



Sector Report

Median Global Age

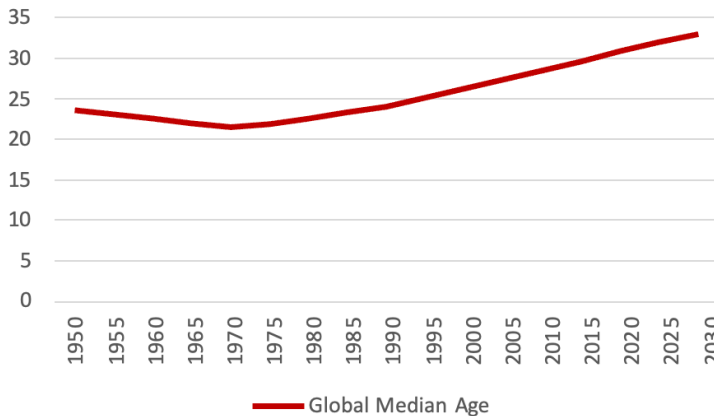


Figure 1: Median Global Age from 1950 to 2030 projections

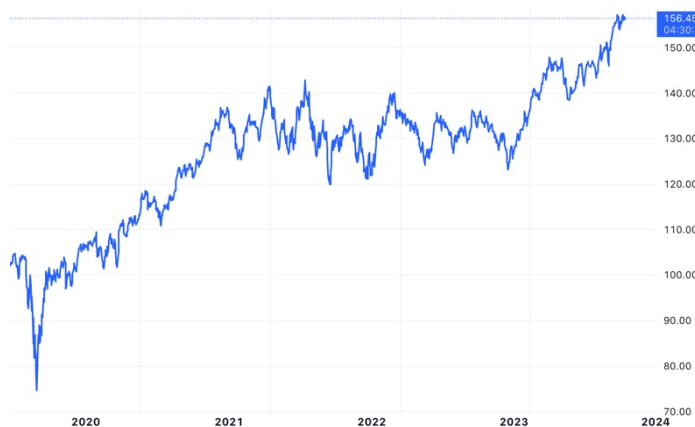


Figure 2: XLV - Healthcare Sector ETF from 2020-2024 illustrating 51.09 % growth over a 5 year period.

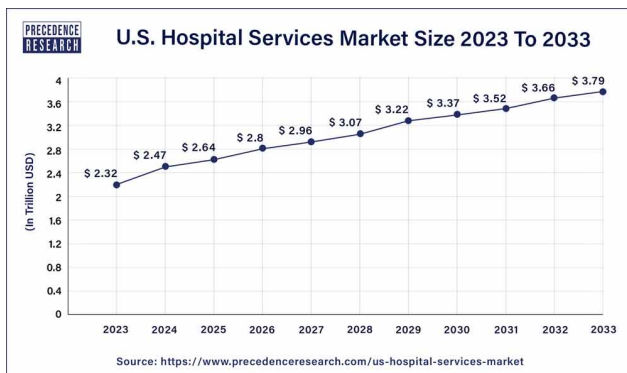


Figure 3: Hospital Services potential market size growth from 2023-2033

Thesis/outlook:

The healthcare sector navigates all businesses through the provisions of medical device, insurances, medical equipment, and the founding of new drugs within the last few decades. Last year, expectation were skewed between the sector and the S&P500 index. In FY24, the healthcare sector reported annual growth of 17.45%, while the S&P500 index almost doubled with growth of 32.94% signifying the importance of healthcare in the economy. Several factors—including new drugs manufactured and medical instruments and facilities are playing an enormous role in the evolution of this certain field. In accordance, the developments in drugs and technology has greatly increased the overall quality of life, hence the increase of global median age. As shown in graph #1, the median age has significantly grown at a linear slope over the last 45 years and will continue to increase significantly as the decade ends. Due to the aging demographic that is concurrent within healthcare, the necessities that an individual over the age of 60 are more likely to seek medical improvement will outweigh the demographic of those who are around the age of 12 to 45. This shift within the age demographic is still undeveloped in many regions of the world, allowing the healthcare sector to strive for new opportunities through services of medicines and even financial sustainability within non-developed areas of the world. Many of the firms today are taking advantage of what some areas cannot achieve and provide an efficient way to get medical attention to undeveloped parts of the world.

In addition, the founding of new drugs, opening of new facilities and manufacturing supplies that are supportable in areas yet to be developed, has created a sense of hope and evolution for people who fit the demographic of medical care--enhancing the efficiency of human service and catalyzing the industry in the right direction. The significance of healthcare professionals is highlighted by the strong demand for jobs in the industry, particularly those focused on assisting an older population that needs guidance for improved healthcare.

