
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: =/b>"Ens, Amanda" [REDACTED]
Subject: =/b>US Healthcare =ear Ahead...Buy ACAD, AGN, ANTM, CELG, CVS, DHR, EW, EVHC, RARE, REGN, =BA
Date: =/b>December 15, 2016 at 10:59:39 =M EST
To: =/b>"Rich Kahn" [REDACTED]
Reply-To: =/b>"Ens, Amanda" [REDACTED]

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

Top =icks – ACAD, AGN, ANTM, CELG, CVS, DHR, EW, EVHC, =ARE, REGN, WBA

Washington =C Backdrop

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

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

He also expects a repeal of many of the larger HC related taxes in the ACA, including the IX (\$14.3bn in 2018), Medtech Tax (2.3%), pharma industry tax (\$4.1bn in 2018) & Cadillac 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 picks are CELG & REGN; Tazeen's top picks are ACAD & RARE.

Spec Pharma (-) – headwinds remain w/ Sumant's top pick AGN given lower risk to reimbursement pressures & an underappreciated pipeline. Leverage & CF remain the key focus for investors.

Tools/Animal Health ==) – Derik notes more “headline” than 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 in Diagnostics & CTLT in Services.

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

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

MCOs (+) – Fischbeck generally +ve under Trump (especially around MA given historical support from GOP) w/ tailwinds from corporate tax & rising rates. ANTM top pick in given valuation & tailwinds.

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

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