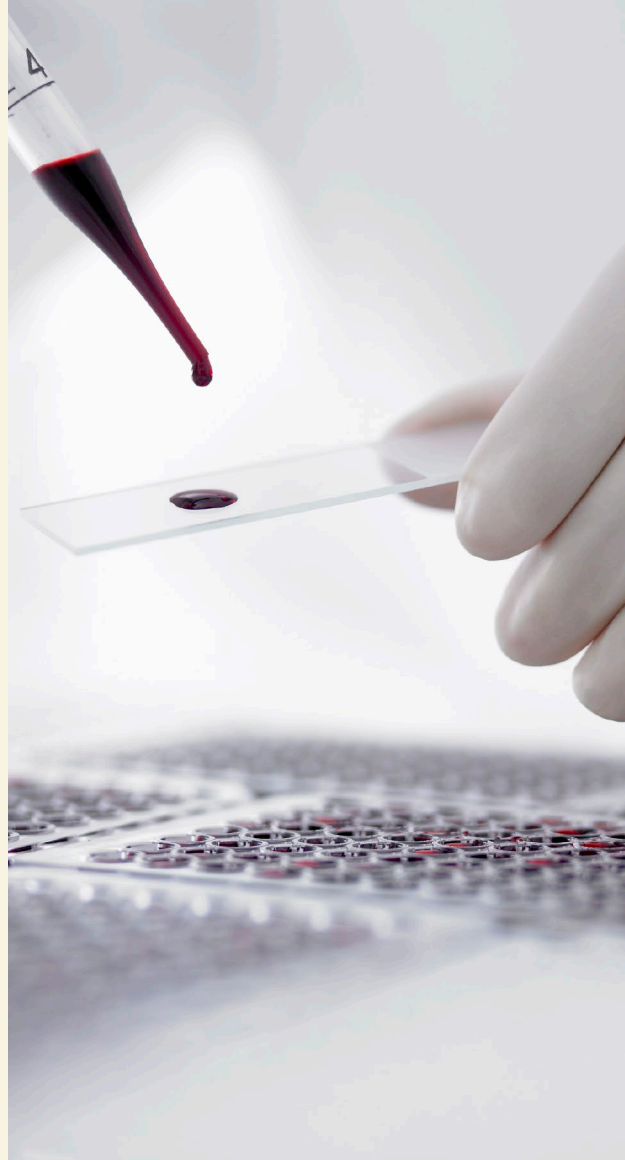


Dexcom



What it does

Dexcom is a manufacturer of sensors and display devices for continuous glucose monitoring (CGM). The primary application for CGM is to give diabetics more information about their blood glucose levels to better help them keep it within safe parameters. A superior and more convenient alternative to widely used 'finger stick' tests, ultimately improving patient outcomes.

Why we own it

- A revolutionary force in its market with a very large playing field and a strong technology lead.
- Long term opportunities overseas, in Type 2 patients and even in non-diabetics.
- Increasing evidence that continuous glucose monitoring reduces costs.
- Dexcom sensors are the most accurate and don't require finger calibration.

How it could be worth many times more

- Dexcom currently has a single-digit market share of the tens of millions suffering from Type 1 and Type 2 diabetes in the US, thus still lots of runway for growth. Add to this the likelihood of Dexcom expanding into the hundreds of millions in foreign markets, and the opportunity becomes enormous.
- Going even further, continuous glucose monitoring may be sought by non-diabetics, such as pregnant persons, inpatients in hospital care, and persons-at-risk. It is even plausible that someday most people will wear a continuous monitoring device, particularly if Dexcom's research into other health applications beyond diabetes prove fruitful.
- Revenue growth at 20% pa or more over the next decade and a single-digit global market share makes for a plausible pathway for Dexcom to be worth many multiples from here.

Where we might be wrong

- Management struggles to navigate the nuances of international markets beyond the US.
- Sensors commoditise fast and margins fall.
- Significant advances in diabetes treatments that negates need for sensors.
- Economics of the industry prove to be more challenging.

Short 10 questions

Can sales double in the next five years? **1**

Yes, as the opportunity in the US expands and new European markets are entered.

Ten years and beyond? **2**

Opportunities in additional geographies and non-diabetics.

Competitive advantage? **3**

Most accurate sensor, smartphone compatible and no need to use finger sticks.

Is the business culture different? **4**

Admirably devoted to helping diabetes sufferers. Imaginative about long-term addressable opportunities.

Customers like you? Contribute to society? **5**

Vocal patient advocacy groups, real quality of life difference.

Are returns worthwhile? **6**

Yes, with strong margins.

Will they rise or fall? **7**

Operating margins should rise to at least 35%.

How is capital allocated? **8**

Organic growth. Scaling capacity and a focus on research and development.

Could it be worth 5x as much? **9**

Market penetration continues, revenue growth continues, margins expand.

What doesn't the market understand? **10**

The market is focused on the short-term medical news.

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