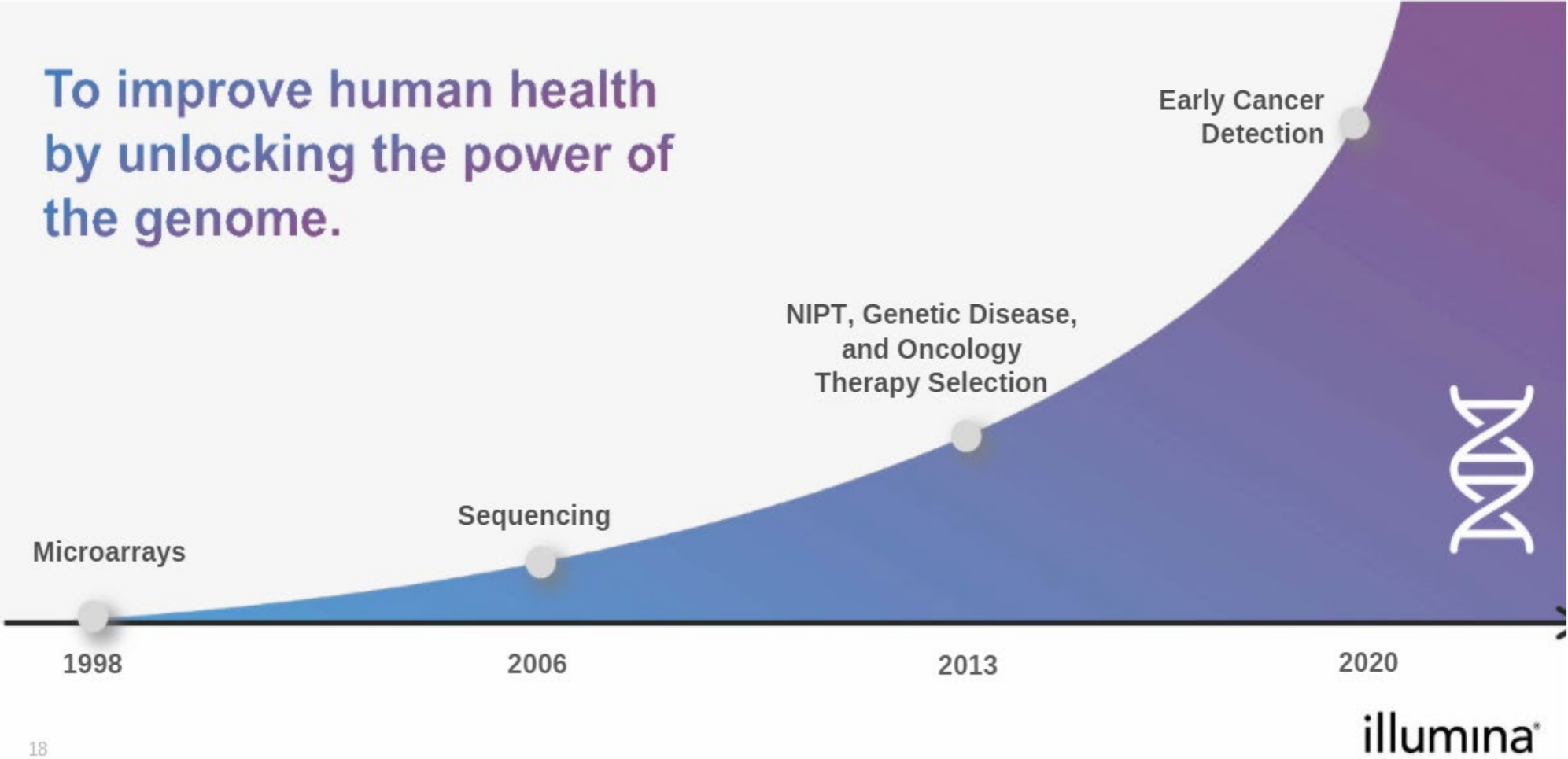
Thrive.
Earlier Detection

PGD 
Personal Genome Diagnostics


Inivata TM

ILMN to Acquire Grail for \$8 Billion

Acquiring GRAIL Brings Us Closer Towards Our Mission



GRAIL is a healthcare company whose mission is to detect cancer early, when it can be cured. GRAIL is focused on alleviating the global burden of cancer by developing pioneering technology to detect and identify multiple deadly cancer types early.

Targeting a TAM of \$75B 15 Years in the Future

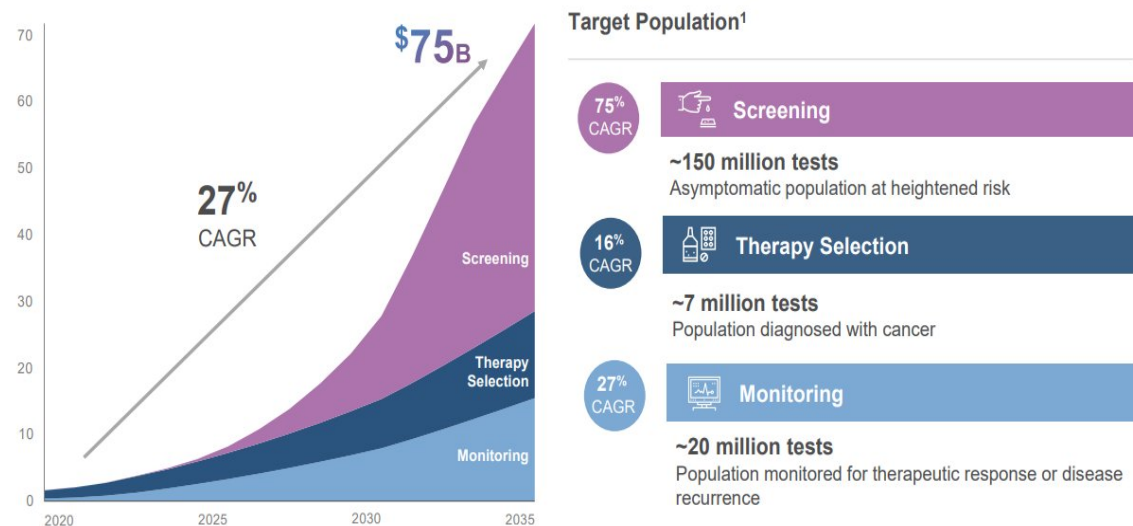
HEDGEYE

GRAIL

2020 EV/Sales	2020 Sales					
	\$ 2,900	\$ 2,970	\$ 3,040	\$ 3,110	\$ 3,180	\$ 3,250
6.0x	134.24	137.04	139.85	142.65	145.46	148.26
7.0x	153.60	156.87	160.15	163.42	166.69	169.96
8.0x	172.97	176.71	180.45	184.19	187.93	191.67
9.0x	192.33	196.54	200.75	204.95	209.16	213.37
10.0x	211.70	216.37	221.05	225.72	230.40	235.07
11.0x	231.07	236.21	241.35	246.49	251.63	256.77
12.0x	250.43	256.04	261.65	267.26	272.87	278.48

2021 EV/Sales	2021 Sales					
	\$ 3,470	\$ 3,640	\$ 3,810	\$ 3,980	\$ 4,150	\$ 4,320
6.0x	157.08	163.89	170.70	177.51	184.32	191.13
7.0x	180.25	188.19	196.14	204.09	212.03	219.98
8.0x	203.42	212.50	221.58	230.66	239.75	248.83
9.0x	226.59	236.81	247.03	257.24	267.46	277.68
10.0x	249.76	261.12	272.47	283.82	295.17	306.52
11.0x	272.93	285.42	297.91	310.40	322.88	335.37
12.0x	296.11	309.73	323.35	336.97	350.60	364.22

