The Healing Economy: EU & US Healthcare Sector Performance & Trends

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Table of Contents

Executive Summary

This report provides a comprehensive overview of the US & EU healthcare industry, highlighting its current landscape, key drivers, challenges, and future outlook.

The report will be evaluating the sector's performance at a high level by looking at the current maturity of our investments as well as their results. We found that the bulk of investments made have had a rocky start but have an exceptionally high ceiling and potential to grow significantly in the next few years. We have also carried out a SWOT analysis showing strengths such as innovation and effective research and development investments made by companies. We also touch on the adverse effect of these strengths being translated as high and potentially unsustainable costs for both company and consumer.

We will be exploring key industry developments, such as increased M&A activity and the specific deals shaping up the current market, focusing on some of the larger deals such as Johnson & Johnson's acquisition of Intra-Cellular Therapies which could indicate a revival of biotech M&A. Furthermore, we can see a push for more sophisticated medical device solutions in surgery and treatment. However, the report also touches on the difficulties of regulatory processes of approval for such medical devices and how this has affected the speed at which these products become functional for the population. We will also be looking at different industry disruptors that have been challenging traditional healthcare business models with an emphasis on consumer-centric solutions and digital health.

There is a large allocation of the report for a financial outlook of the healthcare industry. The financial outlook for the healthcare industry remains strong, with a projected compound annual growth rate (CAGR) of around 7% through 2030. We will further evaluate some exciting investment opportunities in different segments of the market and assessing the potential longevity of the different companies' success as a result of their unique propositions. We are paying attention, more specifically, to telehealth companies along with truly dominant companies with an undeniable footprint in the healthcare market. We also dive into some key risks such as worldwide geopolitical uncertainty and how this can hinder the healthcare industry or if it will be able to bounce back effectively.

This report is heavily focused on the strategic need for investment into high growth areas such as digital health proposition and, AI driven solutions but specifically those that are created to prioritise the consumer. This also is highly important for stakeholders because the traditional healthcare businesses model, as we cover in this report, is evolving at a substantial rate. This evolution has forced ,companies to build interoperable systems that are prepared for the regulatory shifts which will be key for the long-term success of both the firms and the industry.

Market Analysis

Market Trends

M&A Activity

The healthcare industry is currently experiencing a surge in M&A activity with larger firms increasing their market positions through acquiring smaller biotech start-ups. The most recent example of which is AstraZeneca's recent $1bn acquisition of EsoBiotec, a firm specialising in immunotherapies. This increased consolidation has resulted in reduced competition, allowing these firms to maintain increase profit margins. However, this may have the negative impact of innovation growth in the long run, as fewer independent companies remain to challenge industry leaders.

AI for Healthcare

Technological advancements, particularly in artificial intelligence are transforming healthcare delivery. Companies like Cera Care in the UK are utilising digital tools to provide remote patient care, reducing hospital visits and easing pressure on healthcare systems. These innovations improve patient outcomes while lowering costs, making AI-driven healthcare solutions an attractive investment growth opportunity. As the sector continues to embrace digital transformation, firms developing these technologies may as a result see strong equity performance.

Fitness & Wellbeing

Consumer preferences are shifting towards preventative health and wellness. Particularly the younger people are seeking increased fitness and nutrition wellbeing. Wearable technology brands like Whoop as well as fitness events like Hydrox reflect this growing demand for data driven health insights among the younger generation. As more consumers increase spending on fitness and wellness, firms specialising in this industry have the potential to drive equity performance within the healthcare sector.

Interest Rates

In terms of macroeconomics, interest rate volatility is altering the healthcare investments, particularly in biotech. Persistently high interest rates have made capital more expensive, reducing funding for early-stage biotech firms. As a result, smaller companies struggling with profitability are becoming acquisition targets for larger players, reinforcing the M&A trend. This environment may benefit established healthcare firms with stronger balance sheets, while startups face greater challenges in securing funding and maintaining operations independently. Investors should monitor interest rate movements closely, as they will continue to influence the sector's financial dynamics.

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Financial Performance

Overview

Company name	Ticker	Buy-in Price ($)	Current Price ($)	% Change	Investment Rating	Guidance
CVS Health Corporation	CVS	77.19	67.46	(12.6%)	3	Hold
Novo Nordisk A/S	NVO	99.86	80.89	(19%)	3	Hold
Clearpoint Nuero, Inc.	CLPT	7.17.	13.44	87.4%	3	Hold / Sell

CVS Health Corporation (CVS)

CVS is an American healthcare corporation with three subsectors: CVS pharmacy, Aetna – health insurance provider and PBM – prescription drug plans.

As the company consists of three key business segments, CVS competes with many indirect competitors. With a market cap of $83 bn and a 49.1% gain on a YTD basis, CVS proves to be a key player in the healthcare sector. CVS outperformed expectations in their recent earnings report alongside EPS exceeding both consensus and internal estimates. The company reported a GAAP diluted EPS at $1.30 and an adjusted EPS of $1.19. Despite facing challenges within the Healthcare Benefits segment, CVS indicates robust operational performance and through ownership of several components of the healthcare value chain, the company can minimise transaction costs where competitors cannot match.

With political affairs causing uncertainty in markets, a long-term approach should be taken when evaluating these holdings. With both the Nasdaq and S&P 500 closing down 13.6% and 9.3% from record highs, Trump's second term has flipped directions of the market since his inauguration. Healthcare stocks typically hold up well in recessions but are subject to politics and regulation. With recent underperformance and significant outflows relative to the broader market, the healthcare index has risen just 4% opposed to the 52% increase in the S&P 500 since early 2023. However, tailwinds are gaining momentum with expected increase in M&A activity for 2025 as well as the new developments of obesity and specialty drugs to combat the growing rates of obesity across the world. Demographics also play a role in the long-term as an ageing population will inevitably drive demand for healthcare.

With fluctuations in performance post COVID has seen Pfizer, once a leader in the industry, fall over 50% as well as companies such as Eli Lilly outperform expectations, thriving in the emerging weight loss drug market. As such, a key selection is crucial in balancing security as well as moving away from mega-cap tech exposure and long-term growth potential from an underperformed healthcare sector warrant a closer look.

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Financial Performance

Novo Nordisk A/S (Novo)

Novo is a global healthcare company specializing in diabetes care, obesity management, and other serious chronic diseases.

Compared to main market competitor Eli Lilly, the stock has tumbled as a result of Eli Lilly producing a competitive weight loss drug alongside the current state of affairs and recent slowdowns in the healthcare sector. As of their weight loss product, patients who used the drug reported a 15.7% loss in body weight: comparable to competitors Eli Lilly's Zepbound.

In terms of financials, the stock has an upside potential of 41.55% delivering consistent YoY growth for its expansive offerings primarily around innovations in diabetes and obesity. The stock shows strong potential to hold as a growth stock with diluted EPS rising 27.2% since lasts year's quarter. With weight gain and obesity becoming more and more prominent, demand for the product follows suit. Despite a P/E of 24.14, and recent sell-off leaving share prices at lows, its promising control over market share alongside strong financial growth, the stock is a definite hold and foresees promising returns as a hold-stock in the long term.

Clearpoint Neuro, Inc. (Clearpoint)

Clearpoint is a healthcare company focused on developing platforms for performing minimally invasive neurosurgery.

Market competitors of Clearpoint consist of Delcath Systems Inc, Neuropace Inc, ZimVie Inc and Nyxoah SA, with an expectation for the neurosurgery market to expand at a CAGR of 4.4%. With Clearpoint providing equipment in the growing sector, the stock price has surged reflecting the increased demand in the product.

