

Research on Investment Value in the Health-care Stock Market

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Abstract: The healthcare industry is one of the most valuable industries in the world, mainly because of the increasing demand for healthcare every day. Healthcare is a basic need, and one cannot live without it, which means it is a never-ending industry. Its value continues to rise every day as people seek out such services. Therefore, this paper chooses McKesson, an excellent enterprise in the healthcare industry, as the research object. An introduction to the topic is provided first, providing a brief overview of the healthcare stock market. A literature review is also provided to provide details of other studies on the same topic. It also determines the methods used to obtain and analyze data; and then specifically analyzes McKesson's cash flow, operating profit, profitability, and other data indicators to judge McKesson's overall operating conditions comprehensively. Finally, McKesson has a steady income stream and strong financials among its healthcare stocks for investors looking for the long term.

Keywords: healthcare stock; McKesson; investment value; stock market

1. Introduction

The investment value in the healthcare stock market is experiencing numerous changes over the years, with healthcare companies outperforming over the last years. This represents a potential defensive play against the recessionary and inflation trends that were expected from the economic impact of the Covid-19 pandemic and other factors. The term “healthcare stock market” refers to the stock market sector comprised of companies engaged in the research, development, manufacture, and distribution of healthcare-related goods and services [1]. These are simply the companies which manufacture medical devices and pharmaceuticals as well as those which provide medical services to people in various regions. They are also the companies that provide health insurance to people. Healthcare stocks have, over the years, experienced a significant performance because of the demand for care that has outgrown the insensitive strength of most economies. Health insurers have managed to pass higher costs to their clients, and this has reduced the impact on the healthcare business that inflation would have on them. The fact that the healthcare sector is expanding at a rapid pace means that investors who choose to invest in the healthcare stock market can benefit from this expansion and innovation. There are a number of factors that have contributed to this continuous and rapid growth in the healthcare stock market [2]. For instance, the rate of technology growth has been the major contributor to this growth. Healthcare institutions are adopting the use of technology in their processes, which means that as work is automated, it has become easy for them

to manufacture pharmaceuticals and medical devices at a higher rate. The aging world population, which has increased the demand for medical services, has also been a major contributor to the growth in the healthcare stock market.

Most healthcare companies have strong finances and a steady source of revenue, which makes them less susceptible to the ups and downs of the market. For instance, McKesson Corporation, a healthcare company in the United States that pharmaceutical distribution supply chain, healthcare services, and medical supplies & equipment, has a revenue of approximately \$2640 billion. This makes it one of the most valuable healthcare stocks companies. Each stock at the company goes for \$360 and has a market capitalization of \$49.825 billion. This makes it one of the most valuable healthcare stocks in the world.

Investing in the healthcare sector also offers investors the chance to benefit society, which is another reason many people choose to do so. Investing in healthcare companies that work to find treatments and cures for diseases is one way to support the efforts of these companies to improve public health [3]. Therefore, the healthcare stock market is an important and growing sector that offers investors the opportunity to benefit from the expansion and innovation taking place in the healthcare industry. It is a reasonably stable market that is less affected by economic downturns and offers investors the chance to benefit society while offering financial returns. As a result, it has gained popularity among long-term investors seeking development prospects. This explains the steady growth in the healthcare stocks market and the projected rise in its value over the coming years as the demand for healthcare and its products increases.

2. Literature Review

Investors seeking steady returns have flocked to the healthcare sector of the stock market. The healthcare business is crucial and expanding fast, driven by technological advancements and an aging global population, according to a literature assessment of several papers on the healthcare stock market and its trends. Healthcare expenditure throughout the world is expected to hit \$10 trillion by 2023, according to the World Health Organization. The aging of the population, the wider availability of healthcare, and the introduction of innovative therapies and technology all contribute to this expansion.

Healthcare equities have traditionally outperformed the general stock market, with an average annual return of 12.5% compared to 9.8% for the S&P 500 index between 1980 and 2016. According to the research, healthcare equities were shown to have a lesser association with the overall stock market during recessions [4]. This data implies that equities in the healthcare industry may be a safer bet for investors. Healthcare equities in the S&P 500 index were the subject of another research published in the Journal of Investment Management. Healthcare equities were shown to have a greater average return and lower volatility than the market as a whole, according to the analysis. The research also found that healthcare equities were less correlated with the market, suggesting that healthcare stocks might be a good way to diversify your portfolio.