Despite the challenges of increasing market penetration within the healthcare industry, the development of new drugs, facilities and equipment will create a promise in expanding care for people who are above the age of 60 and improve service care to project a new growth in human resource and financial revolution for the upcoming decades.



Economic Trends

Legislation changes:

- At least 13 U.S. states have implemented healthcare transaction review laws (mini-HSR laws) to address consolidation in the industry. In the first quarter of 2024, these states introduced new regulations mandating notice and, in some cases, approval for pending healthcare transactions.
- The federal government intensified its opposition to private equity (PE) in healthcare. Concurrently, the Federal Trade Commission (FTC), Department of Justice (DOJ), and Department of Health and Human Services (HHS) issued a Joint Request for Public Input (RFI), extended to June 2024, seeking information on healthcare related deals not reported for antitrust review under HSR.
- At the end of 2023, Congress passed the Lower Costs, More Transparency (LCMT) Act and the bipartisan Health Care PRICE Transparency Act 2.0, which are projected to improve health care affordability.
- Congress continues to focus on the Inflation Reduction Act, which provides financial relief on prescription drugs and medical treatments to those with Medicare.

Macroeconomic Trends:

Healthcare's relationship with macroeconomic trends is distinctive due to its essential nature, leading to more stable revenue patterns compared to luxury sectors. Large-cap firms dominate the industry, creating a broad and varied portfolio that buffers healthcare companies against economic downturns. Despite this stability, inflation has become a major concern. Rising costs, exacerbated by labor shortages, are pushing up production expenses. The healthcare sector experiences less fluctuation in revenue due to unemployment, as demand for healthcare services remains steady even during economic downturns. However, the aging workforce poses a future challenge for healthcare employment. The demand for specialized healthcare workers is expected to increase, while the sector's aging labor force is gradually shrinking. Despite these challenges, the sector is seeing technological advancements, including telemedicine and AI, which aim to reduce operational inefficiencies and improve care delivery. These innovations are also seen as solutions to rising costs, as they enable healthcare providers to manage more patients with fewer resources. Healthcare remains largely insulated from macroeconomic shifts, but its ability to adapt to labor shortages, manage inflation, and adopt new technologies will be key to navigating future challenges.

Sector Specific News

- Bausch + Lomb, a healthcare eye company, is trying to find a way to sell from its parent company Bausch Health. This is potentially good as the sale can generate proceeds for Bausch Health and allow them to recapitalize their debt and equity structure which can benefit debt and equity holders according to the Jefferies investment bank.
- Indonesia Healthcare sector is doing good due to its increasing population and increasing demand for healthcare services. This is due to little competition, new healthcare laws and earnings potential. Indonesia's CAGR earnings is 13% for 2024-2026 according to the bank Maybank Sekuritas.
- Ipsen's, a biopharmaceutical company from France, recent drug Iquirvo. which helps treats the liver disease primary biliary cholangitis, has its sales exceeding expectations according to RBC capital markets bank. They estimate the sales of this drug will reach 540 million euros from its starting point of 300 million. Ipsen has also started to distribute the drug in the U.S and shares have gone up by 4.5%
- In light of CVS Health's recent decision to restructure and break up its operations, analysts predict a significant shift in the healthcare landscape. The move is expected to enhance focus on its core pharmacy and healthcare services, which could lead to improved efficiencies and profitability. According to Wells Fargo, CVS's pharmacy segment could see a revenue boost of approximately \$2 billion by 2025 due to increased market share and enhanced service offerings. As a result, CVS shares have surged by 3.2% in early trading, reflecting investor optimism regarding the potential for higher earnings per share in the upcoming quarters.



Sector Companies

Stocks On the Rise

-Eli Lilly & Co: YTD Return of 59%

Eli Lilly & Co is a Drug Manufacturer that develops human pharmaceuticals, namely Zepbound a GLP-1 a diabetes drug that has dominated the pharmaceutical industry this year.

-Oscar Health, Inc: YTD Return of 136%

Oscar Health is a tech-driven health insurance company that offers consumer-centric healthcare solutions. Oscar Health's 2024 strategy focused on expanding into 165 new markets, personalized care for chronic conditions, and improving services for Spanish-speaking members.

-Boston Scientific: YTD Return of 35%

Boston Scientific is a medical device company specializing in cardiovascular and surgical technologies. Its market capital surged in 2024 due to strong product launches, like the FARAPULSE™ system, and strategic acquisitions, including Silk Road Medical

-Summit Therapeutics: YTD Return of 767%

Summit Therapeutics is a biopharmaceutical company focused on developing innovative cancer therapies. Its market capital increased significantly in 2024, driven by positive Phase 3 trial results for its lead cancer drug, Ivonescimab, and a successful \$235 million capital raise.

