



MONTHLY RESEARCH WEBINAR

HEALTHCARE: POST-PANDEMIC INVESTING

Moderator:

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March 1, 2023

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■ **Healthcare: Post-Pandemic Investing**

- Jim Kelleher, CFA, Director of Research
- John Eade, Argus President
- David Toung, Senior Analyst
- Jasper Hellweg, Security Analyst

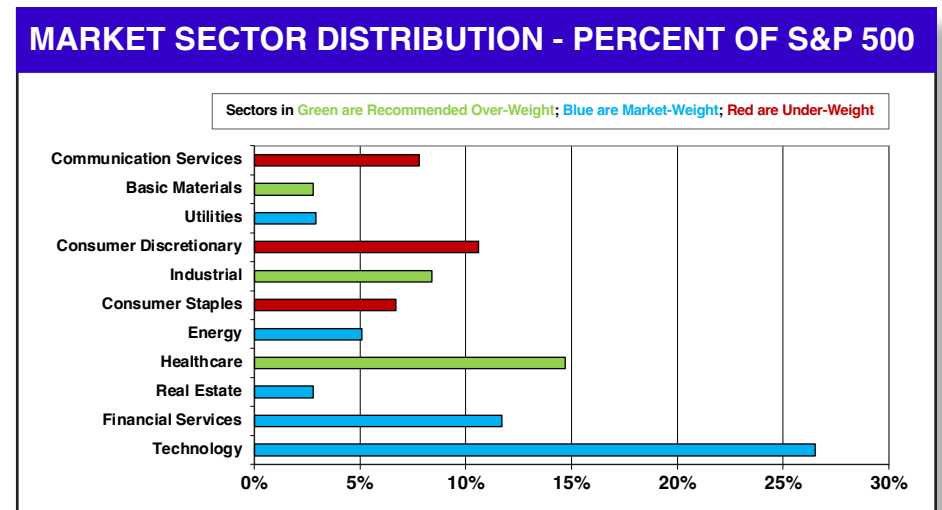
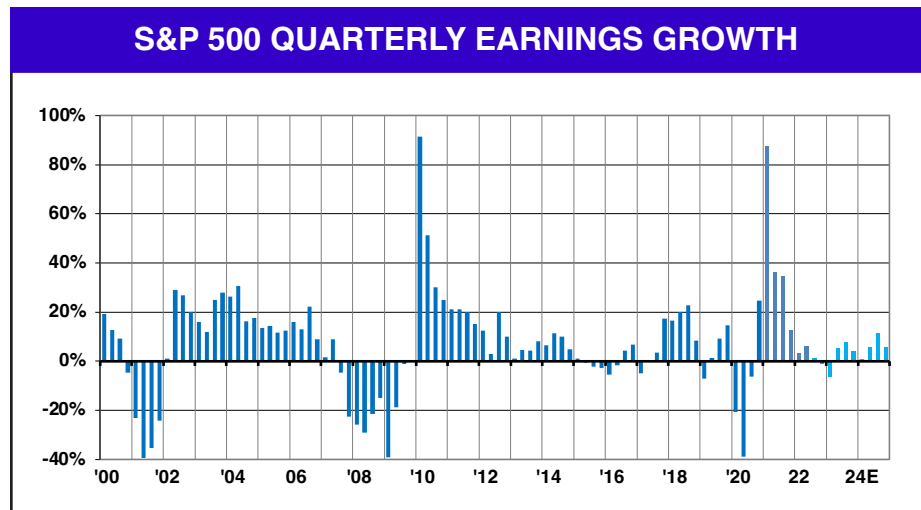
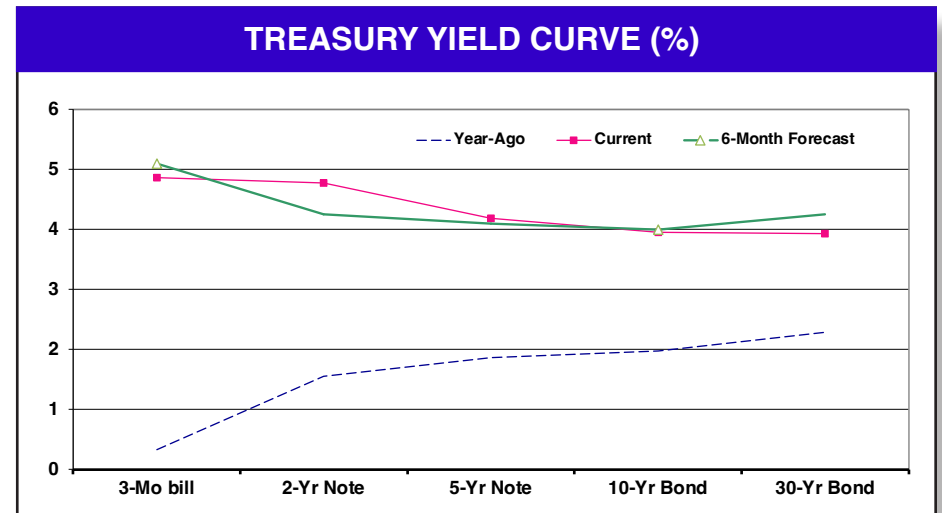
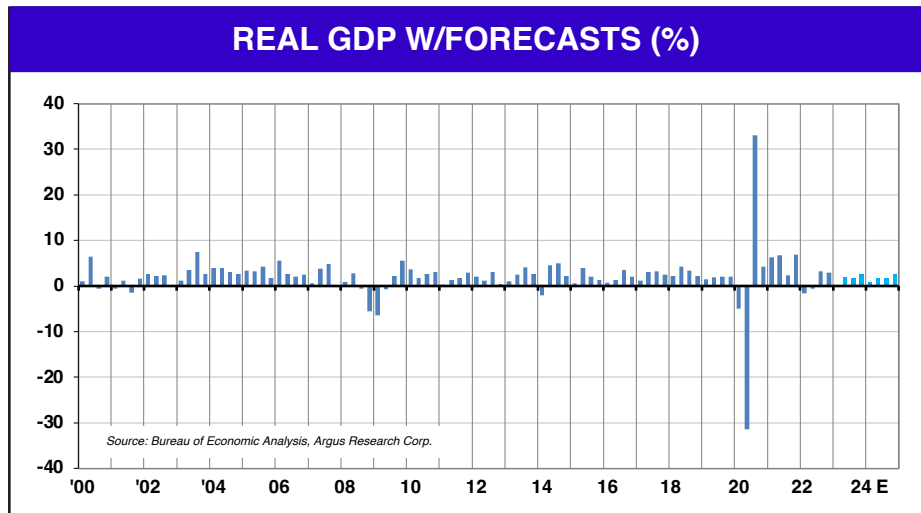
■ **Argus Quick Notes**