The healthcare industry, especially biotechnology and pharmaceutical businesses, have been a major factor in the sustained expansion of the stock market, according to a report by the National Bureau of Economic Research [5]. The research also indicates that healthcare equities are more resilient to market swings since their income stream is steadier and more predictable [6]. The healthcare industry has been expanding faster than the overall market, according to a study published in the Journal of Investment Management. This expansion has been spurred by a number of factors, including an aging population, expanded access to healthcare, and the introduction of innovative treatments and technologies [7]. Researchers also discovered that investing in healthcare companies might help them diversify their portfolios since their equities are less volatile than the market as a whole. McKinsey & Company, a consulting company, has released research predicting

that the healthcare business would expand at a higher rate than the overall economy due to demographic shifts, technology developments, and greater healthcare expenditure. According to the data presented in the paper, the healthcare industry will significantly boost global GDP in the near future. According to research published in the Harvard Business Review, developments in genetics, artificial intelligence, and telemedicine are poised to usher in a period of profound change in the healthcare sector. According to the research, these breakthroughs will improve healthcare delivery, contribute to the discovery of novel therapeutics, and reduce healthcare spending overall.

In conclusion, the healthcare business is a critical and fast-developing sector, propelled by technological advancements and an aging global population. Between 1980 and 2016, healthcare companies returned an average of 12.5% annually, whilst the S&P 500 index returned an average of 9.8%. Aside from being less volatile than the market as a whole, healthcare companies benefit from a continuous income stream and are, therefore, less sensitive to economic downturns. In the future years, the healthcare industry's expansion will be a major contributor to worldwide economic expansion [8]. Plus, the current technology revolution in healthcare is anticipated to result in novel treatments, therapies, and savings for the healthcare system as a whole [9]. The healthcare industry has been expanding at a faster rate than the overall economy, according to a new report published in the Journal of the American Medical Association. Stocks in the healthcare sector returned an average of 14.5 percent each year over the last decade, according to the analysis, outperforming the returns of the S&P 500 index. Healthcare equities were shown to be less susceptible to market volatility because of their generally steady and continuous income stream and their lower sensitivity to economic downturns.

Credit Suisse, a financial services firm, has released a report predicting that the healthcare industry will continue to grow at a faster pace than the overall economy due to demographic shifts such as an aging population, greater access to healthcare, and the introduction of innovative treatments and technologies [10]. The analysis concludes that healthcare will increase at a rate of 4% per year through 2030, suggesting that it will play a significant role in boosting global economic development in the future years. The healthcare industry has been one of the best-performing sectors in the stock market over the last decade, according to research from the American Association of Individual Investors [7]. Over the previous decade, healthcare equities have returned an average of 15% annually, according to the analysis, outperforming the market as a whole. Healthcare equities were shown to be less susceptible to market volatility due to their generally steady and continuous income stream and their reduced sensitivity to economic downturns.

Powered by developments in genomics, AI, and telemedicine, a Forbes article claims the healthcare business is on the verge of a technological revolution. In addition to facilitating healthcare system efficiency and cost savings, the paper anticipates that these developments will lead to the creation of novel treatments and therapies. According to the report, healthcare equities are a promising long-term investment since the industry is expected to play a significant role in driving global economic development in the years ahead [4]. The literature research concludes that the healthcare stock market is a significant and expanding sector, providing investors with the chance to gain from the expansion and improvement of the healthcare business. It's less volatile than the stock market, and it's less vulnerable to recessions. Plus, it gives investors a chance to do good while making money [10]. Factors such as an aging population, increasing access to healthcare, and the development of novel therapies and technology are anticipated to continue to fuel healthcare sector growth at a higher rate than the wider economy. Long-term investors should find the healthcare stock market appealing since it is anticipated to be a major contributor to global economic development in the future years.

3. Method

3.1. Analysis of Macroeconomic

Macroeconomics has an important impact on the stock market because it can provide information about overall economic conditions that can help investors predict market movements, identify investment opportunities and reduce risk. A slowing economy can cause the stock market to fall, while economic growth can lead to a rise in the stock market. Therefore, its analysis from the data released by the U.S. Bureau of Economic Analysis and other official national statistics offices is crucial for investors to formulate effective investment strategies.