NGS Oncology Testing Expected to Reach \$75B Market by 2035



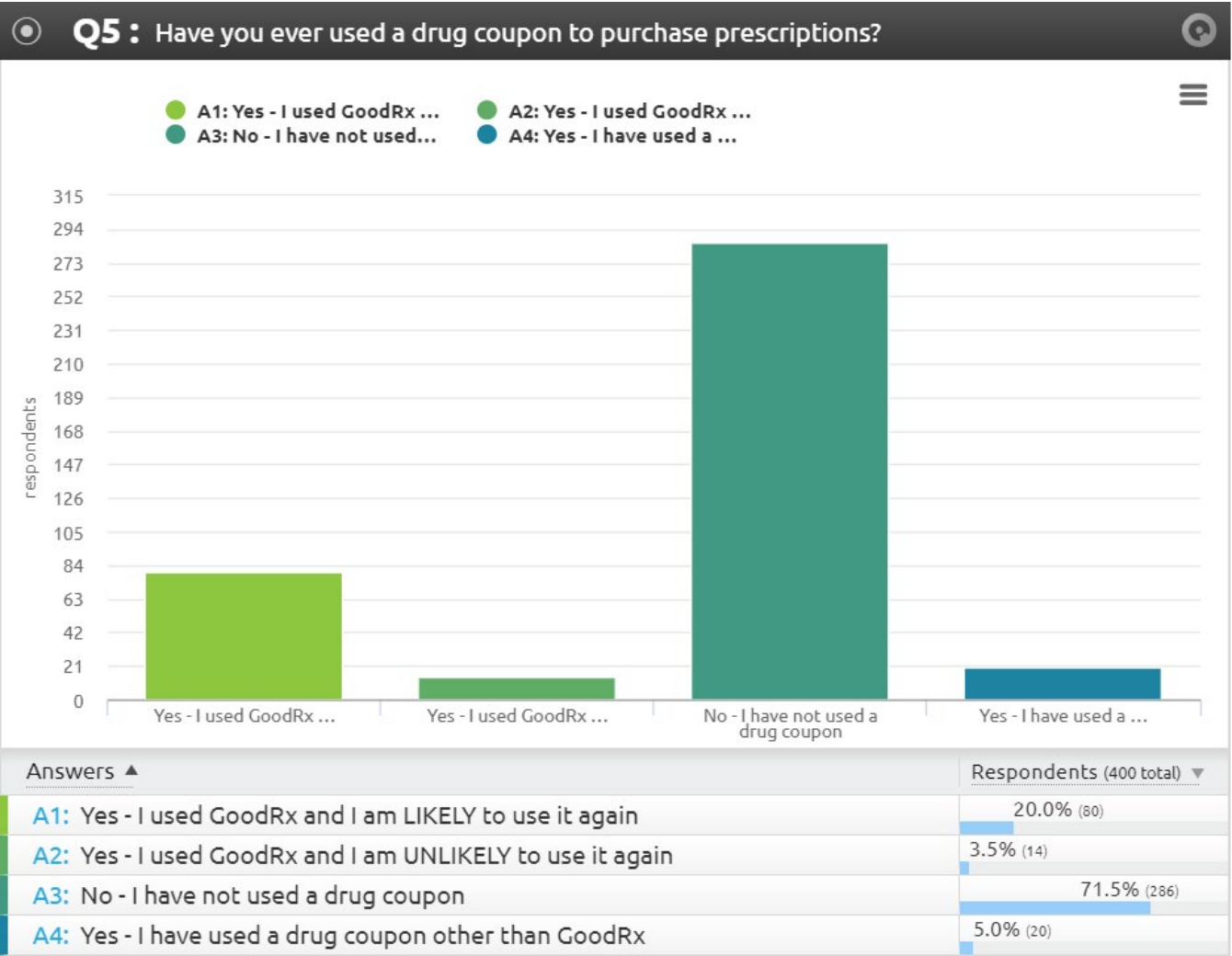
illumina®

9 *Source: Illumina Internal Analysis; Survey Data; Expert Interviews; Secondary Market Research (OECD, Decision Resources Group, GlobalData, IARC, United Nations)

- Shares bottomed ~8x sales in the last drawdown, but that was a negative revision cycle.
- Acquiring Grail will damage management credibility, dilute earnings significantly, but our sense is the opportunity really is as big as they say, \$75B some time next decade.

GoodRx Survey Results – September 2020

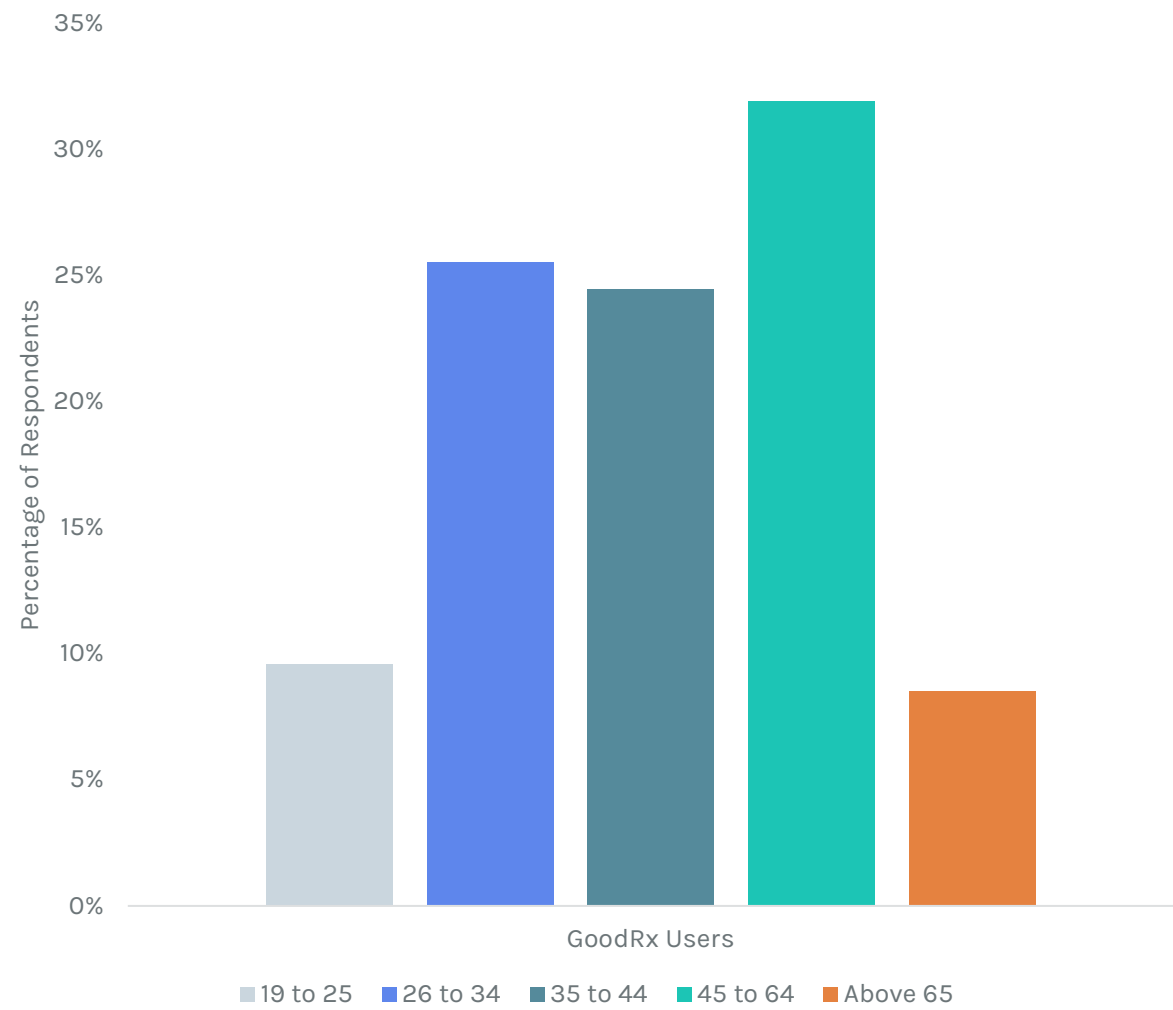
Strong brand and consumer awareness is high and growing