- Seeking Value in Healthcare Stocks
- Activist Stocks
- Global Dividend Investing
- Fire Sale of Beaten-Down Tech
- Cautious Consumer
- Find these on the homepage of our website

■ **Portfolio Update: the Argus High-Yield Model Portfolio**

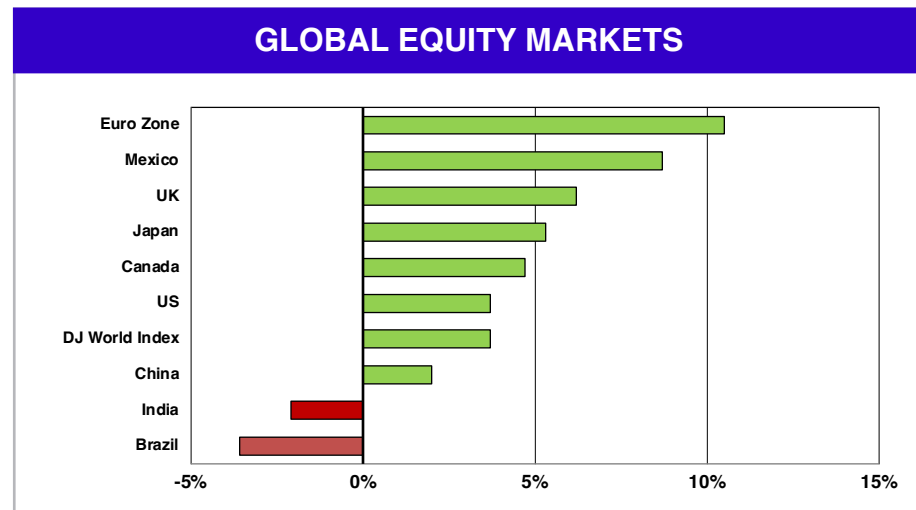
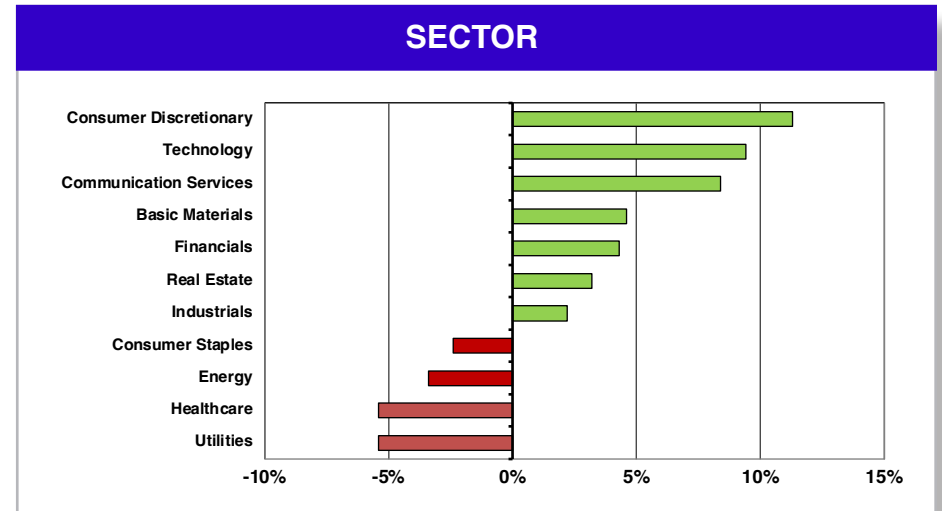
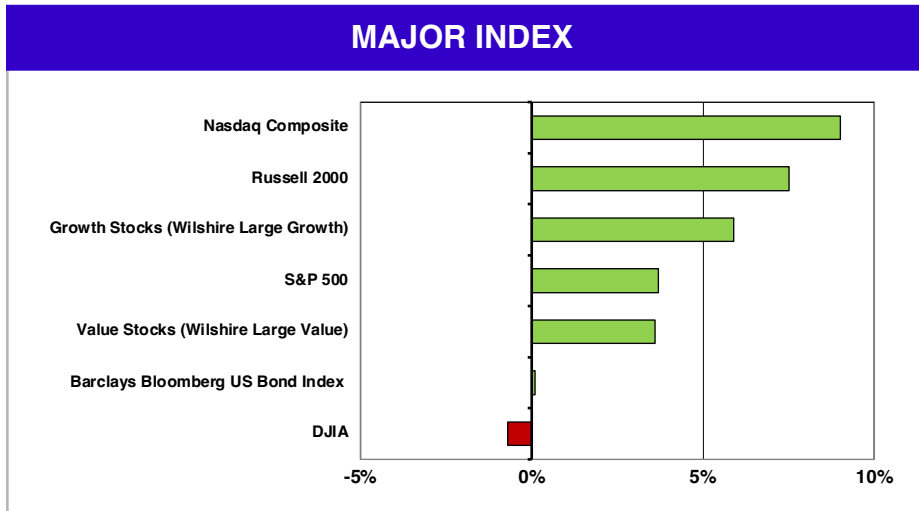
- During 2022 bear market, value outperformed growth
- Fed rate hikes capping multiple expansion for growth stocks
- Value is the place to find income
- Find the Argus High-Yield MP on the homepage of our website