With the stock having returned 87.44%, the stock has experienced strong YoY growth despite falling short on their recent earnings report. Short term volatility is likely to occur but with improving margins and minimal cash burn, concerns about dilution can be eased. Despite a high revenue multiple, the stock has long-term potential and is undervalued in the long run. The stock is currently unprofitable and forecasted to remain unprofitable over the next 2/3 years and shareholders have been diluted in the past year. However, recent uplifts on revenue and stronger growth than competitors, the stock promises profitability in the long term.

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SWOT Analysis

Strengths

The U.S. healthcare sector particularly is globally recognised for its leadership in innovation within pharmaceuticals, biotechnology, and medical devices. Companies such as Recursion Pharmaceuticals demonstrate this strength by using AI technology to significantly improve the drug discovery process, making it faster and potentially more effective.

Additionally, established firms like Jazz Pharmaceuticals have introduced groundbreaking treatments in fields such as oncology and sleep disorders, contributing to the overall robustness of the sector. The medical device industry also represents a significant strength, with companies like Medtronic and Resmed leading innovation. Medtronic has consistently introduced new medical technologies, while Resmed has leveraged digital health, offering cloud-connected devices for remote patient care.

Furthermore, substantial private and public investment in research and development, supported by prestigious institutions and universities, continues to fuel advancements and maintain the sector's competitive edge globally.

Weaknesses

Despite these strengths, the U.S. healthcare sector faces considerable challenges. High healthcare costs remain a significant issue, with spending per capita far exceeding other developed countries. These high costs can make innovative treatments less accessible and may limit the uptake of new technologies. Companies specialising in costly treatments, such as Jazz Pharmaceuticals, could face pushback from insurers or governmental payers, potentially restricting their market potential.

Regulatory complexity in the U.S. also poses a significant barrier, particularly impacting smaller companies like Chimerix or Eton Pharmaceuticals. The lengthy and costly approval processes by the FDA can strain the financial and operational capacities of these smaller innovators.

Additionally, the sector suffers from substantial workforce shortages, including doctors, nurses, and medical researchers, which can slow down clinical trials and delay the adoption of new healthcare solutions. Such shortages not only affect direct healthcare services but also indirectly reduce the pace of innovation.

Opportunities

The healthcare sector has considerable opportunities, especially in digital health and AI-driven healthcare solutions. The rapid growth of telemedicine, driven in part by the COVID-19 pandemic, has opened significant market opportunities for digital health innovations. Companies like Resmed have already capitalised on this trend through remote patient monitoring technologies, indicating a promising future for similar digital health ventures.

AI technology represents another significant opportunity, particularly for pharmaceutical companies. Firms like Recursion Pharmaceuticals, which use machine learning for drug discovery, exemplify how this approach can drastically reduce the time and cost associated with developing new therapies.

Additionally, international expansion into growing healthcare markets abroad, including European countries and emerging markets, offers U.S. healthcare companies additional revenue streams and partnership opportunities. Companies like Medtronic and Sanofi, which already have global operations, are well-placed to benefit from these opportunities

Threats

Several threats could impact the U.S. healthcare sector's growth and profitability. Regulatory changes, especially those relating to drug pricing, could pose significant risks. Recent policy shifts towards drug price negotiations within Medicare may negatively affect pharmaceutical companies' profits, particularly those relying on high-priced specialty drugs. Jazz Pharmaceuticals and Sanofi, among others, may find their revenues impacted by such measures.

Economic challenges, including inflation and global supply chain disruptions, present additional risks. For example, Resmed faced difficulties due to semiconductor shortages, which disrupted its production capabilities. Such supply chain vulnerabilities can significantly affect companies' ability to meet market demand, increasing costs and reducing revenue.

Lastly, intense competition both domestically and internationally remains an ongoing challenge. Smaller companies such as Chimerix and Eton Pharmaceuticals face particular risks from larger competitors and generic drugs, especially after patent expirations. Overall, the sector must continuously adapt to shifting regulatory environments, manage economic pressures effectively, and strategically navigate competitive dynamics to sustain growth.

Regulatory Environment & Updates

Regulatory Authorities

There are a number of regulatory authorities that operate in the US & Europe, including:

- World Health Organization (WHO)
- International Coalition of Medicines Regulatory Authorities (ICMRA)
- European Medicines Agency (EMA)
- Department of Health and Social Care (DHSC)
- National Health Service (NHS)
- Medicines and Healthcare products Regulatory Agency (MHRA)
- General Medical Council (GMC)
- Health and Care Professions Council (HCPC)

The aim of there Healthcare Regulatory Authorities are to safeguard and protect public health and ensure products and services are held to a satisfactory standard by conducting regular assessments of medical procedures, devices and products.

Recent Changes & Updates

The MHRA introduced regulations for Medical Devices to be put into place from 16th June 2025. These regulations have been proposed to boost patient safety by improving the monitoring of medical devices from when they enter the market. Improvements include:

- Better detail for the Post-Market Surveillance (PMS) systems (methods to be specified for data collection),
- Increased obligations in reporting incidents meaning faster detection of safety concerns and problems
- Manufacturers to enforce regular reviews of PMS data so risks are identified faster and more proficiently.

There have been sustainability concerns for the Voluntary Scheme on Pricing, Access and Growth (VPAG) which were raised by pharmaceutical companies, stating that increased rebate rates have resulted in financial strains. Rebate rates went from 5% (2021) to 25% to 33% (2025). The Government intends to hold a summit with pharmaceutical leaders to explore reforms in VPAG.

Regulatory Environment & Updates

Proposals to reform British state by reducing number of non-departmental public bodies, including the NHS England, were brought to attention as of March 2025. The aim is to reduce compliance costs and make operations more efficient. Experts argue that prior attempts to reduce bureaucracy have resulted in mixed positive and negative outcomes, emphasising careful implementation to avoid unwanted consequences.

There have been difficulties in bringing life-saving medical devices to the market because of complicated regulatory processes for approval and shortages in funding. Examples include the stalling of the Newcastle Infant Dialysis and Ultrafiltration System (NIDUS) regardless of its successes in clinical trials.

NHS has committed to achieving a net–zero for emissions it directly controls by 2040 and for emissions it influences by 2045. They also have plans for shorter–term targets of 80% reduction by 2028 to 2032.

Impact of Regulatory Updates

The introduction of PMS poses challenges for the NHS and other Healthcare providers and manufacturers. Compliance Necessitates investments in technology, training and system restructuring to meet new and improved standards and requirements.