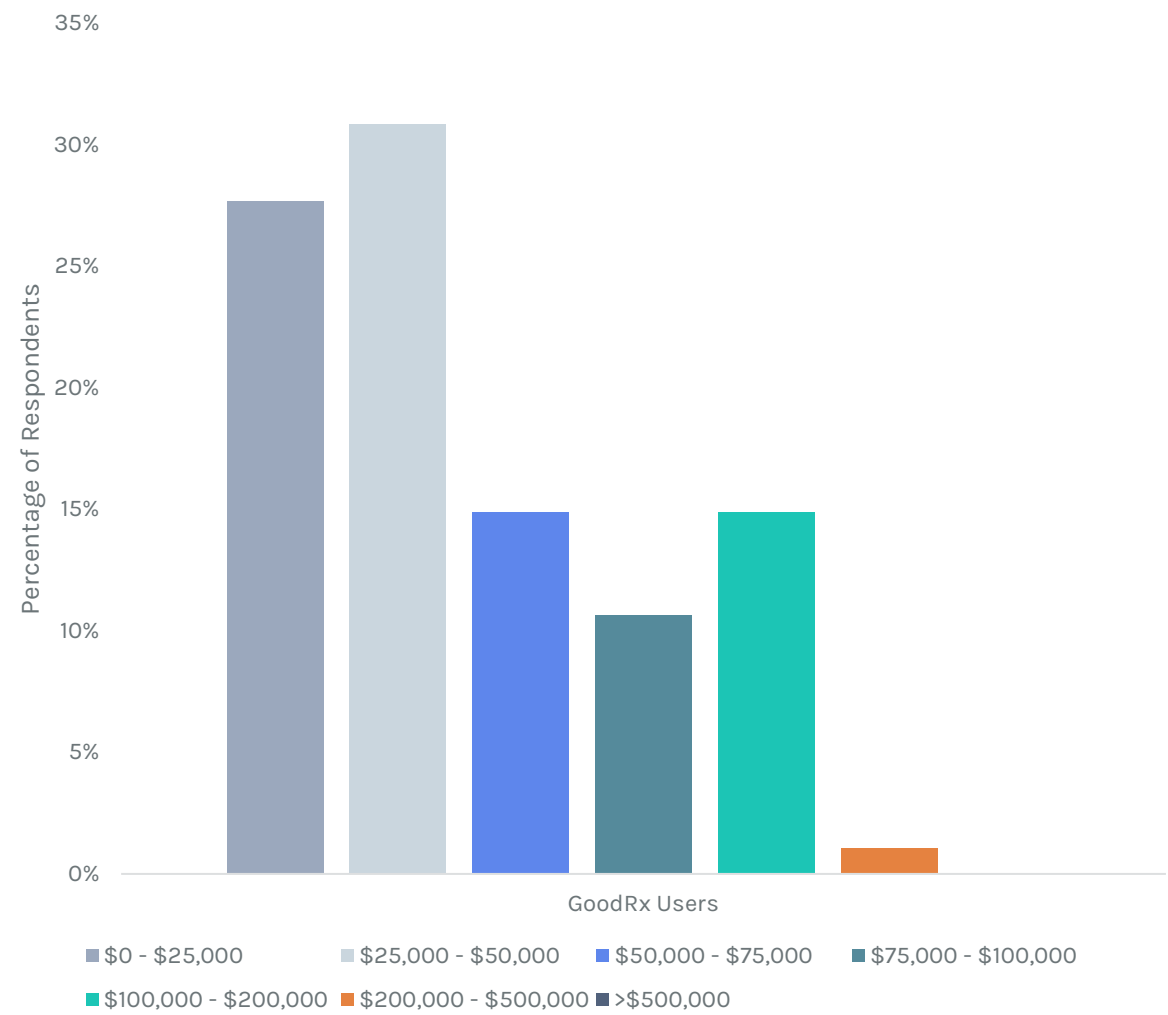
- Respondents were nearly 5x more likely to have used GoodRx than another drug coupon offering.
- More than 70% of respondents had never used a drug coupon survey at all, leaving ample opportunity for further penetration.