MACRO FORECASTS



MARKET PERFORMANCE

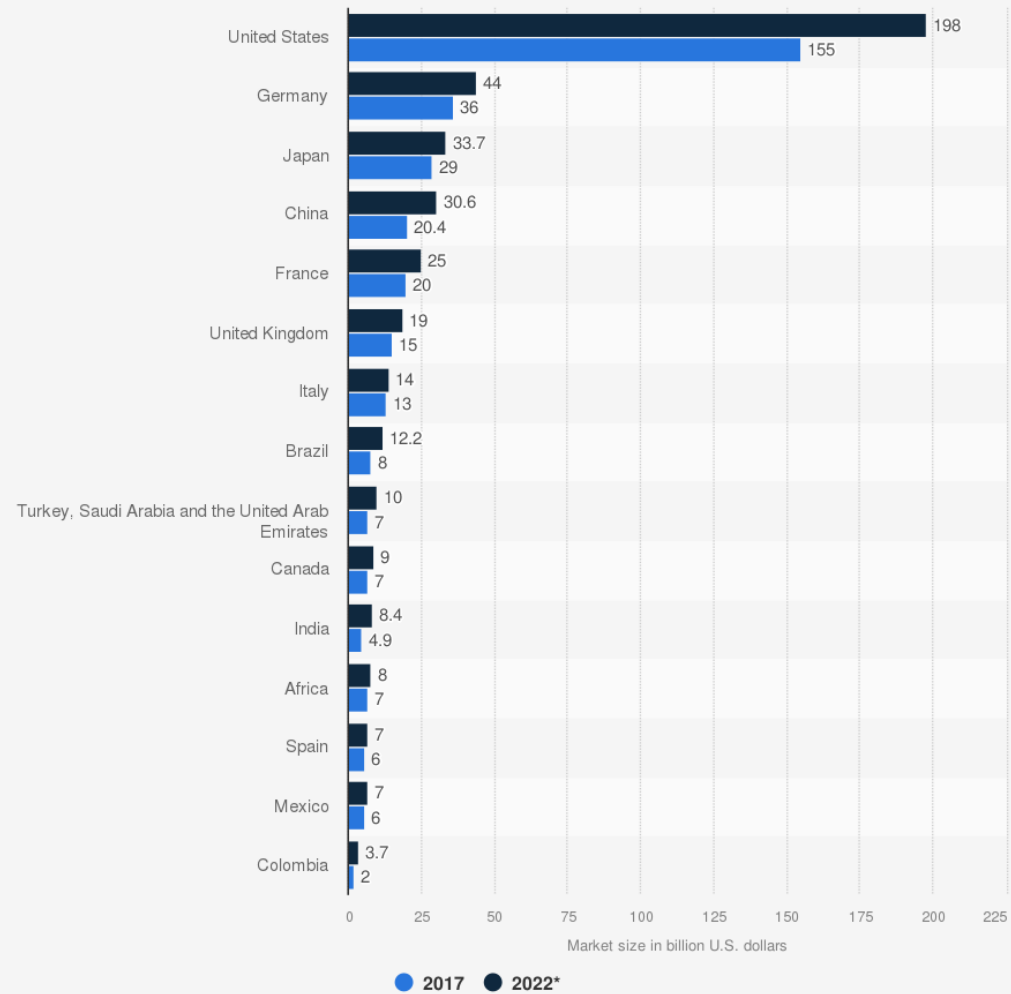
DATA AS OF FEBRUAR 27, 2023



Health Care (HC) sector accounts for about 15% of the S&P 500. Our recommendation is Over-Weight