3.2. Analysis of Industry Sector

Industry sector analysis can help investors understand the characteristics and development trends of different industry sectors, and provide a basis for investment decisions. Investors can choose the industry sectors suitable for them to invest in according to the analysis results in order to obtain a higher rate of return. It can help investors and enterprises identify and reduce potential risks. By analyzing factors such as market competition and economic environment of the industry sector, investors and companies can formulate risk management strategies and reduce potential risks.

3.3. Analysis of Company

Enterprise analysis can provide investors with accurate information and basis so that investors can make more informed investment decisions. Investors can understand the profitability, financial stability, market competitiveness and other factors of the enterprise through enterprise analysis, so as to better evaluate the investment value of the enterprise. By analyzing the financial data of the enterprise, enterprise managers can better understand the financial status of the enterprise.

4. Results and Discussion

4.1. Macroeconomic

After the U.S. experienced the financial crisis in 2008, the U.S. economic growth rate has been maintained at 1.6%-3% since 2010 in 2019. By 2020, due to the accelerated spread of Omicron around the world, global supply chains have been disrupted, and consumer spending has declined. As a result, the economic growth rate will slow down. From 2021 to 2022, due to the promotion and use of vaccines, the employment rate will gradually recover, and consumer spending and business investment will also increase, providing impetus for economic recovery and returning the US economic growth to normal. Fig. 1 shows.

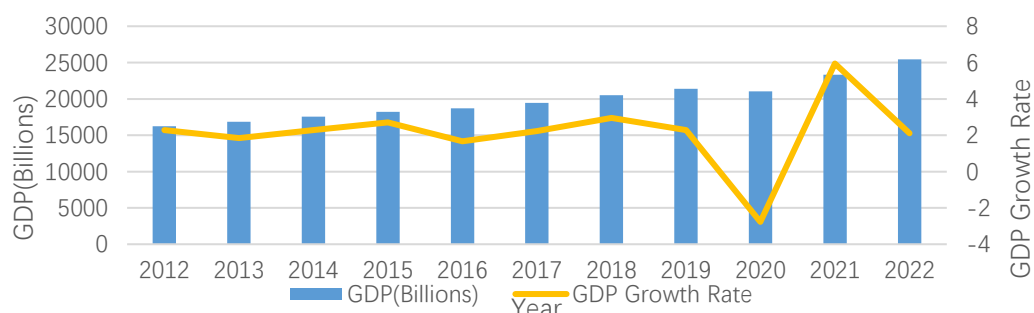


Figure 1: Changes in GDP and growth rate from 2012 to 2022.

The U.S. economy has experienced recovery, accelerated growth, recession and recovery in the past 11 years, but its overall performance is stable, with an average annual GDP growth rate of about 2.3%.

