

MONTHLY RESEARCH WEBINAR

HEALTHCARE: VALUES IN HEALTHCARE

Moderator:

Jim Kelleher, CFA

Director of Research

February 5, 2025

■ **Healthcare: Values in Healthcare**

- Jim Kelleher, Argus Director of Research
- John Eade, Argus President
- David Toung, Senior Analyst
- Steve Silver, Security Analyst

■ **Argus Quick Notes**

- Investing in the Cloud
- 2025 Investment Themes
- Hidden Treasures in 2025
- Find these on the homepage of our website

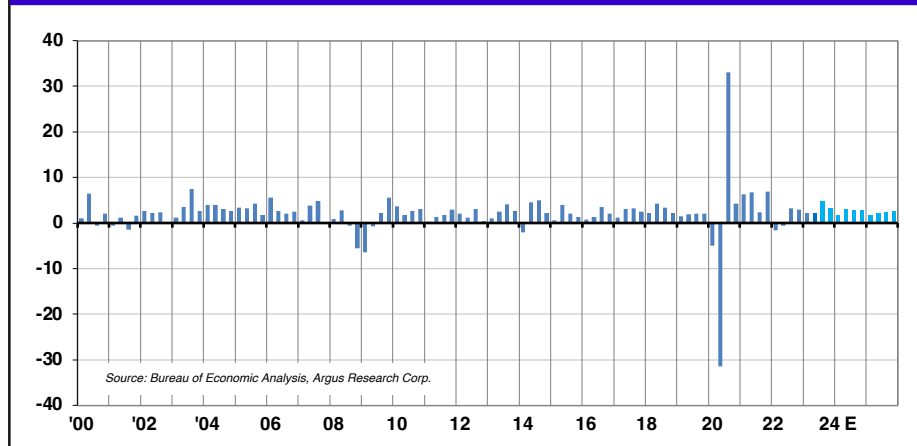
■ **Portfolio Update: the Argus Min Vol Model Portfolio**

- In a down 2022, Min Vol outperformed broad market
- 2023-24 rally was thin, raising current selloff risks
- Amid tariffs uncertainty, investors are rotating defensively
- An all-weather strategy timely in any investment climate
- Find the Argus Min Vol MP on the homepage of our website

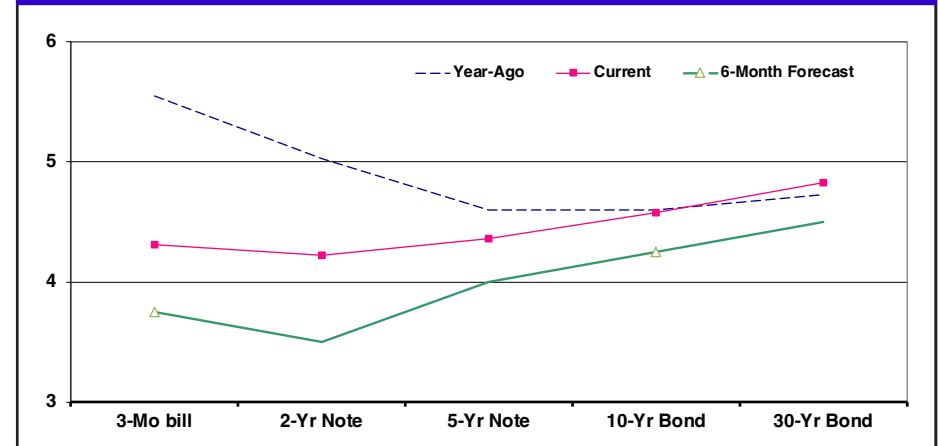
MACRO FORECASTS



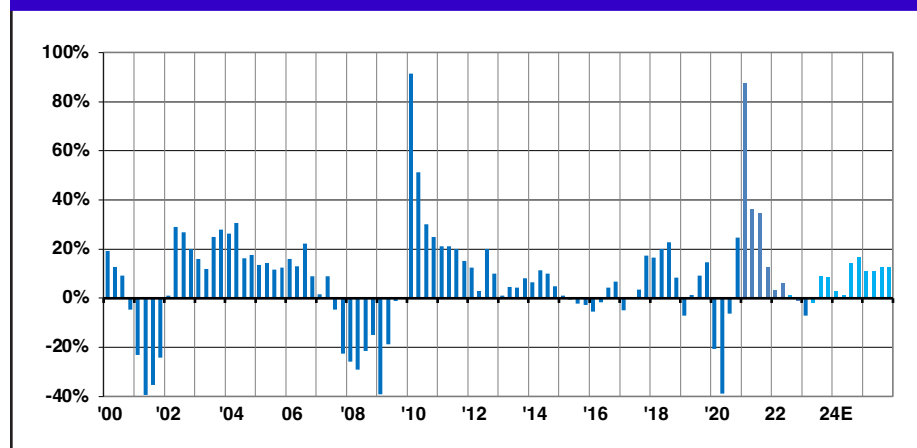
REAL GDP W/FORECASTS (%)



