

POINTS OF VIEW

1 question, 3 experts

HAS THE HEALTH CRISIS CHANGED OUR VIEW OF THE HEALTHCARE SECTOR?



Stéphanie Faibis,
Insurance equity
portfolio manager

NEW ECONOMIC ISSUE

Yes, the Covid crisis has added a new dimension: plunging public debt.

Healthcare systems have always been perceived as a means of gauging development, reflecting a state's financial capacity to provide a quality health system for its population. The Covid crisis has added a new dimension and healthcare has therefore become an economic issue. National sovereignty of states and economic regions in terms of drugs production has become a necessity, along with the quality of countries' hospital infrastructures and sufficient numbers of qualified medical staff.

The cost of a failing healthcare system for a country impacts its debt and can curb growth by burdening future generations with indebtedness.

We believe that infrastructure investment is a particularly attractive vector for equity markets in the eurozone. Prevention policies and rapid, precise and efficient diagnostics remain the best means of controlling and containing healthcare spending, particularly by increasing the resources available for health workers. Furthermore, costly equipment with embedded cutting-edge technology generates recurrent revenues through after-sales services. We are therefore positive for the medium term on companies providing health material: equipment for analyzes, medical imagery and radiology.



Marie-France Vecten
Healthcare sector
credit analyst

RESILIENT FINANCIAL PROFILES

In terms of fundamental analysis, the answer is no.

Healthcare players, particularly pharmaceutical majors, remain robust companies with resilient credit profiles.

Although their financial strength has not been undermined, the pandemic has highlighted their dependency - and ours - on certain Asian suppliers of basic active ingredients, which are nonetheless essential in a globalized industry.

From an ESG perspective, the sector has revealed to be a critical pillar for our societies and governments. They could rely on healthcare players' ability:

- To adapt to the logistical challenges generated by the sanitary crisis and the large-scale production of vaccines;
- To cooperate for both research and production ;
- To innovate and quickly deliver reliable therapeutic solutions.

Vaccines against Covid-19, produced in record time and sold at cost price to populations with limited access to basic health care, are **tangible illustrations that it is achievable to rapidly provide affordable treatments.**



Nathalie Beauvir Rodes
Sustainable bond
analyst

MORE INCLUSIVE HEALTHCARE SECTOR

The economic and health crisis triggered by the Covid pandemic has been a catalyst in the social bonds market. Issues increased eight-fold in 2020 to €160bn. Although healthcare issues represent a major category of projects, **few issuers in the sector have capitalized on this factor to enter this market.** In 2020, Pfizer launched a \$1.25bn sustainability bond to finance a more inclusive access to some of its drugs and the fight against antimicrobial resistance. In 2021, Orpea completed a €300m issue to finance retirement and other care homes.

The Sustainable bond market keeps growing and innovating. New issuance formats, such as sustainability-linked bonds (SLB), may prove to be better suited to the healthcare sector, by linking bond structure to objectives which comply with SDG n° 3 entitled "Good health & wellbeing" *. Novartis issued a €1.85bn SLB whose coupon level depends of group's ability to meet the goals defined under its 2025 Patient Access program.

As an investor, these instruments enable us to promote a more inclusive healthcare sector. An increasing number of groups are applying "access strategies" to their drugs towards underserved populations. However, the inequitable distribution of Covid vaccines illustrates the many obstacles which still need to be overcome.

* SDGs : United Nations Sustainable development goals

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