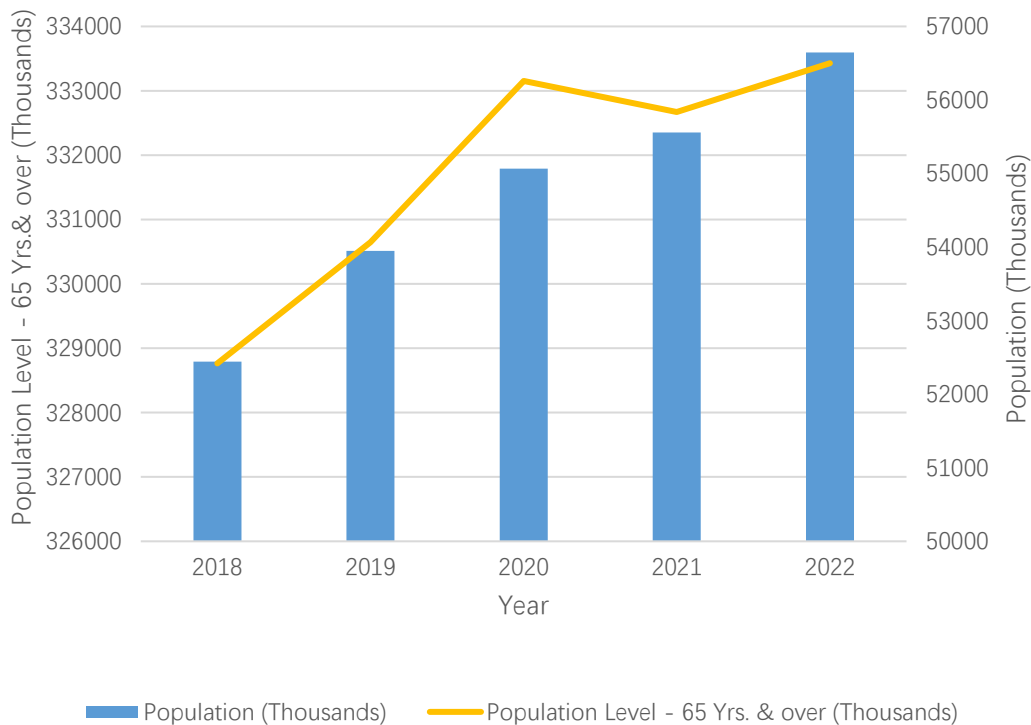


Figure 2: Population of the United States 2018-2022, and population over 65 years old.

As can be seen from Fig 2, from 2018 to 2022, the trend of aging in the United States will further intensify. According to the U.S. Census Bureau, the elderly population aged 65 and over increased by about 4.9 percent during the four-year period, from 52.4 million in 2018 to 56.6 million in 2022 [11]. At the same time, the proportion of the elderly population aged 65 and above in the total population will also increase from 15.9% in 2018 to 17% in 2022. As the population ages, the healthcare needs of the elderly continue to increase. The aging population will bring more business opportunities and profits to the health care industry, and will also promote the innovation and upgrading of medical technology, so health care stocks usually perform positively under the trend of population aging.

4.2. Industry Analysis

It can be seen from Fig 3 that from 2018 to 2022, the amount of personal consumption expenditure on health care in the United States has been increasing [12]. Among them, the data for 2020 may be somewhat misleading, because the demand and supply of health care services have been affected by the COVID-19 epidemic. caused a certain degree of impact. But in 2021 and 2022, the increase will be relatively large. This is related to factors such as population aging and rising medical costs, and also reflects the importance and market potential of the US healthcare industry.

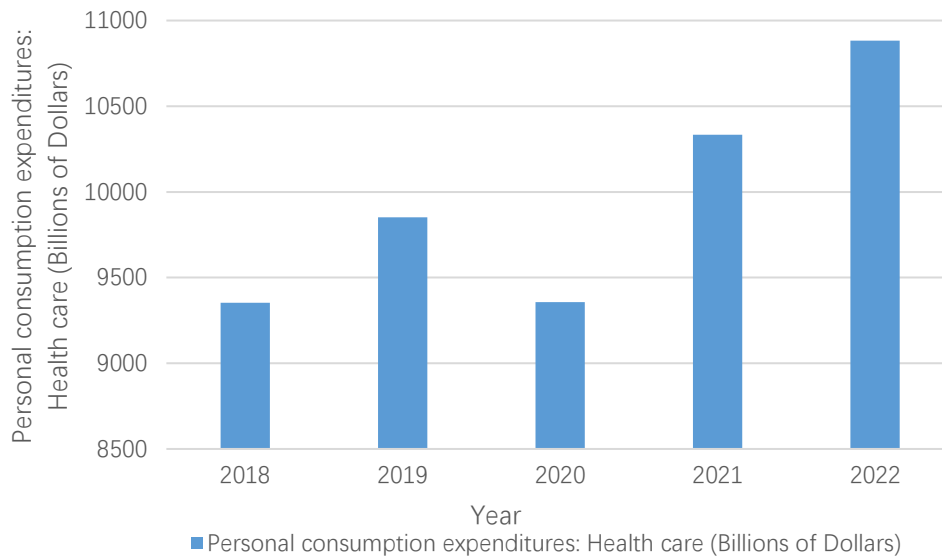


Figure 3: Personal consumption expenditures: Health care (2018-2022).

4.3. Basic Information of McKesson Corporation

McKesson Corporation (stock code NYSE: MCK). The company was founded in 1833 by John McKesson and Charles Olcott and is headquartered in Irving, Texas. McKesson Distribution Solutions is North America's largest pharmaceutical distributor, supplying pharmaceuticals to retail pharmacies and hospitals, as well as providing healthcare products, technology, equipment and related services to medical institutions throughout the United States.

