
From: Richard Kahn [REDACTED]
Sent: 12/15/2016 5:46:20 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: US Healthcare Year Ahead...Buy ACAD, AGN, ANTM, CELG, CVS, DHR, EW, EVHC, RARE, REGN, WBA
Attachments: image001jpg01D256A2F263C080.jpg; image001gif01D256C23AC52B10.gif

Importance: High

attached are equity healthcare ideas

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [REDACTED]
fax [REDACTED]
cell [REDACTED]

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 US 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, RARE, REGN, WBA

Washington DC 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 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 HIX (\$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 for 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 5yr valuation lows; **EW** top pick given best growth / purest innovation story.

Facilities (-) – 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 –ve for HCIT.

Daniel Lundquist

Healthcare Specialist Sales
Global Equities
Bank of America Merrill Lynch
One Bryant Park | New York, 10036 | United States
T: [REDACTED] M: [REDACTED]
[REDACTED]

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