Halfway through the year: glass half full or half empty?

Healthcare returned -3.2% in June, extending its year-to-date outperformance versus global equities to 10.2%. In June, central banks were in the limelight as hopes that inflation had peaked were again crushed. The FED then proceeded with its largest rate hike since 1994 – hinting of another hefty 75 bp increase in July. Ditto for the ECB, which confirmed a 25 bp hike for July. And even the Swiss National Bank surprised markets with its first hike (50 bp) in 15 years. These central bank actions and ongoing worries of a FED-induced soft landing caused global equities to drop 8.7% in June.

Healthcare Technology (+5.7%) rebounded, driven by Veeva's Q1 results. Biotechnology (0.0%) benefitted from M&A deals and rumours: media reported that Merck & Co is nearing a takeover of Seagen. Bristol Myers Squibb acquired Turning Point (USD 4.1bn), Novartis paid USD 75m (alongside milestones of up to USD 1.4bn) for Precision BioSciences, Radius will be taken over for USD 890m by Gurnet Point and Patient Square, Ipsen intends to buy Epizyme (USD 400m), invoX aims to acquire F-star Therapeutics (USD 160m) and Gallapagos is buying AboundBio and CellPoint (USD 14m and USD 125m/USD 100m milestones). Providers & Services (-1.6%) were helped by managed care stocks on news that President Biden is unlikely to end the public-health Emergency in 2022. Facilities (labour improvements are materialising more slowly than expected), as well as distributors and services (dialysis names fell sharply after an adverse decision US Supreme Court ruling against DaVita) were a drag to performance. Pharma lost 1.6% over the month (the decline was generalised, with no specific news) but remains the best performing sub-sector year-to-date. The softness in Tools & Services (-5.8%) was broad-based, with CDMOs and Illumina being particularly weak (CFO departure, competition fears extending into June). Equipment & Supplies shed 9.2%. Hospital equipment suppliers were hit hard after Getinge cut its guidance. Orthopaedics (continuous low volumes due to labour shortages / pandemic behaviour), vision (no specific news) and dental stocks (recession fears) had a bad month.

In the spotlight

Conferences

ASCO, Chicago, June 3-7: We came away from the conference much more encouraged than when we left, especially with the big sell-off in Biotech stocks over the past 15 months in the back of our minds. The unmet medical need in oncology is still huge and we see new avenues and directions evolving. Following the immuno-oncology revolution of 2014, developments have now become more evolutionary again. While companies continue to move fast, indications are becoming ever more specific and better defined, and thus smaller in tendency. This will benefit patients, which is most important, but it will also wash out mediocre approaches in a very competitive environment. Oncology will remain a focus area for many years to come and new winners will emerge. We think that companies with a deep understanding of oncology science and the oncology market, with disruptive technology platforms, with strong and holistically thinking management teams (science, manufacturing, regulatory, commercialisation, etc.) and with sound financials will be best positioned. The complete "Thoughts from the Street" article can be found here:
https://kieger.com/news/asco-american-society-of-clinical-oncology-annual-meeting-2022/

Jefferies, New York, June 8-10: This year, the overarching theme was the state of the Healthcare sector in the current cloudy macro environment. Many presentations touched on the pain points investors are currently dealing with. In general, companies painted a confident picture for the future, which may also be a function of the sector's defensiveness/non-discretionary character. The heavy drawdown in stock prices of non-profitable high growth Medtech, Services and smaller Biotech companies continues to be a head scratcher, but here too the issue seems to have more to do with macro, equity market and valuations factors over the last 15 months, than with questionable fundamental innovation and market drivers. Overall, it remains to be seen how smoothly firms will continue to navigate in the eye of the hurricane and it might take a while still before things start to calm down.
Full article:
https://kieger.com/news/2022-jefferies-healthcare-conference-new-york/

Goldman Sachs, Los Angeles, June 13-16: Since the last in-person event of 2019, there has been a shift in the type of companies attending the conference. In the past, the focus was on large caps, but a greater number of small and mid cap companies are now also presenting. The conference coincided with the week during which the S&P 500 entered a bear market, hopes that inflation had peaked faded and the FED raised its policy rate by 75 bp, the first hike of that magnitude since 1994. Even the Swiss National Bank was forced to hike rates for the first time since 2007. In such an environment, company-specific factors have become much less important in determining stock prices. That said, it appears that both investors and management teams have not yet fully adapted their thinking to this new investment regime, characterised by inflationary and probably also recessionary pressures.
Full article:
https://kieger.com/news/goldman-sachs-healthcare-conference-los-angeles/

Discussion of the Month: Key takeaways from conferences

This month, our "Chart of the Month" becomes a "Discussion of the Month". View Urban Fritsches, Raphael Oesch and Flavio Mancino's key takeaways from June conferences in the US.
https://kieger.com/news/kieger-healthcare-discussion-of-the-month/

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