

Edwards Lifesciences

Why TAVR could potentially reaccelerate

Reiterate Rating: BUY | PO: 105.00 USD | Price: 92.93 USD

EW's third party Egnite could help TAVR reaccelerate

One of many reasons we [upgraded EW to Buy](#) (see link) after our mgt meetings last week was seeing the potential for better TAVR growth. Edwards Lifesciences (EW) talked about partnering with TAVR centers using a 3rd party and seeing TAVR volume increase 2-4x in some centers. EW said it is scaling this initiative (not yet at hundreds of centers but wants to get there). This caught our attention and we set out to learn more. We first learned the 3rd party is Egnite Health and the program is called CardioCare.

Egnite ensures patients are referred for appropriate care

Egnite's CardioCare is a digital health platform that uses AI to review e-medical records (EMR) and echocardiograms (ECG) to identify various cardio diseases and improve referral rates. CardioCare provides visibility on all patients being treated in a system (top of funnel). It helps doctors/nurses identify patients that need to be referred for treatment and then follows-up on patients that were not referred. It reduces variability in diagnoses and prioritizes care for the most critical patients.

Egnite customers growing well above national avg

Egnite's website mentions centers actively using CardioCare report 2x+ faster procedure growth. Egnite's CEO was quoted in an article saying in 2022, structural heart disease procedures for customers using CardioCare were growing 25% vs the 6% national average.

Accelerates clinical trials; maybe why moderate faster?

Egnite says it can also accelerate clinical trial enrollment by helping centers look through patients to identify good candidates for clinical trials. We must wonder if this is why EW's moderate aortic stenosis trial (PROGRESS) enrolled two years faster than expected. Egnite estimates one-third to one-half of patients who are candidates for clinical trials are usually overlooked. One trial using CardioCare reported a 50% increase in enrollment within the first six months of use. This can be particularly impactful for aortic stenosis patients, who exhibit 50% mortality at two years.

Egnite replaces manual patient identification and tracking

Egnite has ~150 hospitals and ~3,500 different locations contributing data with more than 2m ECGs in its database (largest database of ECGs in the US). It uses AI to read notes on these images and combine them with results from procedures, labs, and other data to create a comprehensive view of a patient. Patient profiles are categorized, prioritized, and accessed by providers through a dashboard that is refreshed daily. It cross references patient characteristics with American Heart Association /American College of Cardiology (AHA /ACC) guidelines.

We reiterate our Buy rating on EW as we see potential for multiple expansion given revenue growth can be double digits with both Evoque and TAVR.

14 March 2024

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Stock Data

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|--------------------------------|-----------------------|
| Price | 92.93 USD |
| Price Objective | 105.00 USD |
| Date Established | 7-Mar-2024 |
| Investment Opinion | B-1-9 |
| 52-Week Range | 60.57 USD - 94.87 USD |
| Mkt Val (mn) / Shares Out (mn) | 55,879 USD / 601.3 |
| Free Float | 99.1% |
| Average Daily Value (mn) | 436.90 USD |
| BofA Ticker / Exchange | EW / NYS |
| Bloomberg / Reuters | EW US / EW.N |
| ROE (2024E) | 21.7% |
| Net Dbt to Eqty (Dec-2023A) | -8.1% |
| ESGMeter™ | High |

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Abbreviations:

AI: artificial intelligence
mgt: management

TAVR = transcatheter aortic valve replacement

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Timestamp: 14 March 2024 05:30AM EDT

More details on this program

Egnite spun out from EW in 2021 ... Where to from here ...

Egnite spun out from EW in February 2021. The company has developed a two-sided network of hospitals, who want to be affiliated with certain industry partners, and device companies. Going forward, Egnite will look at different points of care and new sites of care to treat patients. Egnite wants to find the very sick patients, but also those who have moderate to severe illness. In addition to structural /valvular heart disease, Egnite has more recently expanded into heart failure and atrial fibrillation.

CardioCare cross references with AHA/ACC guidelines

CardioCare cross references patient characteristics with American Heart Association /American College of Cardiology (AHA /ACC) guidelines to identify patients in need of Class 1, 2a or 2b therapy – ranging from guideline directed medical therapy (GDMT), to heart valve interventions, to implantable cardioverter defibrillators (ICDs), and more. In this way, CardioCare replaces less efficient, manual patient identification and tracking. This allows clinicians more time to see patients who are most in-need of help.

Price objective basis & risk

Edwards Lifesciences (EW)

Our PO of \$105 is based on a 35x PE multiple on our 2025E EPS. We assume with high single digit revenue growth, good margins/cash flow/balance sheet and some upside TAM potential, EW deserves a 35x forward EPS (5x premium to SYK).

Risks to our PO are: 1) the TAVR market slows if the TAM is not as big as we expect or new populations do not benefit from TAVR, 2) the mitral/tricuspid market does not materialize, 3) EW faces setbacks with its clinical trials or pipeline, 4) the TAVR market becomes more competitive.

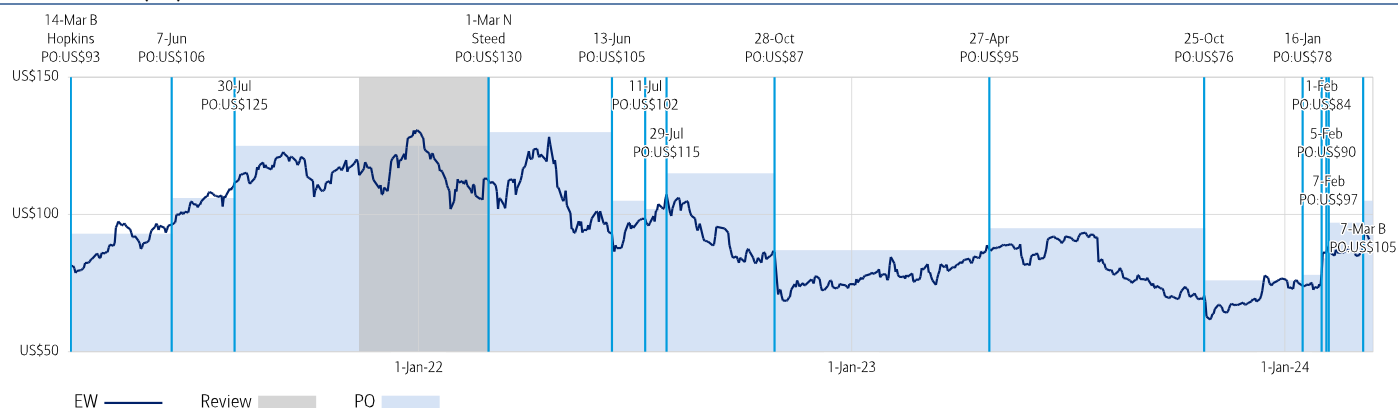
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Edwards Lifesciences (EW) Price Chart



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| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 234 | 60.94% | Buy | 115 | 49.15% |
| Hold | 80 | 20.83% | Hold | 36 | 45.00% |
| Sell | 70 | 18.23% | Sell | 29 | 41.43% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

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