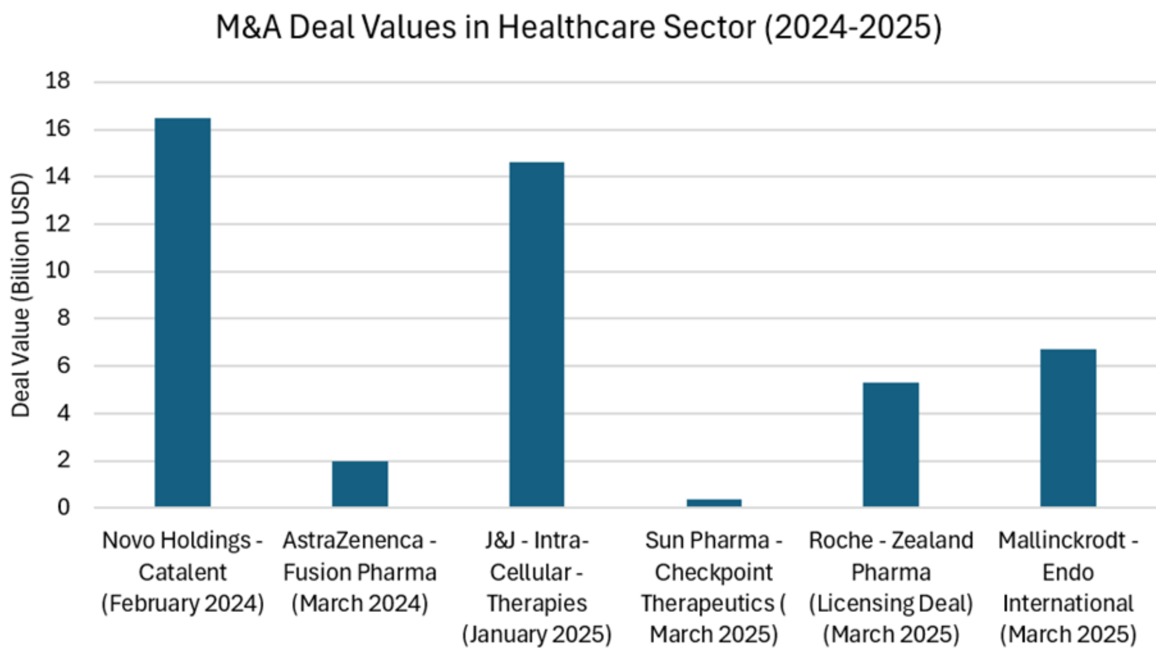
Policy changes, such as the increase in rebate rates because of VPAG scheme, encourages pharmaceutical companies to readjust and reassess their operational strategies. This has caused the delay in the launch of new medicines or the reduction in the workforce of certain firms in response to the new financial pressures, this can have potentially impacted patients access to new and improved treatments.

The fact that regulatory processes are so complex can prevent and interrupt the introduction of medical services and devices. Firms and Producers can face long timelines and larger costs that can consequently discourage and deter innovation in the healthcare systems.

Strict pricing controls cause pharmaceutical companies to withdraw or delay product launches because of reduced profitability. Compliance with price caps and rebate pushes financial pressure onto pharmaceutical firms that affects R&D investment and market entry.

Pharmaceutical, Healthcare and Medical device companies are facing challenges due to disruptions in the global supply chain and Brexit restrictions as well as compliance with import and export laws. Companies must make sure that raw materials and products meet UK health and standard regulations.

M&A Activity



Sun Pharmaceutical Industries' Acquisition of Checkpoint Therapeutics

In March 2025, India's Sun Pharmaceutical Industries announced its acquisition of U.S.-based Checkpoint Therapeutics for $355 million. This strategic move was designed to expand Sun Pharma's oncology and immunotherapy portfolio. The acquisition specifically incorporates Checkpoint's FDA-approved treatment for advanced skin cancer, UNLOXCYT, enhancing Sun Pharma's presence in the oncology treatment market.

Novo Holdings' Acquisition of Catalent

In February 2024, Novo Holdings A/S agreed to acquire Catalent for $16.5 billion. This acquisition was aimed at enhancing Novo Nordisk's production capabilities, particularly for its high-demand anti-obesity medications, Wegovy and Ozempic. The acquisition represents a significant consolidation within the contract development and manufacturing organization (CDMO) sector, given that Catalent is one of the largest independent CDMOs globally.

By bringing Catalent under Novo Holdings, the market is likely to see several key impacts:

- A reduction in independent CDMO players, which could decrease competition and increase pricing power for larger entities.

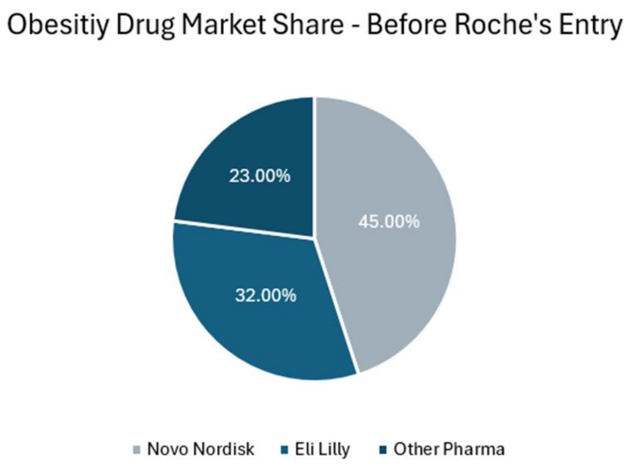
- Novo Nordisk's increased ability to internalize a significant portion of its manufacturing, reducing reliance on third-party suppliers.

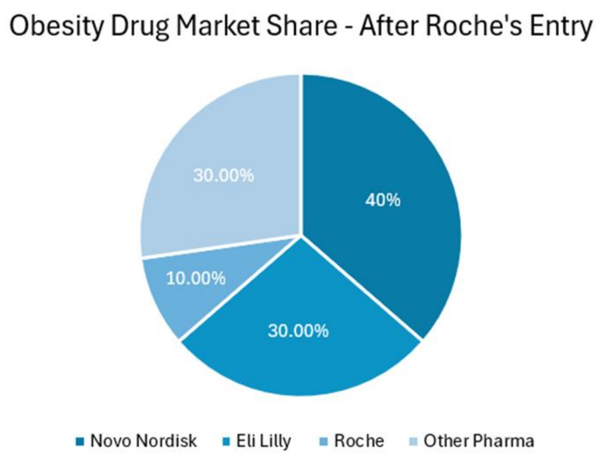
- Higher barriers to entry for smaller pharmaceutical and biotech firms, which may face fewer outsourcing options or higher costs.

M&A Activity

Roche's Licensing Deal with Zealand Pharma

In March 2025, Roche secured an agreement worth up to $5.3 billion with Zealand Pharma to acquire the rights for developing and commercializing petrelintide, an obesity drug candidate. This move was strategically designed to strengthen Roche's position in the growing weight-loss industry, positioning it alongside major competitors such as Novo Nordisk and Eli Lilly. The agreement includes an upfront cash payment of $1.65 billion, with additional milestone payments contingent on the outcomes of phase 3 trials and subsequent sales performance.





Although this agreement does not constitute a full merger, Roche's exclusive rights to develop and commercialize petrelintide consolidate its potential market share in the obesity drug sector. This move effectively allows Roche to join Novo Nordisk and Eli Lilly in an increasingly oligopolistic therapeutic landscape for obesity treatments.

Once the announcement was made, Zealand Pharma’s share price had surged by approximately 35%.

Mallinckrodt's Acquisition of Endo International

In March 2025, Mallinckrodt announced the acquisition of U.S.-based drugmaker Endo International in a deal valued at $6.7 billion. The merged company focused on combining their generic pharmaceutical and sterile injectables businesses, with plans to eventually separate these segments.

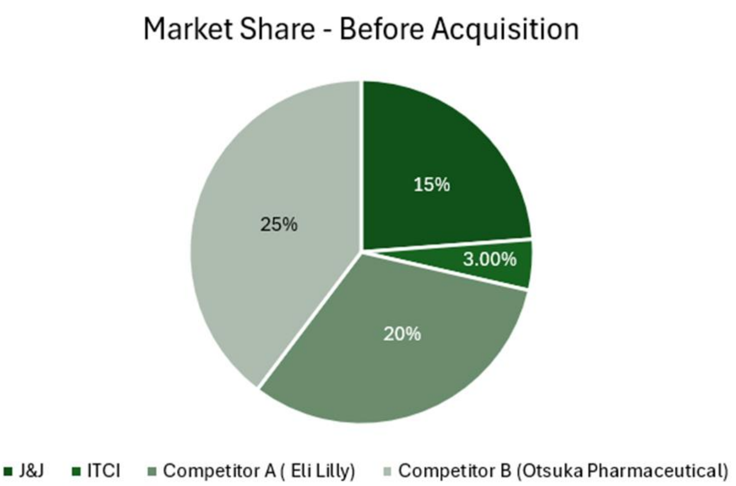
As a result of the merger, the combined organization now operates 17 manufacturing facilities, 30 distribution centres, and employs approximately 5,700 individuals.