McKesson supplies branded, generic, over-the-counter and specialty pharmaceuticals to more than 40,000 customers in retail chains, independent retail pharmacies and institutional providers such as hospitals, health systems, integrated distribution networks, and long-term care and specialty providers

McKesson Corporation is a major pharmaceutical distribution and healthcare IT solutions company based in the United States. McKesson's growth strategy focuses on expanding its core pharmaceutical distribution business and investing in new growth areas such as healthcare IT and specialty pharmaceuticals. The company has made strategic acquisitions and collaborations to enhance its capabilities in these areas and maintain leadership in the rapidly changing healthcare landscape. In its pharmaceutical distribution business, McKesson invests in technology and infrastructure to improve the efficiency and accuracy of its operations. This includes investments in automation, data analytics and supply chain management solutions. By utilizing these technologies, the company aims to improve its competitiveness and maintain its leading position in the industry. In healthcare IT, McKesson has made strategic investments in companies providing solutions for electronic health records, revenue cycle management and other areas of healthcare informatics. This enables the company to expand its product range and provide customers with comprehensive solutions that contribute to improving the overall quality of patient care. McKesson's growth strategy has been focused on leveraging its strengths and expanding into new growth areas to maintain leadership in the rapidly changing healthcare landscape. The company's investments in technology and strategic acquisitions position it well for future success.

Table 1: McKesson Corporation's Revenues, Cost of sale, Net income

Millions / Year	2018	2019	2020	2021	2022
Revenues	208357	214319	231051	238228	263966
Cost of sale	197173	202565	219028	226080	250836
Net income	297	255	1120	4340	1297

After the above data analysis of industry output data, combined with McKesson Corporation's revenue, sales cost and net profit data in the past five years to analyze McKesson Corporation's operating conditions, the medical market has experienced stable income and high sales costs. Qing McKesson Corporation's revenue has remained stable until 2020 with substantial growth. The trend of revenue and net profit is also mainly driven by the growth of the U.S. pharmaceutical and professional solutions segment market, including the increase in branded drug prices and from retail national account customers. increased sales of

From Table 1, it is known that the net profit of McKesson Corporation in 2021 will be 4340 Millions, an increase of 289% year-on-year; the revenue of McKesson Corporation in 2022 will be 263966 Millions, an increase of 11% year-on-year.

McKesson Corporation currently provides distribution and logistics services to customers for brand-name, generic, specialty, biosimilar, and over-the-counter pharmaceuticals and other healthcare-related products. The business provides solutions and services to pharmacies, hospitals, oncology and other specialty practices, pharmaceutical manufacturers, biopharmaceutical partners, physicians, payers and patients in the United States and Puerto Rico. We also source generic pharmaceuticals through ClarusONE Sourcing Services LLP, our joint venture with Walmart ("ClarusONE"); operate and serve customers through a network of 29 distribution centers, including two strategic redistribution centers. We invest in technology and other systems across all distribution centers to improve safety, reliability, and product availability; we provide customers with solutions including supply management technology, world-class marketing programs, managed care, and repackaging products and services to help They achieve business and quality goals. At the same time, McKesson Corporation has a clear asset and liability structure, stable growth in operating income and profits, and continuous improvement in profitability. On the whole, the current overall development of McKesson Corporation is progressing steadily.

5. Conclusion

McKesson Corporation is a provider of supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information technology. The healthcare industry is critical and expanding rapidly. This expansion is driven by technological advancements and an aging world population. The World Health Organization predicts that by 2023, total global healthcare spending will reach \$10 trillion. This expansion is due to various reasons such as aging population, increasing access to healthcare, and development of new treatments and technologies.

As a result, the stock market for healthcare-related companies has become an attractive option for investors looking for long-term growth opportunities. The stock market for healthcare companies is also generally considered stable and less affected by recessions than markets in other industries. This is because medical care is considered a basic necessity for human existence. Therefore, the demand for medical supplies and procedures is not affected by changes in economic conditions. In addition, McKesson Corporation has strong financial strength and stable revenue streams, making it less vulnerable to market ups and downs. In conclusion, the healthcare stock market is an important and growing industry that offers investors the opportunity to benefit from expansion and innovation in the healthcare industry. It's a fairly stable market, less affected by

recessions, and offers investors the opportunity to benefit society while delivering financial returns. As such, it is popular with long-term investors looking for growth prospects.

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