- Health Care sector (XLV ETF -1.4%) has outperformed the broader market (S&P 500 -7.1%) over the past 52 weeks. HC stocks seen as defensive play. Prescription drugs and medical devices viewed as solutions to improve life quality, irrespective of economic cycles. Sector includes pharmaceuticals, medical devices, insurance, HealthTech and distributors.
- Post-pandemic, recovery in elective procedural volumes and supply chain improvements will drive revenue growth for MedTech sector in 2023.
- Medical devices, such as orthopedic knees and cardiovascular implants, improve quality of life for an older population.
- Despite near-term headwinds to procedural volumes in China due to COVID surge, Asia-Pacific regions offer significant growth opportunities for MedTech sector.

Global medical technology market size in 2017 and a forecast for 2022, by major country

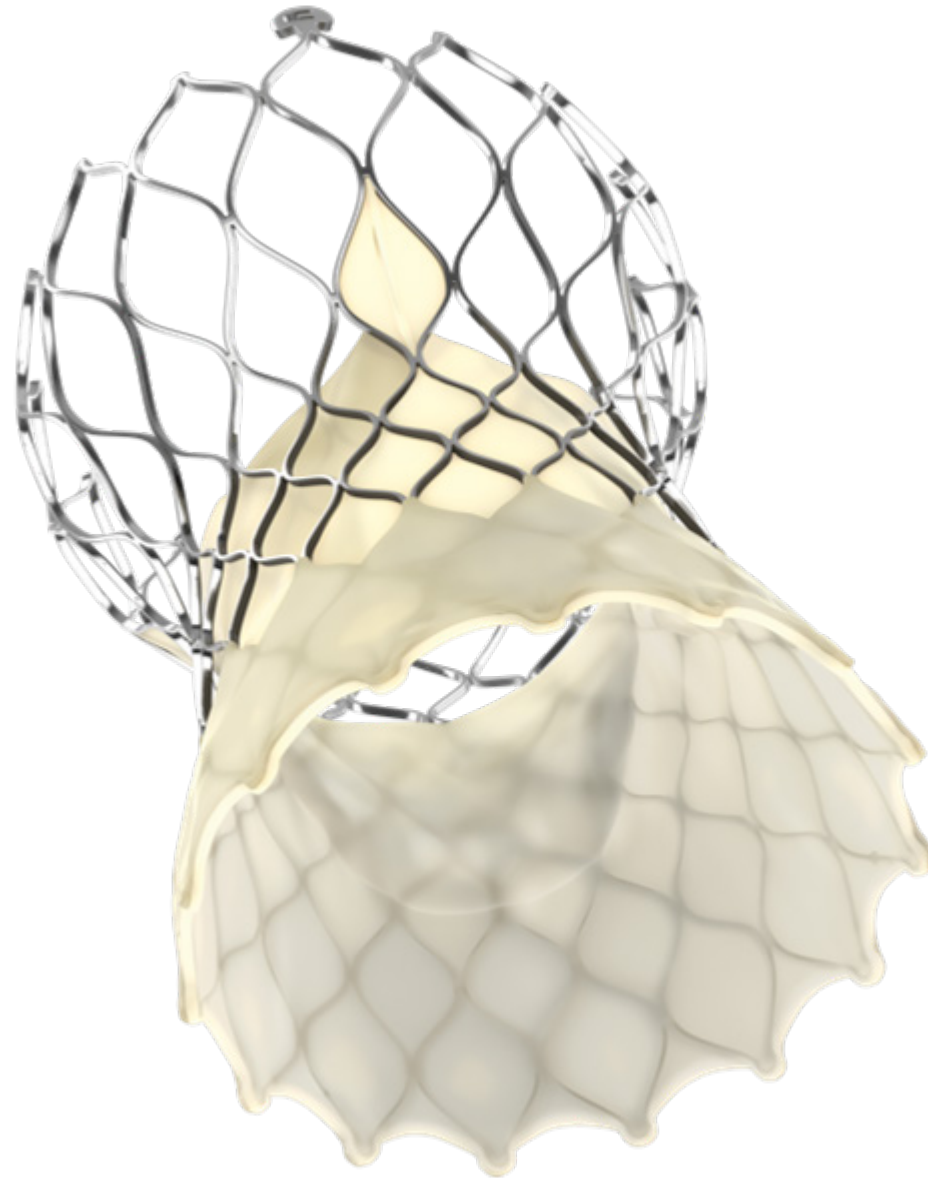


Source
IQVIA
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Additional Information:
Worldwide, as of 2019