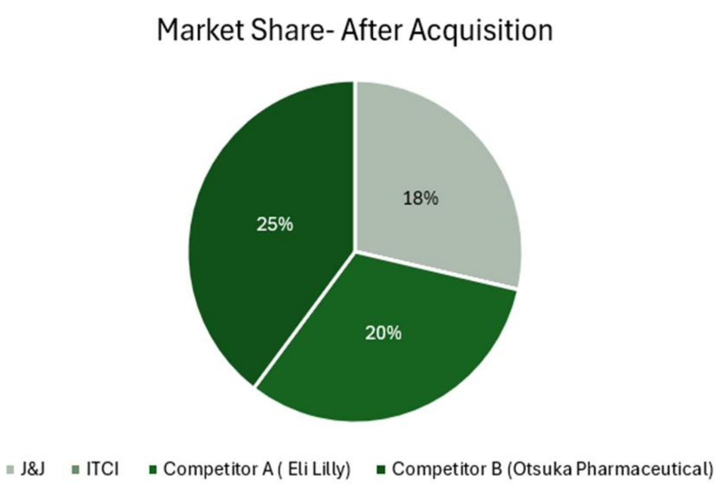
M&A Activity

Johnson & Johnson's Acquisition of Intra-Cellular Therapies

In January 2025, Johnson & Johnson agreed to purchase neuroscience drugmaker Intra-Cellular Therapies for $14.6 billion, valuing the company at $132 per share — a 40% premium over its last closing price. The acquisition was designed to strengthen J&J's neuroscience portfolio, particularly in treatments for central nervous system (CNS) disorders such as major depressive disorder and Parkinson's disease. By integrating Intra-Cellular Therapies' assets, notably Caplyta, Johnson & Johnson is expected to solidify its position in the mental health therapeutics market.

This acquisition also marked a resurgence in biotech mergers and acquisitions, representing the largest deal since Pfizer's $43 billion acquisition of Seagen in 2023. Projected revenue growth for J&J's Neuroscience Division following the acquisition is as follows: $10 billion in 2025, $12 billion in 2026, $14 billion in 2027, $15 billion in 2028, and $16 billion in 2029.





AstraZeneca's Acquisition of Fusion Pharmaceuticals

In March 2024, AstraZeneca acquired Fusion Pharmaceuticals Inc. for approximately $2.4 billion in cash. This acquisition was designed to strengthen AstraZeneca's oncology portfolio, particularly in the field of radioconjugates (RCs), and to offer more targeted therapies. The integration of Fusion's RC technology, especially its lead program FPI-2265 targeting prostate-specific membrane antigen (PSMA) for metastatic castration-resistant prostate cancer, is expected to enhance AstraZeneca's treatment offerings.

The acquisition also appeared to boost investor confidence, as indicated by the substantial premium offered. Fusion shareholders received $21.00 per share in cash at closing, along with a contingent value right (CVR) of $3.00 per share. This combined package represented a 97% premium to Fusion's closing market price prior to the acquisition announcement.

Market Dynamics

Major Players

Eli Lilly & Company

Eli Lilly & Company (Eli Lilly) was founded in 1876, storing history of discovery and innovation in big pharma, particularly in areas of endocrinology, oncology, metabolic diseases, and neuroscience. In 2023, Eli Lilly's R&D expenditure as a percentage (R&D ratio) accounted for 27.29%

In 2024, Eli Lilly reported revenues of approx. $58.5 billion, marking a 32% annual increase. The contribution towards Eli Lilly's recent growth has been its focus on metabolic diseases I.e., GLP-1/GIP, non-incretin drugs, Mounjaro, and Zepbound. The introduction of medications including Mounjaro and Zepbound, targeting type 2 diabetes and obesity, has positioned the company at the forefront of this therapeutic sector.

Eli Lilly has strategically invested $24.5 billion in expanding manufacturing facilities to meet the growing demand for its products in its home state of Indiana. The aims of the expansion were to enhance the production capacity and ensure a steady supply of medications to patients worldwide.

Some of the top selling AbbVie medicines from FY24 include:

- Mounjaro – used to treat adults with type 2 diabetes which generated $11.5 billion.
- Verzenio – breast cancer drug which generated $5.3 billion.
- Taltz – treatment for plaque psoriasis (chronic autoimmune condition), generated $3.2 billion.
- Zepbound – anti-diabetic used to treat type 2 diabetes (can also be used for weight loss) which generated $4.9 billion.

Johnson & Johnson

Founded in 1886, Johnson & Johnson (J&J) is a multination corporation engaged in the R&D, manufacture, and sale of a broad range of healthcare products. The company operates through two primary segments: Innovative Medicine (pharmaceuticals) and MedTech (medical devices).

In FY 2024, J&J reported revenues of approx. $88.82 billion, a 4.3% increase from the previous year. The Innovative Medicine segment contributed towards this significantly, with notable growth in oncology drugs such as "Darzalex", which generated $11.7 billion in sales (marking a 20% year-over-year increase).

The MedTech segment also experienced growth, with sales reaching nearly $7.9 billion in Q3 2024. Despite these gains, net income for FY 2024 was $14.07 billion, suggesting a decrease compared to the previous year, influenced by factors including increased R&D expenses and acquisition-related costs.

Major Players

J&J's acquisition of Intra-Cellular Therapies in January 2025 for $14.6 billion aimed at bolstering J&J's portfolio in CNS (Central Nervous System) disorders, adding Calpylta, a treatment for schizophrenia and bipolar disorder to its offerings. J&J's $55 billion investment in U.S. operations in March 2025. The investment included manufacturing, R&D, and technology over the next four years. This 25% increase from the previous period includes plans for four new manufacturing facilities, starting with biologics plant in North Carolina.

Some of the top selling J&J medicines from FY24 include:

- Darzalex - monoclonal antibody used to treat multiple myeloma, generating $11.7 billion in sales.
- Stelara – an immunosuppressant for treating plaque psoriasis and Crohn's disease, with sales of $10.9 billion.
- Erleada - treatment for prostate cancer, contributing significantly to the oncology portfolio's growth.
- Tremfya - used for the treatment of plaque psoriasis, also showing strong performance in the immunology segment.
- Carvykti – a cell therapy for multiple myeloma, achieving $286 million in sales in Q3 2024.

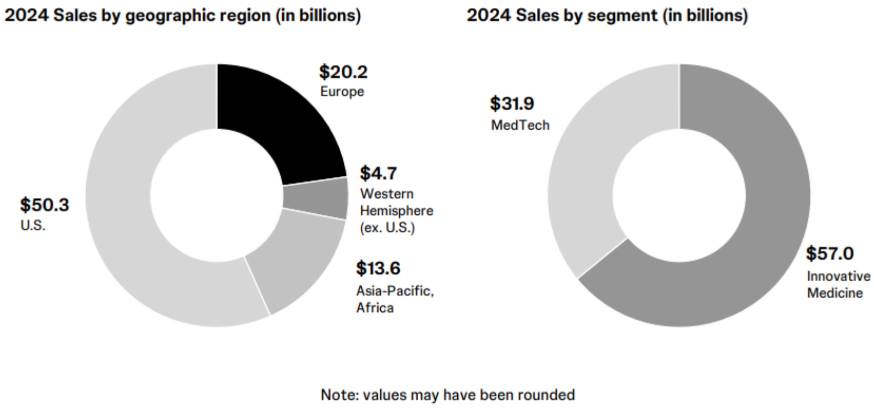


Fig 1: Sales of J&J from 2024 by region

The United States remains J&J's largest market, contributing over half of the company's revenue. Europe follows as the second-largest market, while the Asia-Pacific and Africa regions collectively account for a significant portion of sales. The Western Hemisphere, excluding the U.S., represents a smaller but notable share of the company's global revenue.