Survey Results | Customer Profile

Age Distribution

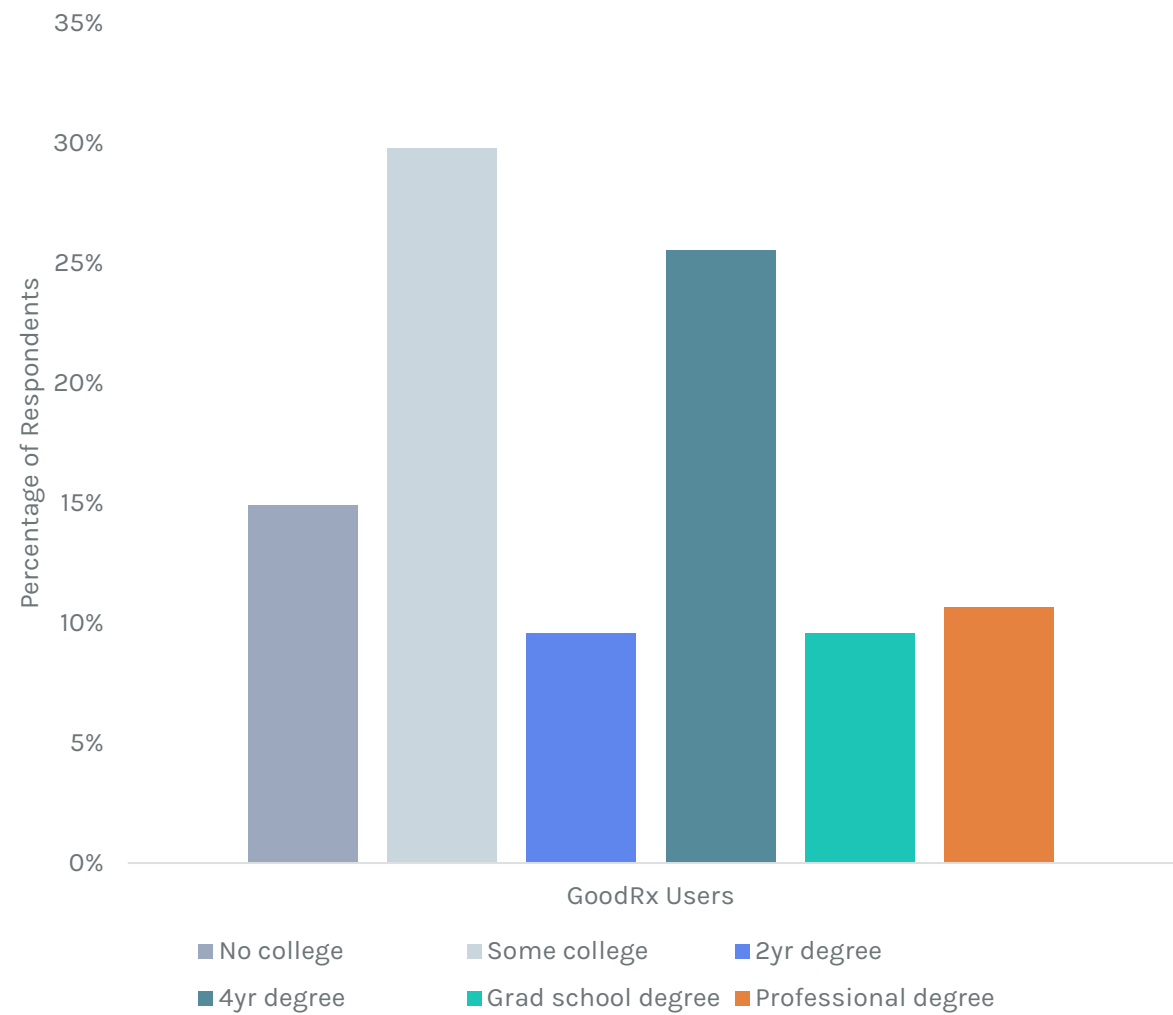


Income Level

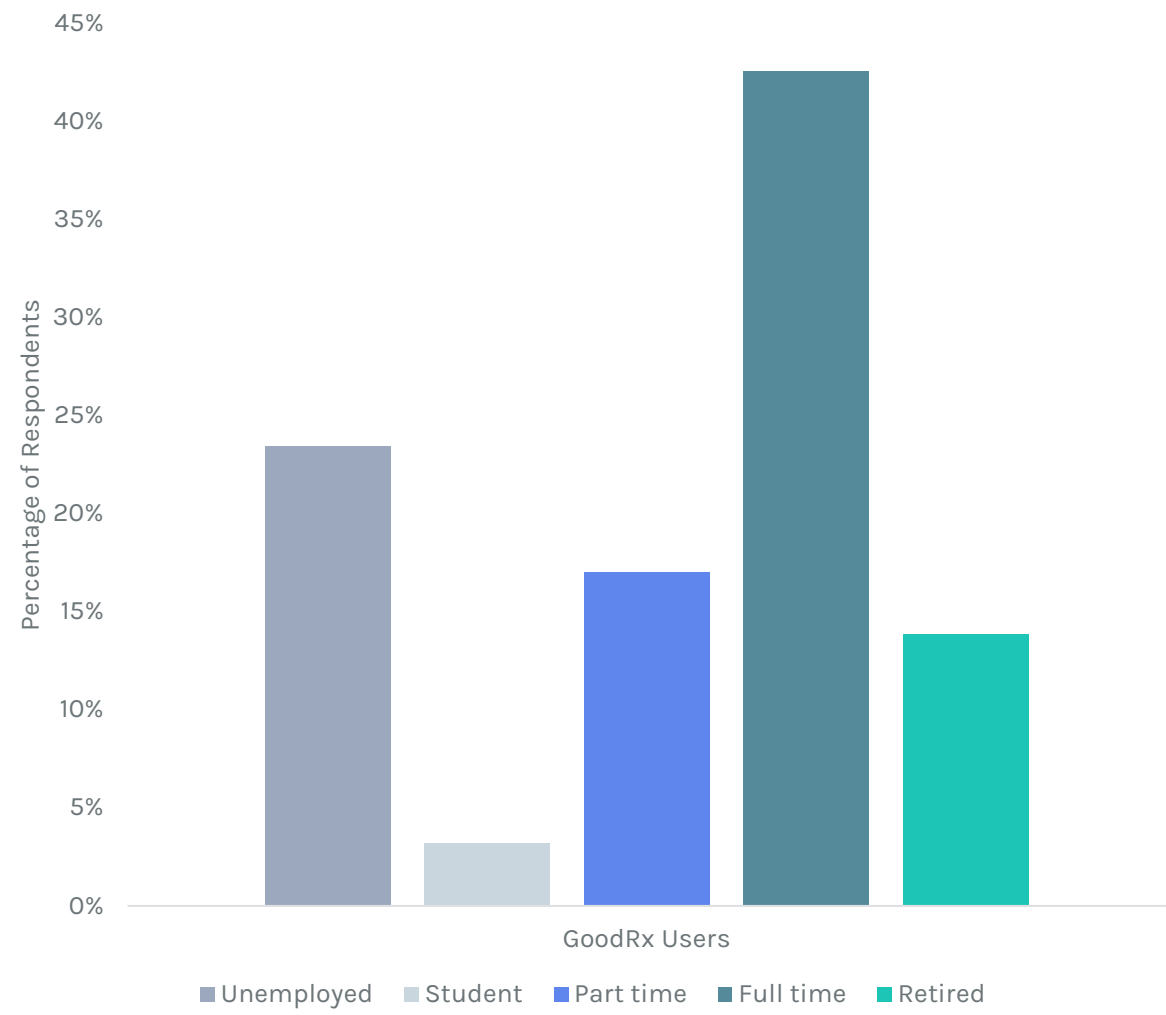