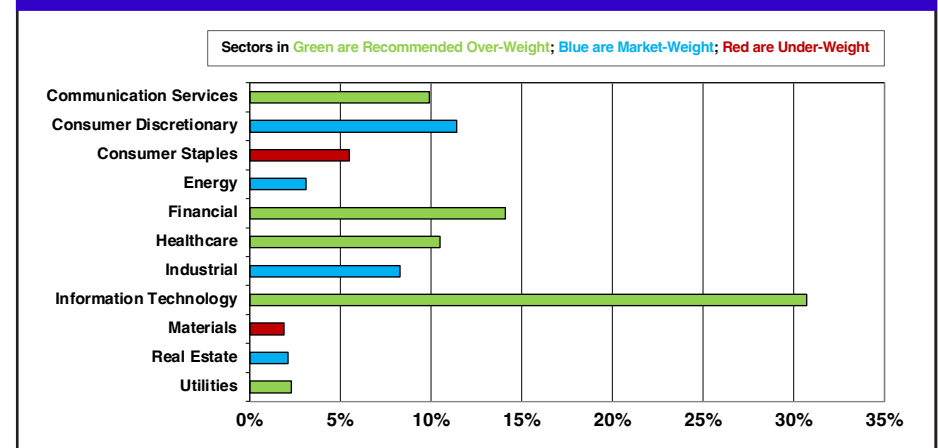
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH



MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500

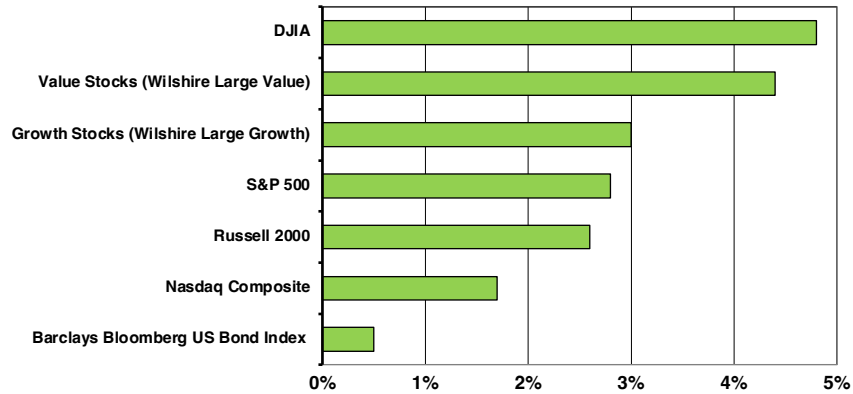


MARKET PERFORMANCE

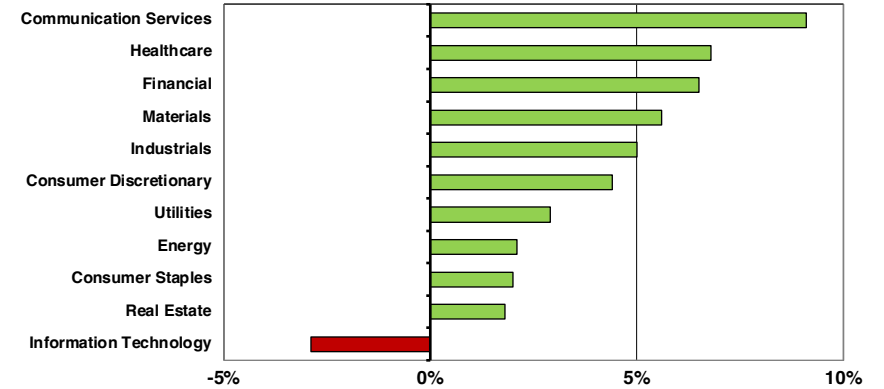
DATA AS OF JANUARY 31, 2025



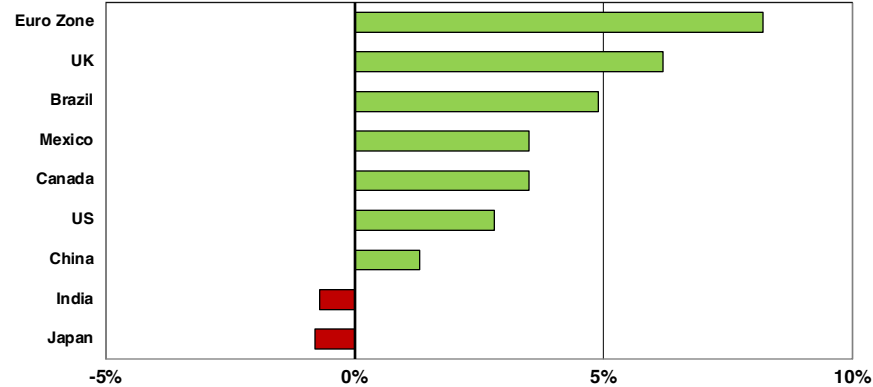
MAJOR INDEX



SECTOR



GLOBAL EQUITY MARKETS



KEY THEMES FOR HEALTH CARE MEDTECH SECTOR



- **Current market conditions are very positive for MedTech industry.**
- **Hospitals have increased staffing and capacity to meet demand for elective procedures. 4Q24 elective procedure volumes were strong.**
- **Medical devices treat diseases and conditions for an aging population. These conditions include cancers, joint replacements and cardiovascular diseases. Aging demographics seen as tailwind for MedTech companies that provide orthopedic implants and cardiovascular devices to improve people's lives as they get older.**
- **MedTech companies are adding digital and robotic capabilities to improve functions and patient outcomes.**
- **Given that device manufacturers have supply chains that stretch across borders, there may be impact from tariffs that would hit profit margins.**

■ Intuitive Surgical (ISRG)

- Industry-leading da Vinci robotic system for general and soft tissue surgeries
- Ion robotic systems is growth driver in lung biopsies

■ Stryker (SYK)

- Mako robotic system for orthopedic surgeries

■ Boston Scientific (BSX)

- Leader in TAVR heart valves and pulse-field ablation devices to treat atrial fibrillation

■ GE Healthcare (GEHC)

- Leverages its large installed base of capital equipment in Imaging,
- Ultrasound and Pharmaceutical Diagnostics to increase utilization of consumables
- GEHC adds digital capabilities to diagnostic equipment to improve product pricing

■ **Danaher (DHR)**

- Stronger revenue growth in 2H25 as end market conditions improving
- Bioprocessing orders increase sequentially for sixth quarter in a row
- DHR helps biopharma companies develop and manufacture drugs

■ **IQVIA (IQV)**

- Uses AI to extract and harness industry's largest data base of prescription data to help pharma launch and market drugs

■ **UnitedHealth Group (UNH)**

- Nearly all of its business is U.S. based UnitedHealthcare provides health care insurance benefits
- Optum businesses deliver primary care, pharmacy benefit services and technology services to companies
- Optum provides more than half of operating income, growing faster than insurance businesses

- **Pharma/Biotech Key Drivers of Healthcare Sector (~45%) and U.S. stock market capitalization (4-5%)**
- **Pharma/Biotech Have Underperformed Since COVID**
- **Pharma/Biotech Converging Through M&A**
- **Pharma Facing Patent Cliff at End of Decade**
- **FDA Trends**

■ **Vertex Pharmaceuticals (VRTX)**

- Latest pipeline development: FDA approves Journavx for pain
- Meanwhile, building out cystic fibrosis franchise
- Earnings murky due to R&D write-off charge in 2Q
- Expect return to growth in 2025

■ **Eli Lilly & Co. (LLY)**

- Superweight in Class, Pharma No. 1
- GLP-1 franchise expansion & Competition
- New Indication for Crohn's Disease
- Dividend Growth

■ **Incyte Corp. (INCY)**

- Transformational pipeline year in 2025
- 4 new product launches planned
- 4 pivotal trial readouts, 7 POC readouts, 3 new Phase III clinical studies
- Potential to deliver more than 10 high impact new product launches by 2030

■ **Teva Pharmaceutical Industries Ltd. (TEVA)**

- Value idea – P/E of 6x
- Turnaround opportunity
- Recent upgrade based on new drugs and improving margins
- Leader in biosimilars

■ **Gilead Sciences Inc. (GILD)**

- Value idea – P/E of 13x
- 1Q R&D setback
- New CMO, Back on track
- Breakthrough therapy designation for lenacapavir for HIV prevention

■ **United Therapeutics (UTHR)**

- Value idea – P/E of 13x
- Xenotransplant business milestone with modified pig kidney: I'm Superwoman
- Unmet need in transplant segment
- Core pulmonary arterial hypertension business is growing

■ Equity Income

- ABT, AMGN, JNJ, MDT, SNY

■ Growth & Income

- AMGN, GEHC, LLY, MRK, NVO

■ Growth

- BSX, ISRG, NVO, SYK

■ Institutional

- BDX, DHR, IQV, LLY, REGN, SYK, TMO, UTHR

■ Dividend Growth

- LLY, UNH, MCK

■ Sustainable Growth

- BSX, DHR, LLY, UNH

■ Min-Vol

- ABT, JNJ, SNY

■ High-Yield

- CVS, GILD, SNY

■ International

- SNY, GSK, NVS, NVO, RHHBY, AZN

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