Novo Nordisk

Novo Nordisk (Novo) was founded in 1923 (headquartered in Bagsværd, Denmark), Novo is a multinational pharmaceutical company with a primary on developing treatment options for chronic diseases including: diabetes, obesity treatments, rare diseases (I.e., haemophilia, growth hormone disorders), HRT, and cardiovascular diseases. The company has a long-standing history in R&D including the development of insulin and GLP-receptor agonists (used to treat type 2 diabetes).

Major Players

In FY 2024, Novo reported revenues of DKK 290.4 billion, a 20% increase from the previous year. This growth was predominantly driven by the performance of its GLP-1 based therapies for type 2 diabetes and obesity, notably “Ozempic” and “Wegovy”. Ozempic sales had reached DKK 120.3 billion, whilst Wegovy sales were DKK 58.2 billion. Thus, net income for FY 2024 was $14.6 billion, conveying a 20.5% increased compared to the previous year

Additional strategic investments by Novo were made to expand its manufacturing capabilities to meet the increasing demand for its products. In February 2024, Novo announced plans to acquire Catalent, a contract drug manufacturer, in an all-cash transaction valued at approximately $16.5 billion. Following this, Novo Nordisk agreed to purchase three of Catalent's fill-finish manufacturing sites—from Novo Holdings—for $11 billion. These facilities, located in Anagni (Italy), Brussels (Belgium), and Bloomington (Indiana, USA), specialising in sterile filling of drugs and employ over 3,000 people. Additionally, in June 2024, Novo had announced plans to build a new production plant in Clayton, North Carolina, at a cost of $4.1 billion, to amplify the production capacity for it semaglutide products.

Some of the top selling Novo medicines from FY24 include:

- Ozempic – a GLP-1 receptor agonist for type 2 diabetes, generating DKK 120.3 billion in sales.
- Wegovy – an anti-obesity medication, sales reaching DKK 58.2 billion.
- Rybelsus – an oral GLP-1 receptor agonist for type 2 diabetes, contributing DKK 23.3 billion in sales.
- Victoza – a GLP-1 receptor agonist for type 2 diabetes, with sales of DKK 5.5 billion.
- Saxenda – an anti-obesity medication, contributing to the obesity care segment's total sales of DKK 65.1 billion.

Merck & Co.

Founded in 1891 (HQ in Rahway, New Jersey), Merck & Co (Merck) is one of the leading global biopharmaceutical companies. Merck focuses on the development, manufacture, and distribution of prescription medication, vaccines, biologic therapies, and animal health products. Merck operates through two primary segments: Pharmaceutical & Animal health

In FY 2024, Merck reported worldwide sales of $64.2 billion, a 7% increase from the previous year. This growth was primarily caused by the performance of its oncology portfolio, particularly Keytruda, which generated nearly $30 billion in revenue. Merck’s net income for FY 2024 was $17.1 billion.

In October 2024, Merck acquired Modifi Biosciences for up to $1.3 billion, gaining access to experimental cancer therapies targeting brain tumours such as glioblastomas. In terms of product development, Merck plans to launch a subcutaneous version of Keytruda in the U.S. on October 1, 2025, pending FDA approval expected by September 23, 2025. This new formulation would aim to reduce the administration time and to then enhance patient convenience.

Unlike some of the other leading pharma companies mentioned, Merck in 2024 committed to achieving net-zero greenhouse gas emissions across its value chain by 2045, aligning with guidance from the Science Based Targets initiative.

Some of the top selling Merck medicines from FY24 include:

- Keytruda – an anti-PD-1 therapy for various cancers, generating nearly $30 billion in sales.

- Gardasil/Gardasil 9 – Vaccines for the prevention of HPV-related diseases, with revenues of $8.6 billion.

- Januvia/Janumet – medications for type 2 diabetes, contributing significantly to the pharmaceutical segment's revenue.

AbbVie Inc.

AbbVie Inc. (AbbVie) was established in 2013 following its spin-off from Abbott Laboratories (HQ in North Chicago, Illinois). AbbVie similar to the other top 4 pharma companies, is focused on R&D, manufacturing, and sales of advanced therapies in areas including immunology, oncology, neuroscience, and aesthetics.

In FY 2024, AbbVie reported a worldwide net revenues of $56.334 billion, marking a 3.7% increase on a reported basis and a 4.6% increase on an operational basis compared to the previous year. The company's adjusted diluted earnings per share (EPS) for the same period were $10.12, reflecting an 8.9% decrease from 2023.

Some of the top selling AbbVie medicines from FY24 include:

- Skyrizi – a treatment for autoimmune conditions such as psoriasis and Crohn's disease, Skyrizi generated global net revenues of $11.7 billion in 2024, accounting for approximately 20% of AbbVie's total sales.

- Rinvoq – used for rheumatoid arthritis and other autoimmune diseases, Rinvoq achieved significant sales growth, contributing substantially to the company's immunology portfolio.

- Imbruvica – an oncology medication, Imbruvica reported global net revenues of $3.6 billion in 2024, experiencing a slight decrease compared to the previous year.

- Botox Therapeutic – primarily known for its aesthetic applications, Botox also serves therapeutic purposes, with global net revenues reaching $873 million in 2024, reflecting a 12.5% increase.

Major Players

Following down the route of M&A, in February 2024, AbbVie completed the acquisition of ImmunoGen for $10.1 billion, adding Elahere, an ovarian cancer treatment, to its oncology portfolio. Additionally, in August 2024, AbbVie acquired Cerevel Therapeutics for $8.7 billion, enhancing its neuroscience pipeline with clinical-stage assets, including a next-generation antipsychotic for schizophrenia.

In October 2024, AbbVie announced the acquisition of Aliada Therapeutics for $1.4 billion, aiming to bolster its neuroscience capabilities, particularly in Alzheimer's disease research On the other hand, In January 2025, AbbVie secured an option to license SIM0500, a blood cancer drug candidate from Simcere Pharmaceutical, for markets outside China, in a deal valued up to $1.06 billion.

Analysis

In the competitive healthcare field of 2024/2025, Johnson & Johnson maintained its leading position with revenues of $88.82 billion, this would have been driven by diversification of its portfolio and strong performance particularly in oncology, notably Darzalex. Eli Lilly and Novo Nordisk demonstrated remarkable growth, with revenues increasing by 32% and 20% respectively, primarily due to their diabetes and obesity treatments like Mounjaro and Ozempic. Merck reported revenues of $64.2 billion, bolstered by the success of Keytruda in oncology. AbbVie faced challenges with declining Humira sales due to biosimilar competition but saw substantial contributions from Skyrizi and Rinvoq in immunology.

Market Positioning

The healthcare sector remains a structurally important part of any defensively positioned portfolio, offering steady demand and relatively predictable earnings compared to more cyclical industries. Within healthcare, subsector performance has become increasingly divergent, especially in light of recent market volatility. A breakdown of current positioning shows clear strengths in large-cap pharmaceuticals and medical equipment, while areas like providers and biotech face ongoing challenges.