Survey Results | Customer Profile

Level of Education

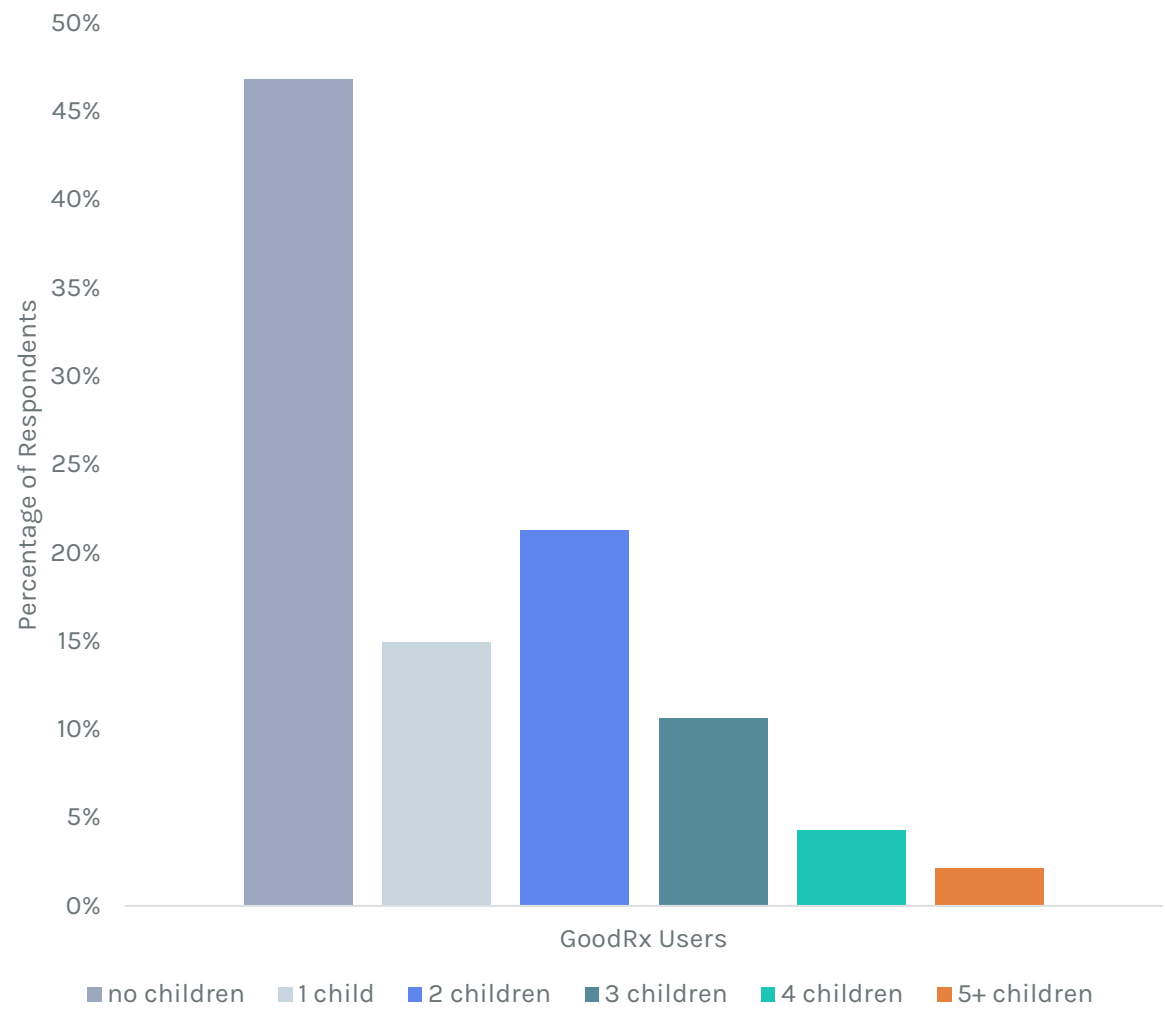
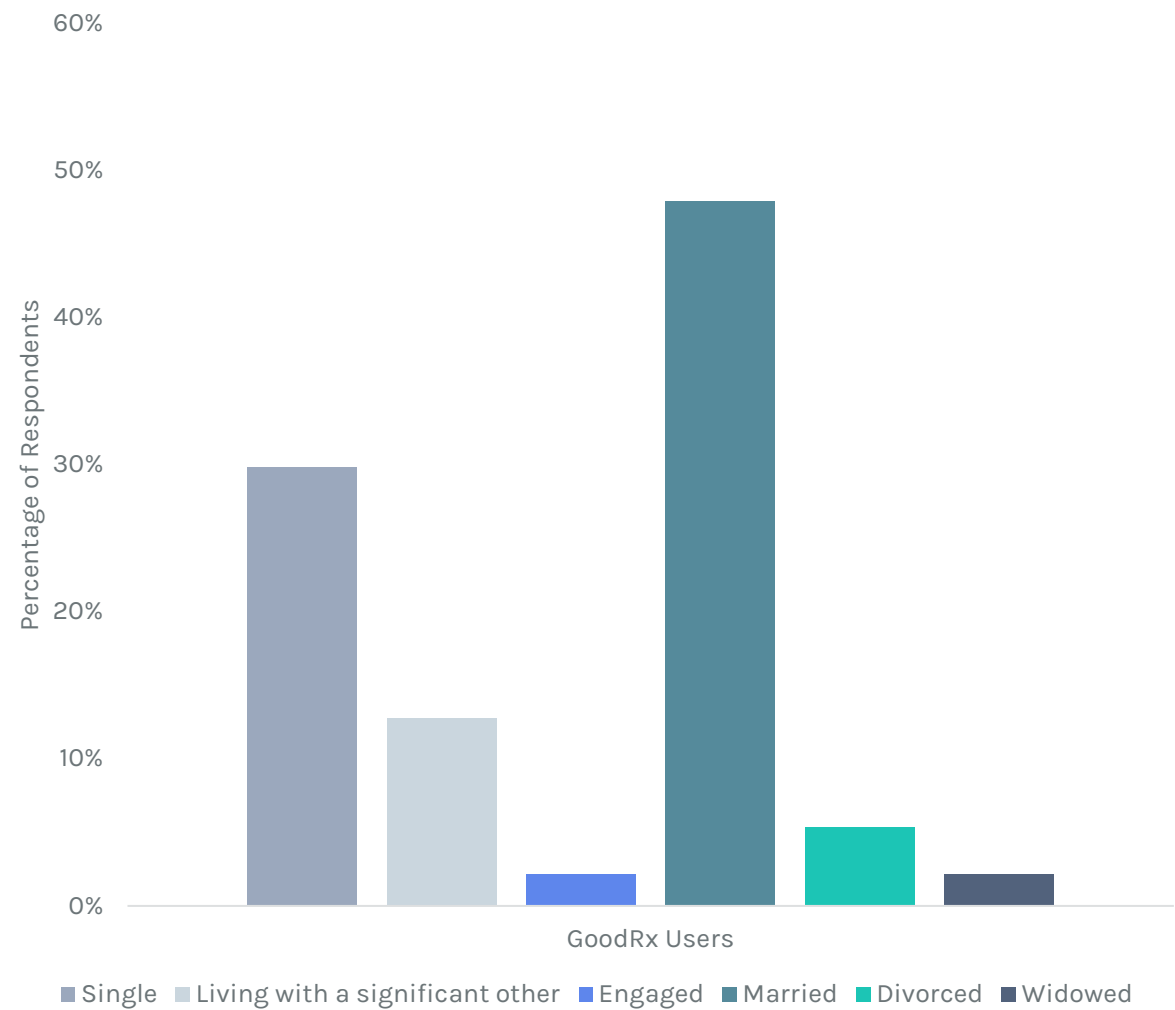


