

Market commentary, April 28, 2026

Medtech & Services: Earnings reset unlocks high-conviction upside

The Medtech & Services sector has entered a new phase. Following the Q1 2026 earnings season, the investment case has strengthened, supported by reset expectations, improving earnings quality, and attractive valuations. With consensus implying material upside for the Bellevue Medtech & Services portfolio, the current setup offers a compelling entry point.

A clearing event that resets the starting point

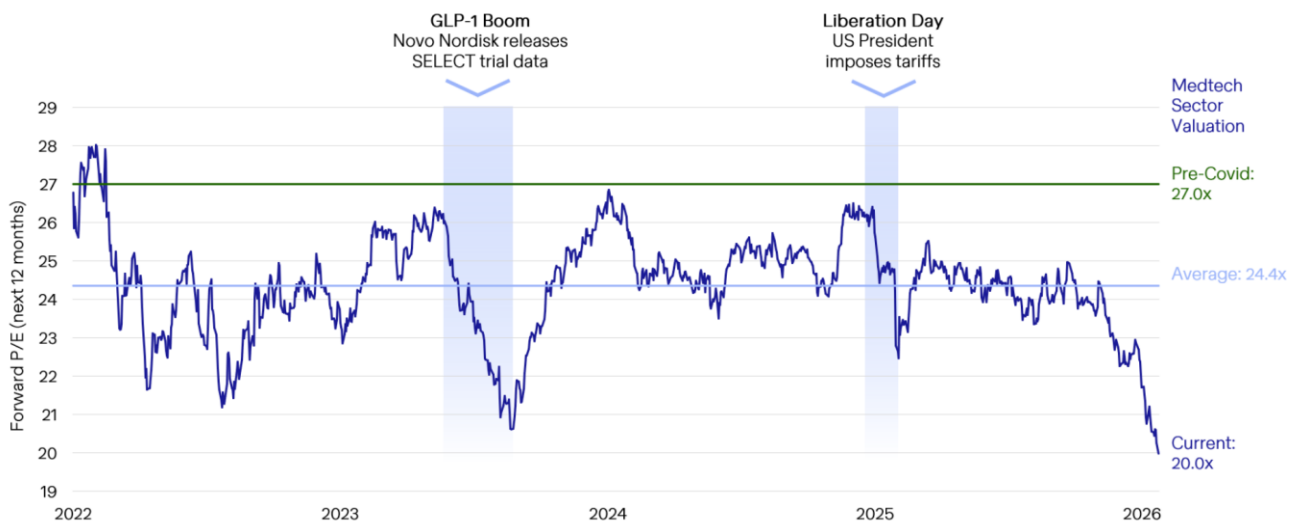
The Q1 2026 earnings season marked a decisive clearing event, ending a prolonged period of sentiment overhang and multiple compression. Strong market reactions to results from key players, such as Boston Scientific (+9%), Intuitive Surgical (+7%), and UnitedHealth (+7%), indicate that prior concerns have largely been absorbed and that the sector can again trade in line with its underlying earnings power.

Consensus expectations are now more realistic, removing a key overhang that had weighed on performance and establishing a cleaner baseline for earnings delivery. At the same time, several external headwinds, including China's volume-based pricing pressure and uncertainty around US Medicare Advantage reimbursement, have eased.

Valuation: discounted entry into structural growth

Recent weakness in the sector was not driven by fundamentals, which remain strong, but by elevated expectations following the pandemic. As growth normalized, valuation multiples adjusted sharply and overshot to the downside. This has created a clear valuation disconnect: 12-month forward P/E multiples have declined to around 20.0x – near historical lows, despite solid operational performance. As a result, Medtech now trades broadly in line with the market, with many companies below their historical valuation levels.

Medtech: Relative valuation at a historical low



All data in USD, analysis period February 20, 2022 to March 31, 2026, MSCI Healthcare Equipment & Supplies (Medtech): MXW00HE Index
Source: Bellevue Asset Management, Bloomberg (data)

Earnings model inflecting: growth and profitability

The sector is transitioning into a more attractive earnings phase. While innovation-driven growth remains robust, the focus is shifting toward accelerating profitability and free cash flow generation.

Key innovation areas include robotic-assisted surgery, Pulsed Field Ablation (PFA), and structural heart and stroke prevention technologies. As growth in these segments normalizes from elevated post-pandemic levels, operating leverage and margin expansion are becoming the primary drivers of earnings growth. The result is a structurally attractive profile combining durable growth with rising profitability.

Asymmetric risk-return profile

The current setup offers a clear asymmetry. On the downside, the sector benefits from high barriers to entry, entrenched competitive positions, recurring revenue streams, and strong visibility. Demand remains largely non-cyclical and procedure-driven, providing resilience.

On the upside, performance is supported by potential valuation normalization (multiple expansion), continued earnings delivery on reset expectations, and innovation-led growth translating into margin expansion.

Conclusion: a high-quality entry point

The sector has completed a full reset, from elevated expectations to compressed valuations and now normalized fundamentals. What remains is a high-quality, innovation-driven industry trading at levels that do not yet fully reflect its earnings power.

With expectations recalibrated, profitability improving, and structural growth intact, we believe the current setup represents one of the most attractive entry points in Medtech in recent years.

Learn more about our investment solution [here](#).

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