Pharmaceuticals continue to offer the most dependable exposure, particularly among large-cap firms with diversified revenue streams and consistent dividend policies. These companies tend to weather uncertainty better due to their pricing power, global reach, and pipeline depth. As of early April, companies like Johnson & Johnson and Pfizer have held up reasonably well, with losses in the recent sell-off being less severe than those in higher-growth names. For long-term positioning, this space remains an overweight due to its resilience and cash flow strength.

Medical equipment and supplies is another area where positioning remains favourable. The sector benefits from sustained surgical volumes and long-term demographic trends. Companies in this space are less exposed to pricing legislation and tend to have recurring revenue models through consumables and servicing. Dexcom and Medtronic are examples of firms operating in this space with strong fundamentals and predictable demand drivers.

In contrast, healthcare providers and services are currently under pressure. Staffing shortages, wage inflation, and rising operating costs have eroded margins and limited earnings visibility. While these companies benefit from volume recovery post-COVID, they are struggling to scale profitably in the current environment. This makes the subsector less attractive for immediate positioning, and more suitable for watchlist inclusion until cost trends stabilise.

Biotechnology remains the highest risk-reward area of the sector. Valuations have come down sharply, but many firms remain speculative and unprofitable. The space is highly sensitive to capital availability and news flow around clinical trials or FDA approvals. In the wake of the April 4 market sell-off, biotech was among the hardest hit, reflecting its vulnerability to shifts in sentiment. While some long-term potential exists, current positioning would lean towards underweight unless there is clear visibility around catalysts or funding.

Digital health companies have seen enthusiasm taper off after the pandemic-driven boom. Valuation resets and unclear profitability paths have left the space in flux. While there may be individual winners over time, the overall subsector is best approached cautiously for now.

In summary, healthcare remains a vital and largely defensive sector, but allocation within it needs to be selective. Large-cap pharma and equipment suppliers remain the most stable areas for exposure, while biotech and providers currently carry higher operational and financial risk. Subsector positioning should reflect a bias toward stability and cash generation, especially in volatile market conditions.

Industry Disruptors

Overview

It is clear to see that healthcare 4.0 may be on its way out with a more empathetic Healthcare 5.0 that revolves around the consumer shining through. Although it is still an emerging concept, it seems that there has been a large push, post COVID, from founders and investors to challenge the last phase of healthcare which integrated technology and AI for professionals, to now working to optimise technology & AI for the customer which should decrease unnecessary costs in the market as well as drive sales.

Blockchain for Healthcare

There are several reasons why Blockchain disrupts the healthcare industry, however to detail a few:

- Protecting data security & patient privacy – Encrypts patient records whilst controlling access, ensuring only authorised personnel can view or modify data that is often a prime target for cyberattacks as the data is highly valuable.

- Legitimising billing & insurance claims – Automates claims processing using the smart contracts that are stored on the blockchain to validate patient data. This will decrease the number of fraudulent claims and billing errors which will in turn make the market as a whole more cost effective.

- Greater supply chain transparency & drug traceability - Provides a fixed record of each product's journey from manufacturer to pharmacy, reducing the large cost incurred by the healthcare industry because of counterfeit drugs that may be distributed.

All of these factors listed above shifts the control into the hands of those who should have It such as doctors and patients leading to a significantly smaller information gap and more security for all.

Chronicled powers a software called Mediledger that uses a compliant blockchain to facilitate data alignment and transaction settlement between trading partners. It works to reduce revenue leakage and time spent finding the right pricing allowing the leading players that use the platform, such as Johnson & Johnson, Premier and SVP, to save millions on overpaying or buying the wrong produce.

Avaneer Healthcare was formed in 2020 as a child of industry leaders and banks such as Aetna (CVS), Cleveland Clinic, PNC and many more, with a vision to help patients financially and ensure their medical records security. The founders then deployed $50m in a seed round into the company just two years after formation enabling them to develop their suite. With the backing of such giants who seem ready to invest more capital into operations, it will be exciting to follow the journey.

Industry Disruptors

Consumer-Centric AI & Data Analytics

It is impossible to deny the impact of AI, with data analysis as it's core function, on almost every single industry. The healthcare industry is no different. AI driven tools have improved decision making at a clinical level and helped to optimise hospital workflows, with data analysis working to personalise medical solutions, as well as provide more accurate diagnosis and predictive insights for both doctors and patients.

Garner Health has pioneered in the provision of physician quality data to both patients and doctors. The platform assesses doctor's ability to accurately diagnose and get the best results for patients using the largest claims database in the US, consisting of over 60bn medical records, which they have compiled themselves. This software has challenged the norm of being allocated a doctor based on convenience and location rather than their ability, making high quality care more accessible both financially and physically.

Guardant Health is an exciting oncology company that solely uses blood tests and the data that comes from them to discover cancer early and the best treatments for it. The use of AI for data analysis grants much greater availability of high-level information that once was not achievable for all practices, leading once again to a more knowledgeable workforce and better results on the ground.

Robotics & Automation

There has been a real push towards the improvement of surgery rather than just the operational efficiency. There is a new wave of cutting-edge technology that has transformed surgery from a long and risk procedure to a minimally-invasive exercise, due to the removal of possibility of human error and the increase of surgical precision do but the innovative mechanical engineering. Furthermore, the use of robotics in surgery has been equally supportive in the upskilling of surgeons, effectively training many to become as proficient as possible.

CMR Surgical is a Cambridge, UK based company that has developed a portable surgical robot called Versius that can work on any surgery it is needed for. The company achieved unicorn status in 2019 and only two years later received a $3bn valuation following a $600m series D funding round led by SoftBank, with the capital being deployed from their second vision fund. Although the product has been developed, it is hard to see any signs of the company slowing down, especially after their March 2025 $200m fundraise to accelerate their expansion to the U.S.

Asensus Surgical created the Senhance Surgical System that is integrated with the Intelligent Surgical Unit to not only do as most surgical robots do, but also provide real-time insights about future procedures to make surgeons more instinctive and efficient when dealing with complex issues. They gained sufficient traction for Karl Storz to acquire the company for a total of roughly $95m in June 2024 and with their new parent company who has been around since 1945, there are no limitations to what they can achieve in the years to come.

Industry Outlook

Macroeconomic & Sector-Specific Projections

Overview

Due to current macroeconomic challenges, global GDP growth is expected to remain moderately low in the medium to longer term. However, while the macroeconomic environment continues to look demanding, the healthcare industry is expected to expand due to the rise of health and wellness products, digital diagnostics and growing M&A activity. Below are some of the challenges.

Trump's tariffs

One significant challenge to global growth is the rising instability in the US. Since the re-election of Donald Trump in January, US equities have dipped with the increased threat of tariffs proposed by the President. If implemented, tariffs on US imports could lead to higher levels of inflations domestically in the US as well as potentially reduced exports globally. This has the potential to escalate into a trade war between allies as well as reduce global GDP growth rates.

Inflation

Inflation remains a critical factor influencing healthcare costs, particularly in labour intensive sectors such as hospitals and home care. While inflation has moderated from its post-pandemic highs, wage pressures and rising costs of pharmaceuticals continues to impact profitability. Higher costs may lead to increased pricing, potentially limiting affordability and access to care, particularly in privatised healthcare models.

Interest Rate Implications

Interest rates, employment levels, and government debt are all key economic indicators which impact upon the healthcare sector. With central banks keeping interest rates higher for longer, the cost of borrowing for healthcare companies may remain high, particularly for smaller biotech firms who may be dependent on debt financing. However, employment levels are still stable and high, providing a relatively strong economic foundation for consumer spending on healthcare products and services.

