THE MONTHLY RESEARCH CONFERENCE CALL

HEALTHCARE: OPPORTUNITIES IN A STABILIZING SECTOR

ARGUS®

MODERATOR

Jim Kelleher, CFA

Director of Research

John M. Eade

Argus President

David Toung

Director of Healthcare Research

Jasper Hellweg

Argus Analyst

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61 Broadway • NYC, N.Y. 10006 • Telephone: (212) 425-7500

Investors

WHAT'S NEW AT ARGUS
JUNE 2018

New to the Portfolio Selector-Focus List

- Unilever – well-run consumer products company in tune with shifting tastes
- Noble Energy – Top E&P company with significant Shale exposure
- American Tower – a leading REIT in the cell phone tower space
- Marvell Technology Group – storage semiconductor leader is preparing to acquire Cavium

New to Coverage

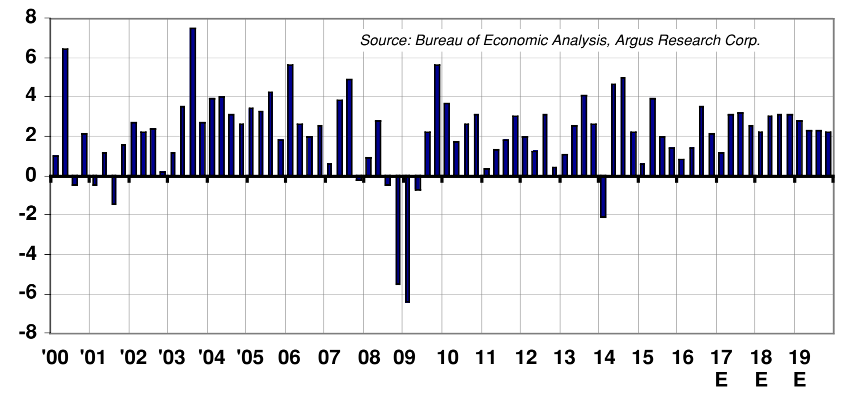
- VF Corp. (NYSE: VFC)
  — Leading retail brands from Timberland to Wrangler's to Dickie's
- Old Dominion Freight Lines (NSM: ODFL)
  — Major U.S. trucker in the LTL delivery space

Argus Quick Notes: Recent Weeks

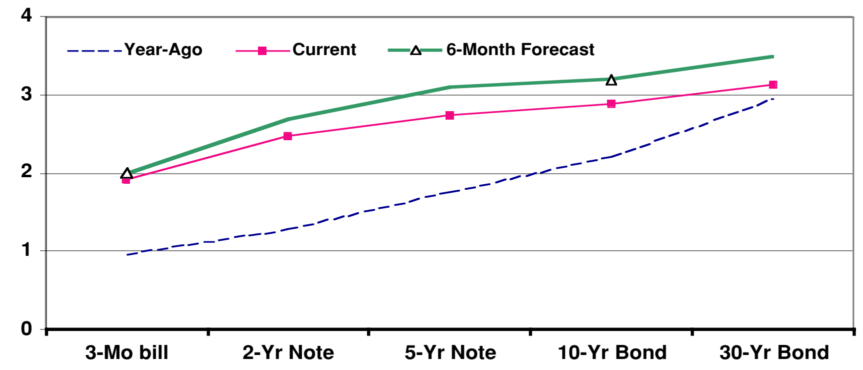
- Momentum Stocks (DKS, TWTR)
- Energy Stock Values (DVN, VLO)
- Sustainable Impact Investing (HUM, MSFT)
- Sports Betting Stocks (MGM, BYD)

