
From: Richard Kahn [REDACTED]
Sent: Thursday, December 15, 2016 5:46 PM
To: jeffrey E.
Subject: Fwd: US Healthcare Year Ahead...Buy ACAD, AGN, ANTM, CELG, CVS, DHR, EW, EVHC, RARE, REGN, WBA

attached are equity healthcare ideas

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Begin forwarded message:

From: "Ens, Amanda" [REDACTED]
Subject: US Healthcare Year Ahead...Buy ACAD, AGN, ANTM, CELG, CVS, DHR, EW, EVHC, RARE, REGN, WBA
Date: December 15, 2016 at 10:59:39 AM EST
To: "Rich Kahn" [REDACTED]
Reply-To: "Ens, Amanda" [REDACTED]

The S team is out with their 2017 Year Ahead this morning (link) running through all sub-sectors with each analysts top pick into the new year.

Top picks – ACAD, AGN, ANTM, CELG, CVS, DHR, EW, EVHC, WARE, REGN, WBA

Washington C Backdrop

Given the clean sweep by the GOP & uncertainty around the ACA, key attention is paid by Andy Bressler to a review of the various scenarios that could play out early next year. With a repeal likely to happen well before a replace (essentially via the Budget Reconciliation process in Jan/Feb), Andy notes this is likely to include a repeal of both health

insurance =xchange subsidies & a phase-down of Medicaid expansion funding =albeit with a two or three year transition period).

He also expects a =epeat of many of the larger HC related taxes in the ACA, including the =IX (\$14.3bn in 2018), Medtech Tax (2.3%), =span class="SpellE">pharma industry tax (\$4.1bn in 2018) & =adillac tax (effective 2020).

As for the views by analysts...

Biotech (+) –=believe sector will outperform largely as pricing risk has diminished =although will remain in pockets) but pipelines/growth remains. Ying's top =icks are CELG =amp; REGN;=Tazeen's top picks are ACAD =amp; RARE.

Spec Pharma (-) – =eadwinds remain w/ Sumant's top =ick AGN =iven lower risk to reimbursement pressures & an underappreciated =ipeline. =/span>Leverage & CF remain the key focus for investors.

Tools/Animal Health ==) – Derik notes more "headline" than =E2◆◆real" risks from policy which will create opportunities =or a group growing MSD, although valuations remain above peers. DHR =US 1 name) top pick, also A, ZTS in Animal Health, BDX =n Diagnostics & CTLT in Services.

Medtech (=) – =opkins' expects a mixed bag in 2017 w/ stocks trading close to =yr valuation lows; EW top pick given best growth / purest innovation =tory.

Facilities (-) ◆=93 Fischbeck notes that uncertainty will =emain an overhang for hospitals as repeal/replace a negative for the =roup (est losing 2-3mm Medicaid lives =amp; 2-3mm exchange lives would be a 1-2% EBITDA hit on avg). Focus on company-specific stories like EVHC.

MCOs (+) – Fischbeck =enerally +ve under Trump (especially =round MA given historical support from GOP) w/ tailwinds from corporate =ax & rising rates. =/span>ANTM =op pick in given valuation & tailwinds.

Distribution/Tech (=) – Valiquette prefers pharmacies CVS/WBA given benefits from decelerating generic =rices (which will remain an overhang for Distributors). HHS appointment a =E2◆◆ve for HCIT.

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