

And it's a wrap for 2024



2024 was a challenging year for healthcare which came to a tumultuous end with negative sentiment around PBMs and Insurance companies and major readouts coming below what were inflated expectations.

Overall, this newsflow has depressed valuations further, but fundamentals remain intact and strong, with above-market earnings growth expectations. We therefore see 2025 as an attractive entry point for the sector.

Negative news for PBMs/Insurance

The healthcare insurance and pharmacy benefits segment was hit by a storm of negative news during December.

First was the tragic murder of UnitedHealth CEO, which in itself would not have had a major impact to the company’s fundamentals. However the event stirred up a lot of debate and negative sentiment around health insurance claim denial practices.

This was followed by a bipartisan bill targeting Pharmacy Benefit Mangers (PBMs). PBMs are typically hired by insurance companies to negotiate discounts with drug manufacturers based on bulk purchasing agreements. PBMs can be integrated in companies which also operate pharmacies or within insurance companies

The objective of the bill is to prohibit joint ownership of PBMs and pharmacies, as this allegedly leads to increased costs. While this bill is still far from being signed into law, its announced contributed to strong negative sentiment for the group.

Later in the month, Trump singled out “middlemen” as responsible for the costs in US healthcare. This was widely understood as referring to PBMs and drug distributors.

Finally, House Republicans opened an investigation into CVS’s PBM business regarding alleged violations of antitrust laws.

While we expect that the impact of these events on future earnings will be low. The bill still has a lot of wood to chop before becoming law, and Trump’s comment were vague and far from any kind of policy. All nonetheless contributed significantly to major negative sentiment for the group over the past month.

Major trial readouts

Data of two widely anticipated clinical trials was released late in December:

The first was Vertex’ suzetrigine phase 2 trial to treat sciatica pain. This was highly anticipated as there is a high unmet need for non-opioid pain treatment. The data was disappointing due to an unexpectedly high placebo response, but the drug is active. Vertex plans to proceed with a pivotal Phase 3 trial.

Novo Nordisk reported long-awaited CagriSema phase 3 data in overweight or obese adults. The treatment achieved 22.7% weight loss, falling short of market expectations of 25%. Novo is planning an additional phase III obesity trial in 2025 and is on track to file for approval by the end of 2025.

Performance Overview

	1M	3M	YTD	12M
Healthcare	-6.0%	-13.9%	1.1%	4.9%
Medtech	-4.0%	-2.8%	8.6%	19.8%
Services	-13.5%	-16.2%	-7.6%	-7.7%
Pharma	-5.1%	-18.2%	2.2%	6.8%
Biotech	-4.6%	-14.2%	-0.1%	3.1%
Tools	-2.9%	-12.0%	-1.9%	-5.5%
World	-2.8%	1.7%	18.7%	46.6%

Top 5 last month

1	Teva	31%	Earnings
2	Galderma	9%	FDA drug approval
3	Neurocrine	8%	FDA drug approval
4	Getinge	5%	No news
5	Fresenius Medical	4%	DAX inclusion

Bottom 5 last month

1	CVS	-25%	Investigation + PBM bill
2	Carl Zeiss	-21%	Earnings, guidance cut
3	Novo Nordisk	-19%	CagriSema weight loss data
4	Cigna	-18%	PBM bill
5	Ramsay Health	-17%	No news

Source: Bloomberg Finance L.P., Kieger

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