MACRO FORECASTS

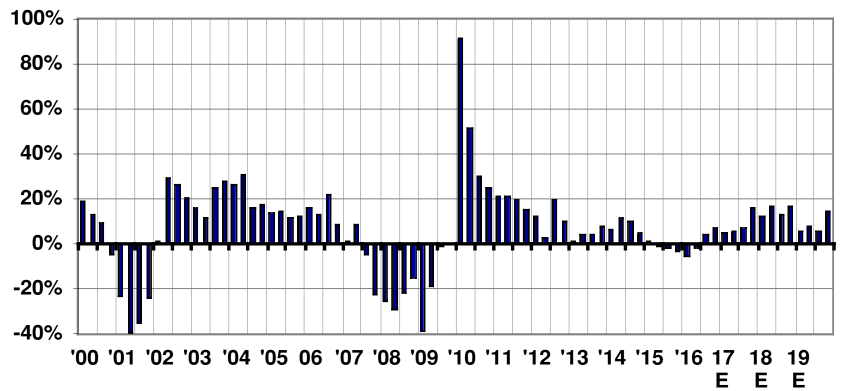
REAL GDP W/FORECASTS (%)



TREASURY YIELD CURVE (%)

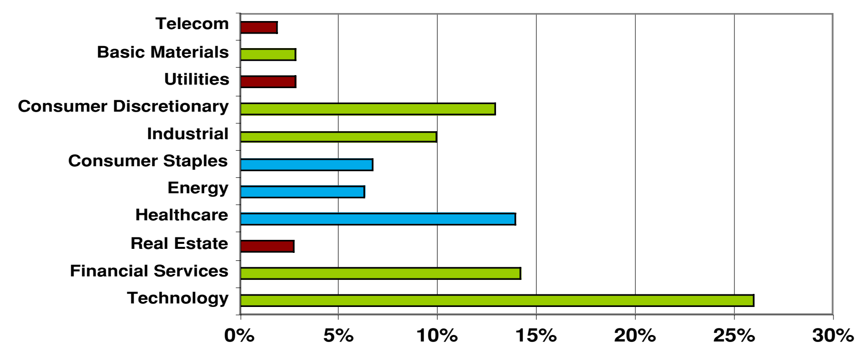


S&P 500 QUARTERLY EARNINGS GROWTH



MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500

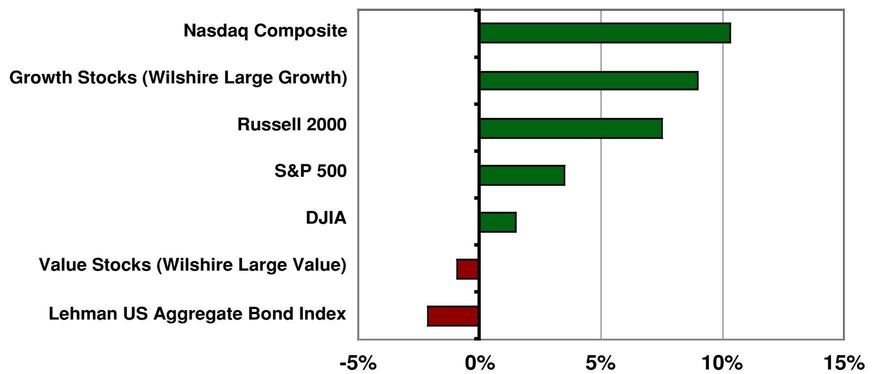
Sectors in Green are Recommended Overweight; Blue are Marketweight; Red are Underweight



