KIEGER
dare to care

# Healthcare earnings shine bright

The healthcare sector widened its year-to-date outperforming through a strong reporting season, with 4.8% lead vs the market as of 28th Feb. Both sales and earnings growth outpaced the market year-on-year, indicating both strong underlying factors as well as margin expansion.

**Overall,** we exit the quarter with an additional data point to support our view for faster relative earnings growth for the sector, despite headline-driven volatility.

## Q4 Earnings wrap

90% of healthcare companies have reported their earnings for the full year 2024, with most of them also giving guidance for the year ahead.

The results have been strong so far, with the majority of companies beating expectations.

While the overall picture was good, tools where a notable low-light in this respect

The recently cut of federal study grant funding due to DOGE initiatives have provided a new layer of uncertainty for the group.

Our expectations of faster earnings growth for the healthcare sector for the next few years is playing out so far, with healthcare earnings growing 14% year over year, vs 10.8% for the broad market.

Sales grew 9% year over year, reflecting the strong underlying demand for the sector, driven by population ageing, innovation and rising middle class populations globally.

**Overall,** we exit the quarter with an additional data point to support our view for faster relative earnings growth for the sector, driven by structural factors.

## Headline volatility

The Trump administration has been the source of much headline volatility over the past few weeks. This has affected specific areas ranging from federal grant funding to Medicaid funding and vaccines.

**Overall,** these announcements have added an uncertainty premium to select names and sector areas. However, we view fundamentals as broadly unaffected.

## Performance Overview

| | 1M | 3M | YTD | 12M |
|---|---|---|---|---|
| Healthcare | 1.1% | 0.2% | 7.6% | 8.8% |
| Medtech | -0.3% | 7.7% | 9.1% | 18.4% |
| Services | -4.5% | -4.4% | 3.8% | -4.1% |
| Pharma | 5.0% | 0.2% | 9.5% | 11.9% |
| Biotech | 6.3% | -0.7% | 11.5% | 11.3% |
| Tools | -11.3% | -8.3% | -4.8% | -6.6% |
| World | -0.7% | 4.7% | 2.8% | 22.0% |

**Top 5 this month**

| | | | |
|---|---|---|---|
| 1 | Grifols | 28% | Earnings and guidance beat |
| 2 | M3 | 28% | Earnings beat |
| 3 | Gilead | 18% | Earnings beat |
| 4 | CVS | 16% | Earnings and guidance beat |
| 5 | Chugai | 14% | - |

**Bottom 5 this month**

| | | | |
|---|---|---|---|
| 1 | Illumina | -33% | Guidance miss |
| 2 | West Pharma | -32% | Guidance miss |
| 3 | Bio-Rad Labs | -27% | Earnings and guidance miss |
| 4 | Avantor | -25% | Earnings and guidance miss |
| 5 | Neurocrine | -22% | Earnings and guidance miss |

*Source: Bloomberg Finance L.P., Kieger*

## Kieger Healthcare Team

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