Regulation

Regulatory challenges, particularly in the US, as well as global economic volatility will likely continue to present potential risks. As a result, investors should focus on firms with strong balance sheets, proven product strategies and an ability to adapt to evolving economic conditions, as these factors will likely determine longer term equity performance within the healthcare industry.

Investment Opportunities

Pfizer (PFE)

Pfizer is a global pharmaceutical company with a large portfolio of medicines and vaccines. Pharmaceutical companies are lobbying for the Trump administration to implement tariffs on medical imports. They hope the administration will launch a study to assess how such tariffs can be applied.

The company is aggressively expanding into higher-growth areas of the industry, such as oncology and gene therapy. These fields have strong long-term demand, which presents opportunities for growth and an increase in market share. In late 2023, Pfizer acquired Seagen, a leading biotech company. This acquisition has strengthened Pfizer's position in cancer treatment.

Despite a drop in short-term revenue due to the COVID-19 pandemic, Pfizer continues to provide a strong and consistent dividend yield for shareholders. Currently, the company is undervalued, as its stock price declined during and as a direct result of the COVID-19 period. However, this presents a value opportunity, with revenue growth expected due to new acquisitions and drug launches.

Pfizer operates in over 125 countries and maintains a strong global presence with significant demand in the healthcare market.

HCA Healthcare Inc. (LFMD)

HCA is one of the largest hospital networks in the U.S., giving it strong bargaining power with insurers and suppliers. Its large size allows for cost efficiency and process synergy through economies of scale.

The growing and aging population is driving increased demand for hospitals and specialized medical services. Additionally, the rising prevalence of chronic diseases further boosts the need for hospital care. Healthcare spending in the U.S. has experienced significant growth, benefiting established providers like HCA.

HCA is continuously expanding its market share by acquiring established medical facilities while also innovating and improving existing ones. In addition, the company benefits from a favorable regulatory environment due to its strong compliance and successful navigation of healthcare regulations.

HCA maintains diverse revenue sources, receiving payments from both private insurers and government programs. This diversification reduces its dependence on any single revenue stream. Given its profitability and strong growth prospects, HCA presents an attractive buying opportunity, especially compared to its competitors' stock prices.

Indivior (LSE: INDV)

Indivior is the market leader in opioid addiction treatment through its buprenorphine-based medications, Sublocade and Suboxone. With the growing global demand for addiction treatment, particularly in the U.S., Indivior is well-positioned to continue benefiting from this trend. Sales of Sublocade are increasing exponentially, and company revenue growth is expected to follow suit.

Investment Opportunities

Additionally, Indivior is expanding its international presence, particularly in Europe and Australia. The company is also diversifying its services by entering the mental healthcare industry, focusing on treatments for schizophrenia and behavioral health disorders. This strategic move was reinforced by its acquisition of Opiant Pharmaceuticals in 2023, broadening its portfolio and growth potential.

Compared to many larger pharmaceutical companies, Indivior has a lower stock price while offering significant room for growth. Furthermore, it benefits from a favorable regulatory environment due to increasing global government funding for opioid addiction treatments, particularly in the U.S.

LifeMD Inc. (LFMD)

LFMD is a telehealth company that provides virtual medical consultations and prescriptions. The telehealth industry is rapidly growing, driven by increasing consumer demand for more convenient healthcare solutions. Regulatory changes are increasingly favoring virtual healthcare, creating a supportive environment for the industry's expansion.

LFMD offers a wide range of services, including primary care, men's and women's health, dermatology, and weight management. The company benefits from a subscription-based business model, ensuring recurring income and consistent customer retention.

In June 2023, LFMD partnered with Medifast to launch a weight management program and prescribe GLP-1 medications. As part of this partnership, LFMD invested $20 million into the company.

Gilead Sciences Inc. (GILD)

GILD currently dominates the HIV treatment market with its drugs, including Biktarvy, which is the top-selling global HIV medication. In addition to its success in HIV treatment, its Hepatitis C drugs, such as Epclusa and Harvoni, continue to make strong contributions to overall sales. The company is actively researching and developing more permanent and longer-acting treatments for HIV, which would help maintain its market leadership.

Gilead's focus on oncology as a key growth initiative is gaining traction. For example, its drug Trodelvy, acquired through the purchase of Immunomedics, has shown promising results. Additionally, its CAR-T therapies, such as Yescarta, are gaining favor and experiencing increased adoption.

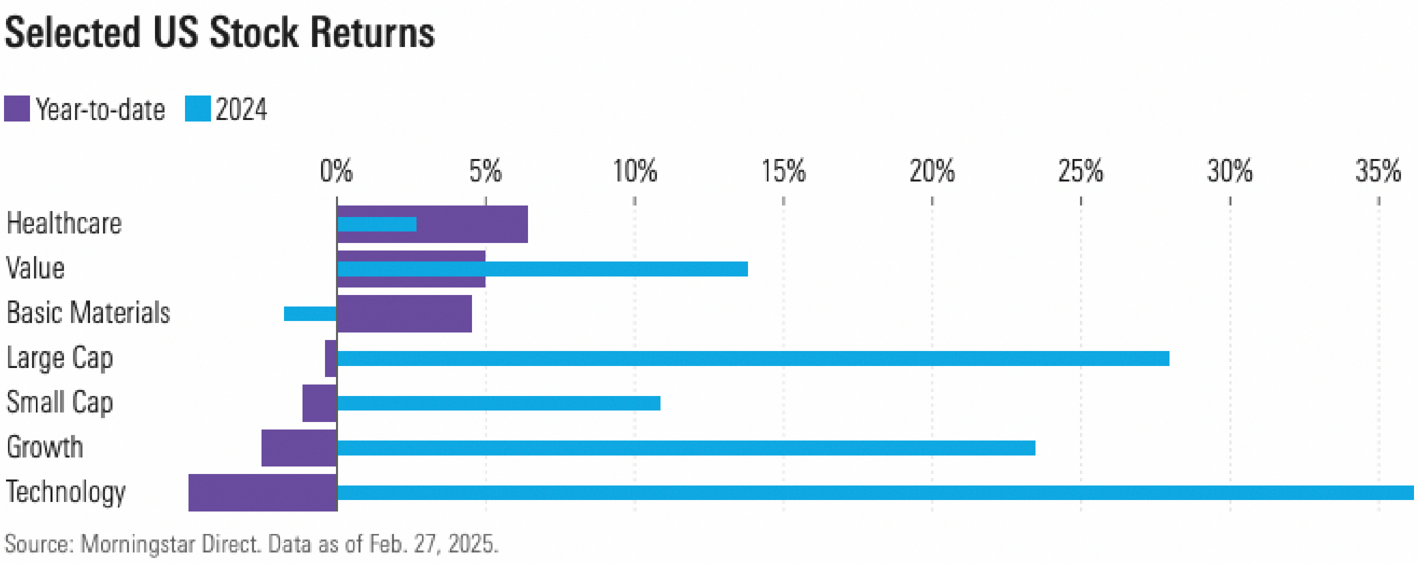
The company maintains solid free cash flow, allowing for consistent dividend growth and share buybacks as well as offering an attractive 4–5% dividend yield. Gilead is known for its strong investment in research and development, particularly in next-generation antivirals, oncology, and immunology.

The company also has a strategic approach to acquiring high-potential and high-performing biotech firms, enhancing its efficiency and overall performance.

Risk Factors

Overview

With the continuation of a spiralling trade war alongside rising geopolitical tensions, previous bullish trends have reversed with a potential stock market rotation being underway. Big-tech stocks are sputtering having previously being the markets key drivers in 2024 with the Nasdaq returning 29% in 2024 seeing red returning -6.35% YTD (21/03/25).