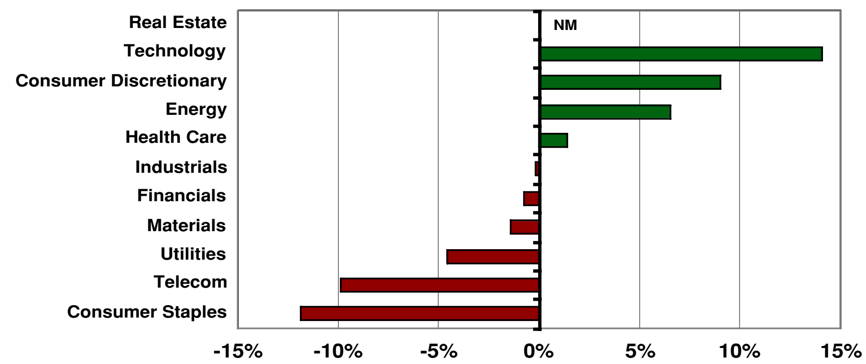
MARKET PERFORMANCE

DATA AS MAY 31, 2018

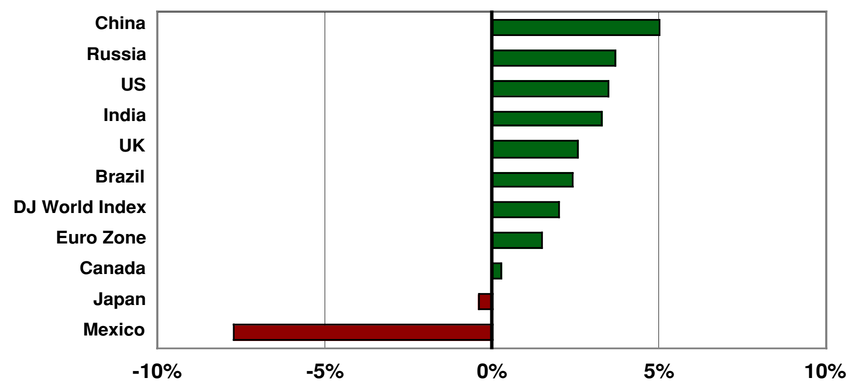
MAJOR INDEX



SECTOR



GLOBAL EQUITY MARKETS



CURRENT DEVELOPMENTS
PHARMA AND BIOTECH SECTORS

- Will Trump Administration take substantive actions to address high cost of drugs or are the recent comments from the WH and cabinet leaders mere rhetoric without real financial impact on companies?
- Pharma stocks and Biotech index (XBI) rally in May as HHS Secretary Azar decides against giving Medicare power to directly negotiate pricing. (Biotech ETF XBI +13.9% YTD through June 4).
- Nonetheless, we do see the government and the FDA seeking to increase price competition by encouraging entries of generics and biosimilars. Such actions may include curbing drug makers' moves to extend patent exclusivity and accelerating review of new drugs, particularly biosimilars that would compete against biologics drugs.
- Stock prices of pharmaceutical companies and biotechs may be impacted by headline risks as government leaders continue to comment on drug pricing.
- U.S. pharma and biotech companies are bringing back from overseas billions of dollars following new U.S. corporate tax law. Repatriated funds will likely be used for increased biologics manufacturing capacity, increased R&D, M&A and stock buybacks.

CURRENT DEVELOPMENTS MED-TECH SECTOR

- Med-Tech sector has large addressable markets as aging populations in the U.S., Europe and Asia seek active lives. Devices such as orthopedic implants for large joints and the spine and cardiovascular implants improve quality of life and mobility.

- Medical Device companies are advancing capabilities in robotics and data analysis to improve patient outcomes.

- Outcomes data can also assist in demonstrating added value of procedures that utilize devices and assist in securing reimbursement coverage of such procedures.

- Such device companies are partnering with Google and others with data and informatics expertise to develop smart devices and systems.

STOCK RECOMMENDATIONS

- Merck (MRK)
- Stryker (SYK)
- Charles River Labs (CRL)

ADDITIONAL STOCK RECOMMENDATIONS

Illumina Inc (ILMN)

Target Price: $310

- Medicare coverage expansion for next generation sequencers (NGS) and new partnerships greatly expand opportunities in oncology.
- Full range of flow cells helps accelerate product transition to the NovaSeq sequencer.

Quest Diagnostics Incorporated (DGX)

Target Price: $122

- New multi-year strategic partnership with UnitedHealthcare could sustain higher earnings.
- With an eye on the future, Quest has entered a partnership to transform healthcare data management though the blockchain.
- PAMA pricing headwinds could generate an acquisition tailwind as impact hits smaller organizations more severely.

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