Employment Status



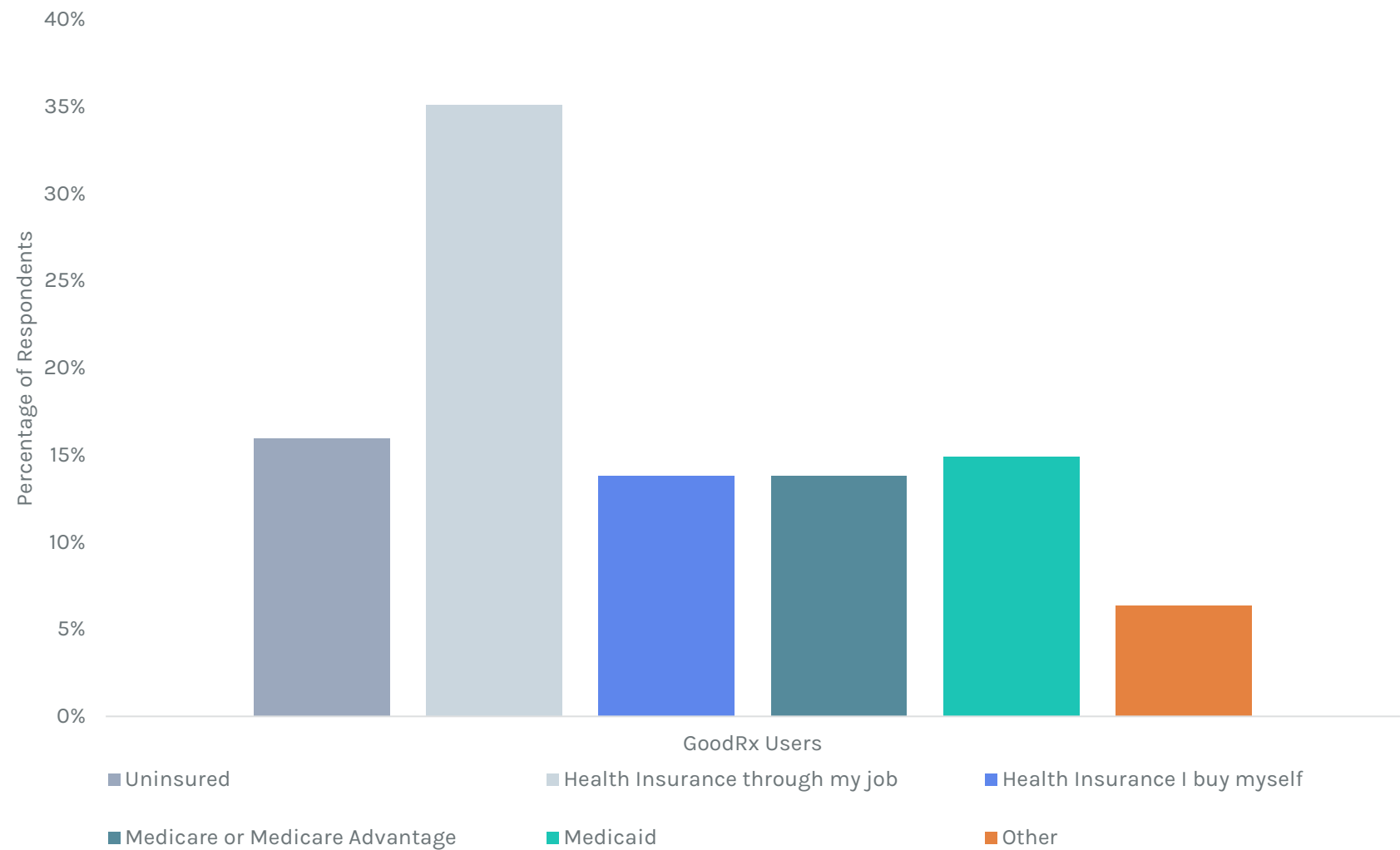
Survey Results | Customer Profile

Family Status



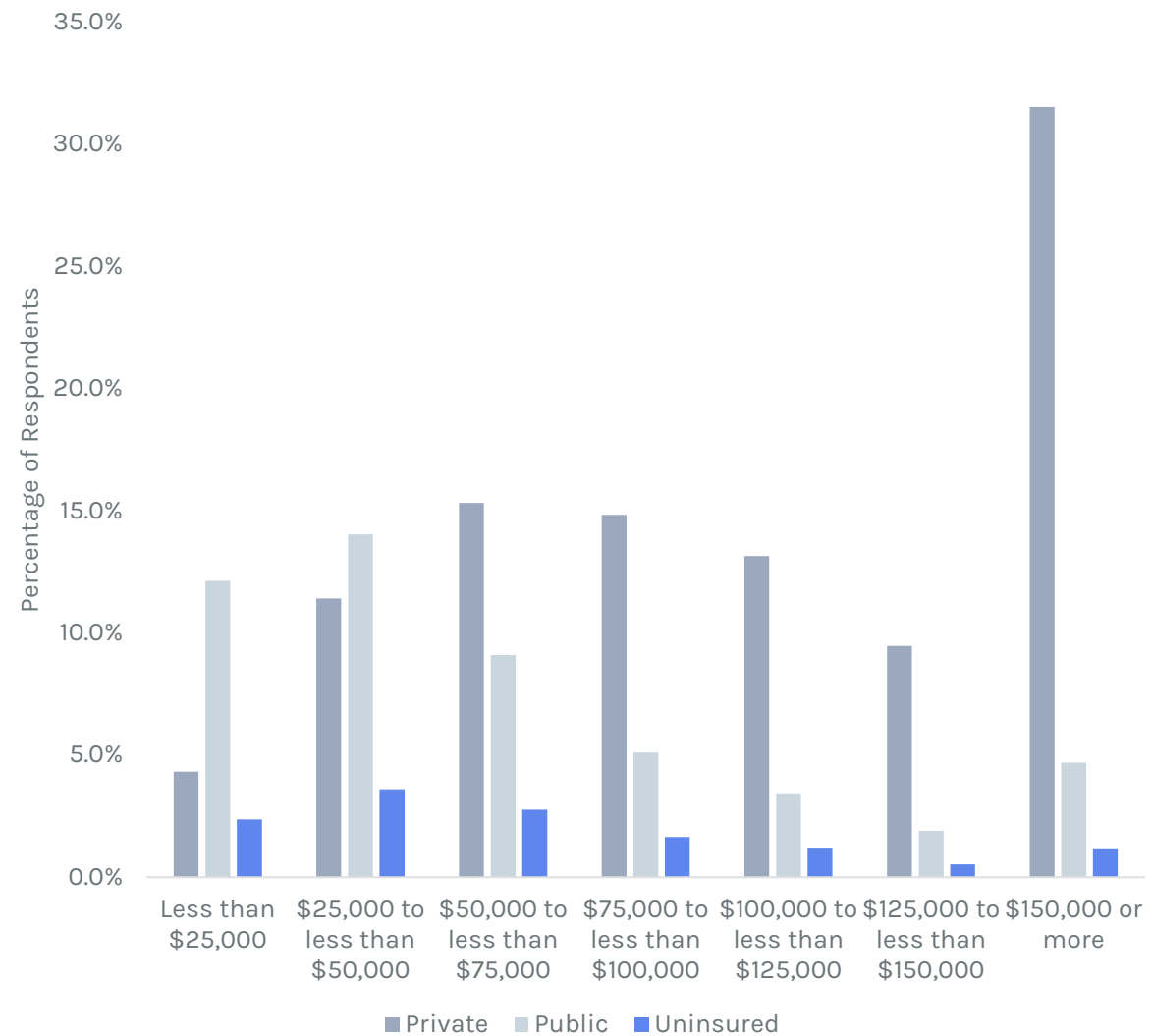
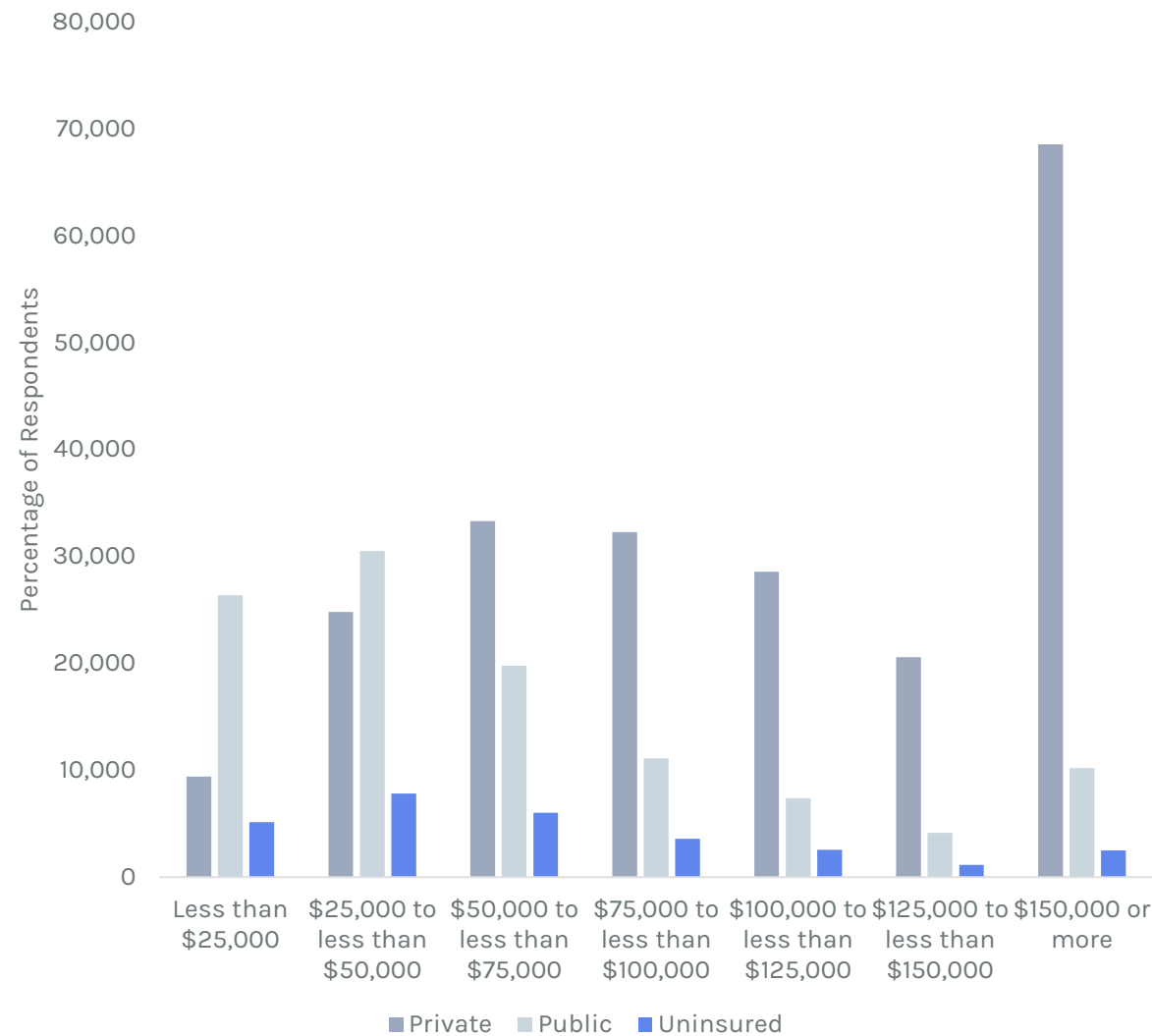
Survey Results | Customer Profile