With a shift in market focus, the healthcare sector has seen a significant increase early 2025 returning 8.15% YTD, while the S&P is down -3.42% YTD. Real GDP predicted growth halved with an initial projection of 2% growth in October now falling to 1% as of March 25. 10-year gilts have also seen fluctuational increases with UK 10-year-gilt yields risen by half a percentage point alongside other gilts varying by a full percentage point. With imposed tariffs in the US as a means to combat debt, it seems that Trump may be forcing a recession upon the US economy.

Geopolitical uncertainty

Current key Geopolitical events covered in this report consist of the Russia invasion of Ukraine, Middle Eastern conflict, and U.S. presidential election. Russia's invasion of Ukraine is the largest conflict since WWII. With risks of escalation into a global conflict, events revolved around disputes over Ukraine's natural resources has resulted in a divide between nations involved weakening US EU relationships. Although there has been short-term de-escalation, a longer-term peace deal seems unlikely with current circumstances and remains a high-risk environment. Similarly, the Middle East conflict faces similar issues with disputes over land and resources.

With Trump's return to the White House, US foreign policy underwent drastic change with shifts in alliance structures tilting towards favouring a closer engagement with Russia seeking personal gain. European nations have upped defence spending and the urgency to do so is reflected on the US suspending military aid to Ukraine.

Risk Factors

New US Tariffs

Trumps tariff implications have also seen significant retaliations re-escalating the trade war between US and China. Trump argues that taxes on foreign goods will encourage consumers to buy domestic goods boosting the economy and taxes raised but touching beneath the surface, it is likely that these tariff implications are a means to deflate US debt levels through deflating the dollar.

Through proposed interest rate cuts, a likely devaluation of the dollar will occur. Trump's 'targeted' devaluation of the dollar improves the US's competitiveness in trade. However, despite running a trade deficit, the US is home to leading innovative and profitable companies which relies on global investment – reflective of the interest rate.

Despite interest cuts and dollar devaluation attempts can be seen as pure speculation, this is an example of where Trump should be taken 'seriously, but not literally'.

The imposed tariffs are likely to impact the supply chain of the healthcare sector likely to impose higher prices on consumers as many of the medical devices and pharmaceutical ingredients are manufactured in countries involved in US trade tariffs. With a privatised US healthcare system, American consumers will face these higher prices and potential healthcare availability shortages as healthcare facilities take measures to prepare for imposed tariffs. As 80% of active ingredients used in US drugs come from China, the 10% import tariff for Chinese goods leads to an even greater inequality and access to healthcare within the US.

Conclusion

With the healthcare sector in mind, as the US economy experiences economic slowdowns especially within tech, a transition in holdings is taking place with investors moving away from traditional indexes. The healthcare index has seen positive returns backed by strong financial metrics. With revenue growth expected to climb 11% and margins in the 93rd percentile, it signals robust performance relative to other sectors. With incoming US administration, improved regulatory environments for healthcare mergers and acquisitions will allow for larger transactions and ease scrutiny. Despite 2024 presenting a subdued M&A environment within the healthcare sector, a potential resurgence in M&A deals in 2025 is in place.

OAKWOOD

Billy

There's no doubt that the healthcare market has faced significant challenges such as increased unfavourable regulation, inflation and Trump's tariff tirade which is looking to cause a slight hinderance to the sector's overall performance. However, these drawbacks are likely applicable to almost every other sector, and whilst it could be damaging, it is not an exclusive problem. This report outlines many more positive advancements for the healthcare industry then it does negatives, which I believe is truly reflective of the current environment. Although investors may have to deal with some short-term losses, the long-term looks promising, especially with the eventually smooth integration of AI which is already saving the sector billions every year. Another key advancement is the shift in consumer mindset to the almost obsession with digital health, unlocking a whole new segment where we could see a large amount of activity coming from and staying around for many years to come. The healthcare sector has been underperforming for a while now, however it looks like the ROI for healthcare investments should be improving sooner rather than later.

Alex

With the healthcare sector undergoing major transformations, technological advances in biotech, AI, as well as digital health prove to be key players to a re-emerging healthcare industry. Alongside M&A activity being on the rise, long term signals for confidence within the sector are prominent. Despite regulatory concerns, long-term investment opportunities are still prevalent with major players projecting strong financial metrics. As traditional healthcare models evolve towards a more tech dominated environment, investment opportunities have presented themselves at the forefront of healthcare development. However, considering the recent tariff implications, many of the physical products (especially pharmaceuticals) will take heavy price tolls and see reductions earnings. Overall, the report covers prospects as well as concerns regarding the sector but I believe that a previously underperformed sector with long term prospects should be considered to be a part of most, if not all, investor portfolios.

Isaac

In conclusion, the healthcare sector continues to demonstrate significant long-term opportunities for investors, however uncertainty in the short term is still present. The sector is expected to show relative resilience despite the current macroeconomic environment, with a projected CAGR of 7% till 2030. A surge in M&A activity as well as new AI innovations and technological breakthroughs make the sector increasingly more attractive to investors. Major players like Novo Nordisk and Eli Lily are continuing to invest heavily into expanding and diversifying their product lineups especially in areas like obesity, oncology and neurology. Challenges within the sector do remain however, particularly in the shorter term. Equity prices are currently depressed due to increasing healthcare costs, regulatory hurdles and supply chain disruptions, particularly due to macro tensions such as Trump's tariffs adding uncertainty to the sector. Overall, the sector will likely continue to provide long-term equity growth however, the industry is also not immune to external macro shocks and is particularly vulnerable to regulatory changes. Despite this, the sector still remains an attractive investment opportunity for investors.

Skye

This report concludes that the healthcare industry is entering a period of strategic recalibration, marked by sustained M&A activity, rising technological integration, and evolving patient needs. Moves by big pharmaceutical companies such as UnitedHealth and CVS Health indicate a shift toward more vertically integrated models, promising improved efficiency and care delivery. However, regulatory scrutiny and integration challenges remain key risks. From an ESG standpoint, the focus is shifting from short-term fixes to long-term structural change, with companies investing not just in assets, but in accountability—for instance, CVS Health's acquisition of Oak Street Health reflects a move towards value-based, preventative care, targeting underserved communities and prioritising improved health outcomes. The outlook is cautiously optimistic—while the path forward may not be smooth, the sector shows strong signs of resilience and adaptability, provided firms balance commercial ambition with social responsibility.

Itonas

The healthcare sector remains a critical pillar of defensively oriented portfolios, yet within it, not all subsectors are created equal. Recent volatility has reinforced the strength of large-cap pharmaceuticals and medical equipment suppliers, which continue to provide steady cash flows and global scale. These areas are well-positioned for long-term performance and offer the greatest stability amidst market uncertainty. In contrast, healthcare providers and biotech firms face greater near-term challenges due to operational costs, funding constraints, and sentiment sensitivity—highlighted by their underperformance during the early April sell-off. While these segments still offer upside, they demand a more cautious approach. Positioning within the sector should reflect a bias toward earnings consistency and margin resilience, especially in an environment where broader equity markets are experiencing rotation. In sum, selectivity is key—overweighting stable subsectors while monitoring riskier segments for opportunistic entries as macro and policy factors evolve.

Daniel

As discussed in our report, the healthcare industry in both the EU and US is undergoing significant transformations and changes led by innovation, market activity and the changing global social and technological climate. Key industry players are making the most of the rising demand for treatment of ailments such as obesity to make the most of AI in order to meet expectations. Despite regulatory opposition and pricing pressures the sector maintains robust long - term projections that enforces confidence in investors.

OAKWOOD

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