

Market commentary, March 10, 2026

Medtech & Services 2026: Fundamental strength at attractive valuation

The medtech & services sector entered 2026 with robust fundamentals. Following a period of heightened volatility in 2025, the segment is currently trading at an attractive valuation level in historical terms, while earnings prospects remain stable.

Valuation: Multiple compression without fundamental weakness

Over the past year, the sector's performance was driven less by operational setbacks than by a valuation adjustment. The expected price/earnings ratio currently stands at 22.5x, clearly below the historical average of 24.5x; before and after the pandemic, the sector traded at around 27x, corresponding to a discount of 9% and 20%, respectively.

At the same time, analysts' earnings estimates for 2026 and 2027 have edged slightly higher. Many companies are reporting solid margins, stable order intake and well-filled product pipelines. The recent underperformance therefore primarily reflects a more cautious market valuation rather than a structural deterioration in fundamentals.

Historically, such phases have tended to be followed by a normalization of valuation multiples once new growth drivers became visible or market uncertainty receded.

Structural growth with high visibility

The investment case for the medtech segment remains fully intact. For high-quality companies in the sector, we expect mid- to high-single-digit organic revenue growth rates over the medium term, along with low double-digit earnings per share growth.

Specifically, we estimate the weighted average organic revenue growth of our medtech & services portfolio at +9.1% over the next five years, with earnings per share growth of +12.1%.

This development is driven by several long-term factors:

- Aging populations, leading to higher treatment volumes
- Rising prosperity and broader health insurance coverage in emerging markets
- Innovation in diabetes, robotic-assisted surgery and structural heart disease. Artificial intelligence is a key innovation driver and supports product differentiation

In contrast to traditional pharmaceuticals, innovation cycles in medtech are often incremental. Products are continuously refined, regulatory risks are comparatively low (80–90% approval rate for FDA PMA approvals for complex products such as implants), and abrupt revenue losses due to patent expirations are rare. This structure provides high earnings visibility and sustainable cash flows.

Catalysts for 2026

Several potential catalysts are emerging for the current year. At the company level, significant product launches are expected in areas such as robotic-assisted surgery, structural heart therapies and electrophysiology. Numerous clinical data releases and new reimbursement policies should not only support revenue growth but also strengthen investor confidence. At the same time, M&A activity remains elevated: In 2026, transaction volume to date already amounts to USD 25 bn, following USD 46 bn for full-year 2025.

On the macro level, medtech companies are benefiting from slightly lower and more uniform tariffs following the US Supreme Court's tariff decision. We expect only a marginal impact from the expiry of Obamacare-related subsidies. We anticipate that the new Federal Reserve Chair, Kevin Warsh, will pursue a more growth-oriented monetary policy from May 2026 onward, which should be supportive for growth-oriented medtech companies.

In addition, a sector rotation of capital is underway: After BioPharma has seen renewed capital inflows since the end of 2025, adjacent healthcare segments such as medtech have historically also benefited from this dynamic.

Positioning: Quality over cyclical

In this environment, a focus on companies with a clear innovation pipeline, sustainable competitive advantages and solid balance sheet structures appears particularly compelling. Market leaders with pricing power and recurring revenues are better positioned to absorb short-term market volatility.

The volatility of recent months was primarily valuation-driven. Fundamentally, many companies are now better capitalized and structurally more efficient than before the pandemic – while trading at more moderate valuation levels.

Conclusion

The medtech & services sector combines structural growth with a defensive demand profile. In our view, the recent valuation adjustment has improved the relative risk/return profile.

For long-term investors, this offers high-quality exposure to healthcare innovation – with clear visibility, solid cash flow generation and multiple identifiable catalysts for the coming quarters.

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

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