“The majority of our consumers are insured...”



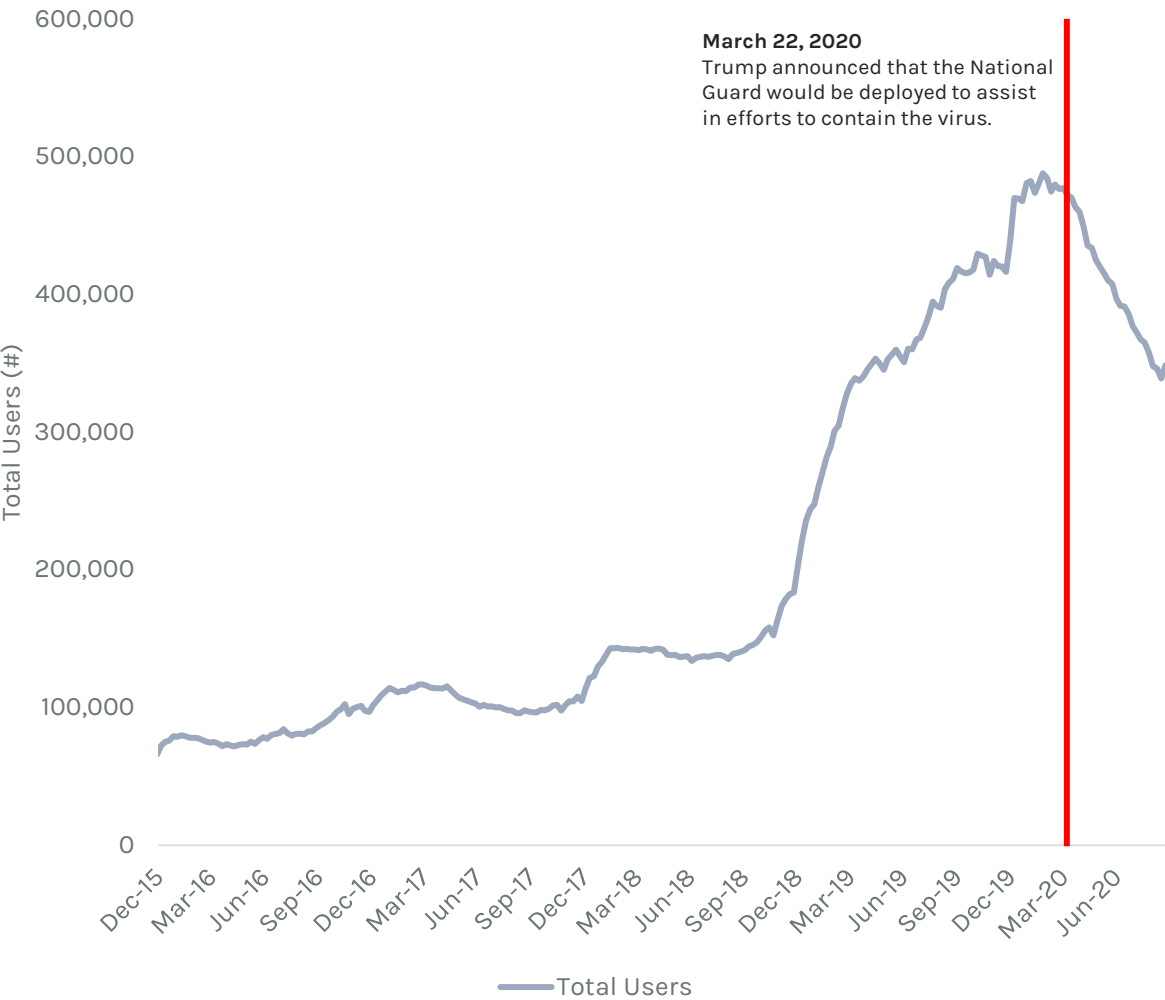
- From the S-1: “... based on a survey that we conducted in July 2020, approximately 36%, 34%, 26% and 4% of our consumers had commercial insurance, Medicare, no insurance and Medicaid, respectively.”