- **Stryker (SYK)** – Stryker comes into 1Q23 with momentum of robust new order book for its O/R and hospital equipment. Recovering procedural volumes will drive revenue in its Orthopedics & Spine segment. Improvement of component supply issues will drive higher profit margins in the second half of the year. Fixing supply issues enables faster delivery on orders. The company expects growth in 2023 to be driven by the launch of new products, M&A and expansion in overseas markets. Mako robotic platform for orthopedic surgeries will drive market share gains in hips and knee implants.
- **Medtronic (MDT)** – Tailwind to revenue growth in 2023 from recovery in elective procedural volumes. MDT sees sequentially stronger growth in fiscal 4Q23 over 3Q23 and in FY24 over FY23. Separation of Renal Care, Patient Monitoring and Respiratory businesses will enable company to focus on faster-growing assets and allocate capital on M&A to acquire future growth drivers. CY2023 growth drivers will be from recent and new product launches and market expansion in Asia-Pacific and Latin America. [see Photo of Evolut transcatheter aortic valve replacement]

EVOLUT TRANSCATHETER AORTIC VALVE REPLACEMENT



Danaher Corp. (NYSE: DHR)

- Danaher supports the biopharma industry. It provides tools, instruments and reagents to assist biotech companies in developing and manufacturing biologic drugs.
- We see stronger growth in the second half of 2023. A surge in COVID-19 cases in China slows business activities in 1Q23. In U.S., new orders have slowed near-term, as customers are repurposing inventory from COVID vaccine development to non-COVID therapies. Still, the underlying demand remains robust from customers for solutions to support the development and production of non-COVID biologics. We expect orders growth to be stronger in 2H23.
- DHR's non-COVID bioprocessing revenue is growing >20%, as it supports production of cell and gene therapies, and of monoclonal antibodies that are key components of biologic drugs. For illustration, therapies supported by Danaher aim to regenerate brain cells and reverse blindness.
- In September 2022, Danaher held an impressive investor day at its Cytiva facility in Marlborough, MA, to showcase the company's bioprocessing business and highlighted its growth opportunities in biologics and genomic medicine.

- **GSK plc. (GSK)** – Following the demerger of its Consumer Healthcare business, GSK is now entirely focused on its Pharmaceuticals business, particularly in the areas of respiratory and infectious diseases, oncology, and immuno-inflammation. The company has had multiple regulatory developments in recent months, including the FDA approval of a treatment for chronic kidney disease (CKD) and the granting of orphan drug designation for the potential treatment of systemic sclerosis, as well as UK and EU approvals for its COVID-19 booster shot. The company also has a significant pipeline and recently announced that it is working with the U.S. Biomedical Advanced Research and Development Authority (BARDA) to develop a response to the potential spread of the H5N1 avian flu.
- **Incyte Corp. (INCY)** – While Incyte’s primary revenue-generating product, Jakafi, continues to post steady growth, the company’s dependence on the drug may lessen in the near future given the impressive rise of Opzelura, a skin cream for the treatment of eczema and vitiligo. Further cementing its leadership position in vitiligo, the company has agreed to acquire Villaris Therapeutics, which has a separate antibody therapeutic for vitiligo that is scheduled to enter clinical development later in 2023. Incyte has also announced multiple updates to other areas of its pipeline in recent months, offering some visibility for other potential growth drivers going forward.

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