-Intuitive Surgical: YTD Return of 44%

Intuitive Surgical is a leading developer of robotic-assisted surgical systems, most notably the da Vinci Surgical System, which enhances precision and minimizes invasiveness in surgeries. This year, the company has seen increased market capitalization due to rising demand for minimally invasive surgical procedures

-Tenet Healthcare: YTD Return of 116%

Tenet Healthcare is a diversified healthcare services company that operates hospitals, outpatient centers, and other healthcare facilities across the United States. The company has increased its market capitalization this year due to improved patient volumes post-pandemic and strategic acquisitions that enhance its service offerings.

Stocks On the Downfall

-Theriva Biologics Inc : YTD Return of (81%)

Theriva Biologics Inc is America's seventh largest pharmaceuticals company which develops therapeutics to treat cancer and related diseases. The company recently announced a 1-for-25 reverse stock split and has been unable to turn a profit since its IPO in 2006.

-SIGA Technologies Inc : YTD Return of 33%

SIGA Technologies Inc is a pharmaceutical company focused on the health security market. Its stock dropped over 16% Wednesday after a video leaked showing former board member Jay Varma admitting to pushing SIGA's monkeypox drug despite the disease's low risk to the public.

-Moderna : YTD Return of (36%)

Moderna is a biotechnology company spearheading the advancement of mRNA medicines. Moderna generates 95% of its revenue through product sales and has recently seen drops in revenue due to falling demand for the covid vaccine. Expect Moderna's stock to struggle as it continues to rely on a single revenue stream it shares with larger competitors like Pfizer and Vertex.

-GE HealthCare Technologies Inc. : YTD Return of 19%

GE HealthCare's shares now trade at a 5% P/E premium compared to a historical 15%. GE's inflated market valuation coupled with increased competition concerns in Chinese markets signal difficult times ahead.

Figure 4: S&P 500 Health Care Index (blue) YTD return compared to S&P 500 (black)





Sub-sector Analysis

Overview: The following section contains a brief overview of the most prominent industries in the healthcare sector.

Pharmaceuticals: Revolves around the discovery, development, and manufacture of drugs and medications. There are both private and public organizations in this industry. This industry is heavily regulated due to the health ramifications if a drug or medication does not perform as expected. The pharmaceutical industry has experienced significant growth in the last 20 years and in 2024 totaled \$1.6 trillion in worldwide revenue.

Distribution: The process of delivering medical products, services, and information to patients and healthcare providers. It involves various channels and logistics that ensure that medical supplies, pharmaceuticals, and services are available where and when they are needed.

Healthcare facilities: Healthcare facilities refer to physical locations where medical services are provided to patients. These include hospitals, clinics, nursing homes, and rehabilitation centers. Companies in this sector own, manage, or operate these facilities. Some of the largest facility owners in the US are HCA Healthcare and Universal Health Services.

Biotechnology: A science driven industry that uses living organisms and molecular biology to produce healthcare-related products. These companies also develop therapeutics or processes like DNA fingerprinting. The biotech market in the United States was valued at \$246 billion in 2023 and it expected to reach \$760 billion in the next decade.

Medical Devices: Medical devices are instruments, machines, or related items intended for use in the diagnosis, prevention, monitoring, treatment, or alleviation of disease or injury. This category encompasses a broad range of products, including diagnostic equipment and therapeutic devices.

Medical Equipment: Medical equipment encompasses a wide range of devices used for diagnosing, monitoring, and treating medical conditions. This includes everything from imaging machines to surgical instruments and patient monitoring systems. Medical equipment makers include firms that manufacture standard products and research/produce hi-tech equipment, such as MRI machines and surgical robots.

Trading Multiples of Largest Firms in Each Industry

Name	Industry	Price	EV/ EBITDA	P/E	P/B	P/S	EPS	Market Cap
Eli Lilly & Co	Pharmaceuticals	\$891.07	50.12	63.78	61.98	0.21	22.38	391.85 B
McKesson Corporation	Distribution	\$479.14	14.32	21.40	--	0.2	22.39	62.13 B
HCA Healthcare	Healthcare Facilities	\$405.11	10.69	19.02	--	1.59	21.30	104.55 B
Amgen	Biotechnology	\$312.86	19.57	54.03	30.02	5.78	5.79	168.11 B
Abbot Labs.	Medical Devices	\$112.61	19.76	35.52	5.02	4.87	3.17	195.93 B
Medtronic	Medical Equipment	\$89.39	16.31	30.10	2.40	3.64	2.97	114.65 B