Population by Income and Insurance

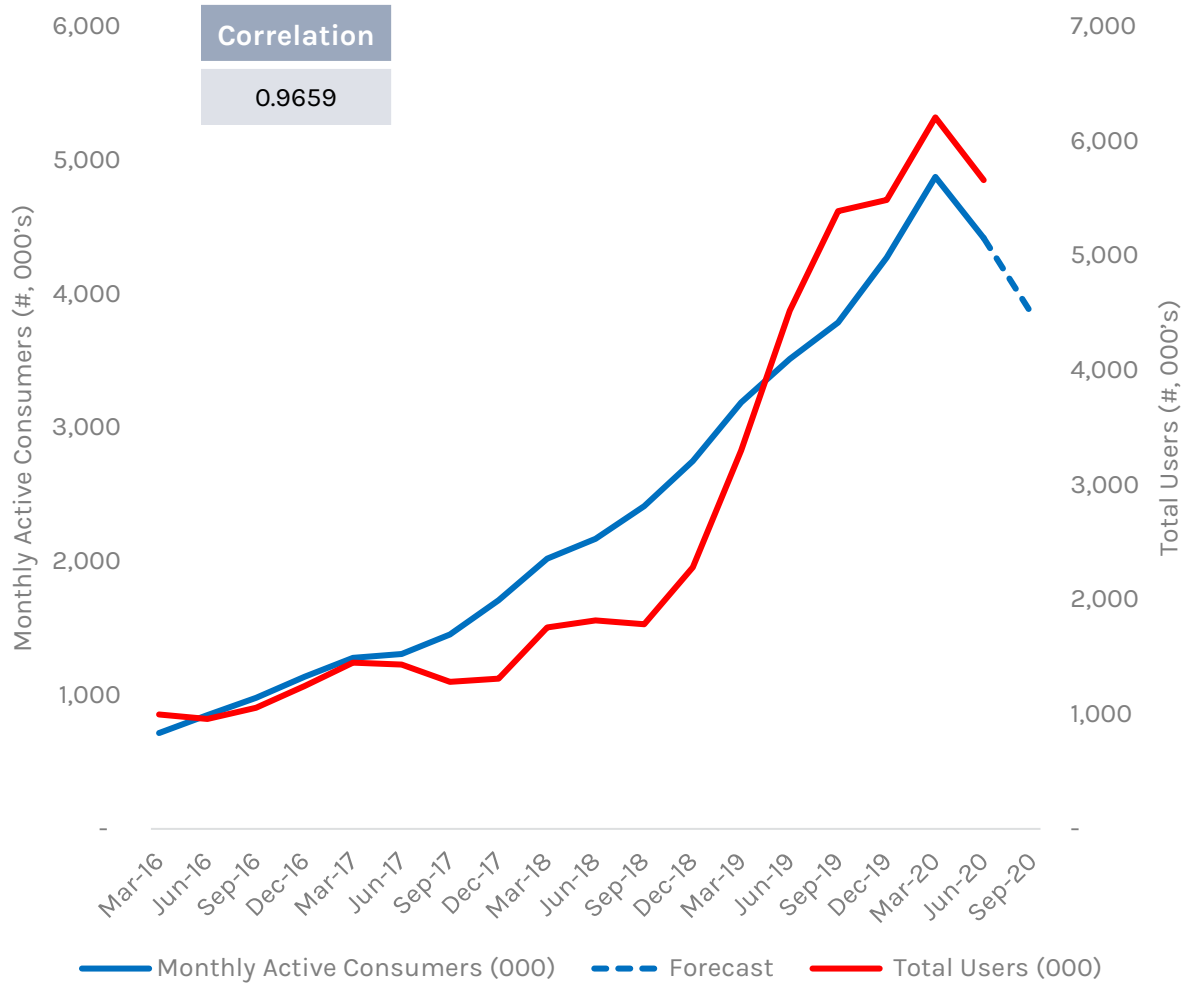


GDRX | Total Active Users v Monthly Active Consumers

Total Users - Weekly



Total Users v Tracker - Quarterly



Field Notes | GoodRx (\$GDRX)

GoodRx has the best marketing and brand awareness, and flu vaccine demand is running hot.

We spoke with an independent pharmacy owner/operator based in the mid-Atlantic (11 pharmacies in the group; ~400k prescriptions and ~\$55MM in total sales annually, including some specialty meds) about GoodRx (\$GDRX) and current pharmacy/drug supply chain issues. **We were surprised to hear about how strong consumer demand has been for the flu vaccine which reinforces our #NoFluSeason thesis, and we learned more about the practical use of prescription coupons, how and why pharmacies interact with consumer at the counter, and more. While we have some concern(s) about GDRX's model, the gap in the market in which it [very] profitably operates is not likely to close in the foreseeable future.**

What's your view on drug coupons, and can you give us a rough percentage of customers that use coupon apps like GoodRx?

- **We see 15-20% for cash discount cards in general, and GDRX is easily >50% of that usage.** If we were at a social gathering, at least 60-70% of people have heard of GDRX. After them, SingleCare and Blink are 2 and 3, and FamilyWize is next.
- It's important to remember that these coupons a) have been around for 15+ years, b) take care of a gap for people without health insurance/a drug benefit, c) **20-30% of the time the discount card pricing isn't accurate and the pharmacy is upside down on price, d) most pharmacies (CVS, Walgreens, Rite Aid, etc.) have their own clubs/programs, and e) GDRX has been the leader since its inception.**

- Discount card/app prices can lead to low, no, or negative margins for pharmacies, which are not supposed to refuse to fill a script. **The issue often arises when there's a recall or other supply chain issue and prices don't adjust quickly enough to reflect the reality of the supply side (e.g., "If you can't get the generic inhaler from a different source, GDRX or the PBMs won't have an accurate price, and we'll be upside down on it."). The price lists are a real problem.**

What are your thoughts on this year's flu season? How is vaccine demand?

- I think this year's flu season will be milder for all the obvious reasons – masks, distancing, etc. You never know though – what if the flu shot is only 50% efficacious vs. 70-90%?
- **We are completely out of the low dose flu vaccine due to demand from 30-60-year-olds.** Over 60s are still afraid to leave their homes due to COVID; however, old people want the vaccine delivered.
- YoY, **we've easily surpassed 2019 – it feels like we're ~30% ahead, or 30-40 days.** We have more supply coming in (it comes in stages, per usual planning). But we've never run out this early in stage one.

Outlook for reimbursement?

- **I don't see the pressure decreasing, and DIR fees are still a problem.** We really need reform here – something to reel things back in with rebates driving prices up.

Field Notes | GoodRx (\$GDRX)

The average GoodRx customer is trending younger, and most pharmacies have in-house programs...

GDRX is primarily for generics, right? Do people ask for specialty prescriptions?

- Yes, but people are asking about it for specialty too. If the cost of a medication is nearly \$300 and a coupon knocks it down to \$250, that doesn't really help. I think GDRX is making inroads into branded, but brand meds are often very expensive.
- **96-97% of our scripts, for cards, are generics (87-88% of the prescriptions we fill are generics).**

Who is the average GDRX customer?

- It's a wider range than you'd think (from a 74-year-old woman to a young mother with a baby in a stroller). **That said, the average customer used to be the older person, either uninsured or in the "donut hole." It's been trending toward a younger demographic due to aggressive marketing by all the coupon companies.**
- **Most seniors have Medicare, and they are still sensitive to prices because of the tiers and variability in plans / drug coverage (sometimes a senior makes a mistake and will have to switch in the following year). Also, most seniors have fixed incomes. Of the total class of seniors, all would be interested if they had the ability to see/use GoodRx. However, some have no desire. In my opinion, about 25-20% of might want it AND would try it.**
 - **This would be the lower quartile of income, most likely.**
- **For the 30-50-year-old range, it's probably closer to 15% because people don't take as many medications,** only need one drug for less than 90 days, etc. Also, for kids/babies, nobody cares. **For the most part, parents aren't price sensitive for 1x prescriptions (asthma and diabetes, or other chronic conditions are different).**

Which piece of the fee does GoodRx collect? What does it mean for/to you? How does it work?

- GDRX gets its price lists from Caremark, Optum, etc. that'll show that the drug costs \$5, and maybe the patient is charged \$20. So, there's a fee back for adjudication, and then a split that's negotiated between GDRX and the insurer/PBM.
- **The average "under-cut" on usual and customary is \$12-\$14.**
- We just run the credit card at the store and after the credit card fee and "vig" for

Blink, SingleCare, or GoodRx (ranging from 40 cents to \$8, but usually ~\$2 - it's somewhat dependent on the price of the medication).

- **We are almost always better off offering our own pharmacy's pricing club/list** because there's no fee, we save whatever that vig is. I think everyone is starting to understand that GDRX is buying down the cash price the pharmacy pays. **Take Lisinopril: if it's \$40 but costs me \$15, we would make \$25. GoodRx comes in and the customer uses the coupon and pays \$25.** We pay the fee back, which happens when we adjudicate (RxBin tells the pharmacy system what price to charge at the POS).
 - **Hedgeye take:** Because pharmacies are under contract, they can't tell the customer what to do in these scenarios. If the pharmacy is listed as participating/taking GDRX and the price is "fair," most pharmacists will let it go. **However, ~50% of the time, the customer ends up NOT using GDRX because they don't need to (e.g., for \$4 generics like at Walmart).** And, if the opportunity presents itself (i.e., if the customer is on multiple medications and the pharmacist has time), a pharmacist can ask the customer if they'd like to review everything they are taking to see if there's an opportunity to save money using the "in-house" program.
- **Overall, GDRX does help.** They raise awareness of where better prices are available, and everyone is inclined to lower price. The average consumer is relatively price sensitive, and seniors will go across the street to save \$5.

What are the risks to GoodRx?

- **Legislation or reform** - changes to the rebate system, for example. If there were any change that meaningfully altered the PBM model, it could impact the space. DIR fees are still an issue, but nothing has been done.
 - That said, most of the rebates revolve around branded.
- **Amazon is a real threat - if they came out with a cash program, it'd be a game-changer.**

For more information, contact us at:

support@hedgeye.com