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# The Liability Shield: The Foundation of the Industry

| Segment Focus | Key Talking Points & Citations |
| --- | --- |
| **The Cutter Incident (1955)** | The industry historically faced **infinite liability** risk after the Cutter Incident (Polio). This risk-reward imbalance caused a **market exodus**, resulting in dozens of manufacturers dwindling to a handful by the 1980s. |
| **The NCVIA (1986)** | The **National Childhood Vaccine Injury Act (NCVIA) of 1986** was the **single most important economic event** in the sector's history. It created a **liability shield** for manufacturers and **socialized the liability risk** while keeping profits private. |
| **RFK Jr.'s Structural Risk** | One major RFK risk is a fundamental **change in legal coverage**. The source material notes that without this liability shield, the private vaccine industry **"cannot operationally exist"**. Challenging the NCVIA threatens the structural viability of the business model. |

## Choose themes to screen from your portfolio away from (i.e. remove stocks)

| | | | |
|---|---|---|---|
| Climate Change | War | Human Rights | Health |
| Vices | Animal Rights | Religion | Asset Class |
| Thematic | | | |

### Climate Change

- [ ] No Fossil Fuels (Worst Offenders)
- [ ] No Fossil Fuels (Any)
- [ ] No Coal Seam Gas or Fracking
- [ ] No Nuclear Power
- [ ] No Old Growth Forest Logging

# Trump agenda

| Segment Focus | Key Talking Points & Citations |
| --- | --- |
| **The Political Motive** | Are policy threats aimed at **starving the beast** (reducing overall funding/volume), or is the political maneuvering (including that from Trump) a way of **"looking for a healthcare bribe"**—i.e., extracting political concessions or lower prices in exchange for maintaining the shield? |

# Pricing, Profits, IRA Threat

| Segment Focus | Key Talking Points & Citations |
| --- | --- |
| **Pricing Pressure Post-Pandemic** | The primary constraint now is **pricing pressure**; the "blank check" of the pandemic is gone. Political action can manifest as a **change in amounts paid**. |
| **The IRA's Long-Term Damage** | The **Inflation Reduction Act (IRA)** is cited as a **long-term structural threat to US pricing power**, which is the industry's profit sanctuary. The IRA will subject vaccines under Medicare (Part D and later Part B) to government **price negotiation**. |
| **Downside Scenario** | The downside scenario (15% probability) includes **pricing shocks** where **IRA negotiations are unexpectedly aggressive**, potentially cutting margins by **greater than 30%**. This political action directly impacts the profitability of the high-margin US market. |
| **Extreme Operating Leverage** | Political actions on price or volume are amplified due to the **extreme operating leverage** of the industry. Because marginal costs are negligible (~$0.50/dose), every dollar lost to price negotiation or every dose lost to demand erosion drops almost entirely from gross profit. Small changes in **volume assumptions** create **massive swings in FCF forecasts and valuation**. Note cost between Serum Institutue of India (1-3) vs Developed ($100) |

# Pricing, Profits, IRA Threat

| Segment Focus | Key Talking Points & Citations |
|---|---|
| **The Social License Barrier** | **Public trust** is the **single most valuable asset**. **Vaccine hesitancy** is identified as a **durable, non-economic barrier**. If political rhetoric encourages international anti-vaxxers, this compounds the existing difficulty in achieving commercial success and high adoption rates for new products (like RSV). |
| **The Valuation Bifurcation** | Legacy players (GSK, Sanofi) are valued based on traditional pharma metrics (P/E), while Platform players (Moderna, BioNTech) are valued like **high-growth tech stocks** based on the *potential* of their platform. This means that platform players are exceptionally sensitive to political/trust crises that threaten their ability to commercialize that potential pipeline. |
| **Is This a Buying Opportunity?** | Whether prices present a long-term opportunity depends on whether investors believe the structural risks will be realized. If the **Reimbursement Risk** (#1 risk) is mitigated and the NCVIA shield remains intact, the underlying economics remain strong (80–90%+ gross margins for blockbusters). However, if aggressive IRA pricing **freezes adoption** and political sentiment prevents US demand from bouncing back, the prices reflect justified fear. |
| **Defining Future Winners** | Future winners must possess **two key assets**: 1) A **scalable technology platform** (like mRNA) to manage R&D risk, and 2) A **global, scaled commercial infrastructure** to **win adoption and reimbursement battles**. The ability to navigate the complex political and regulatory landscape is key to leveraging platform technology. |

# Personalise Your Portfolio

## Screens

You can exclude the below to customise your portfolio

Climate Change | War | Human Rights | Health | Vices | Animal Rights | Religion | Asset Class | Thematic

- No Fossil Fuels (Worst Offenders)
- No Fossil Fuels (Any)
- No Coal Seam Gas or Fracking
- No Nuclear Power
- No Old Growth Forest Logging

## Tilts

You can add the below to customise your portfolio

Investment Style Factors | Climate Change | Technology | Consumption | Commodities | Military | GICS Sectors

- Quality Stocks
- Value Stocks
- Growth Stocks
- Defensives

Personalise your portfolio now ›

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