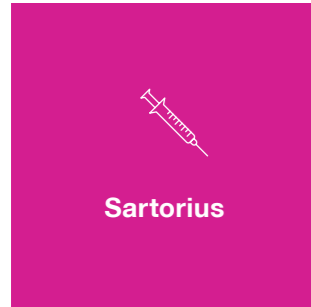


Sartorius

Biopharmaceutical equipment

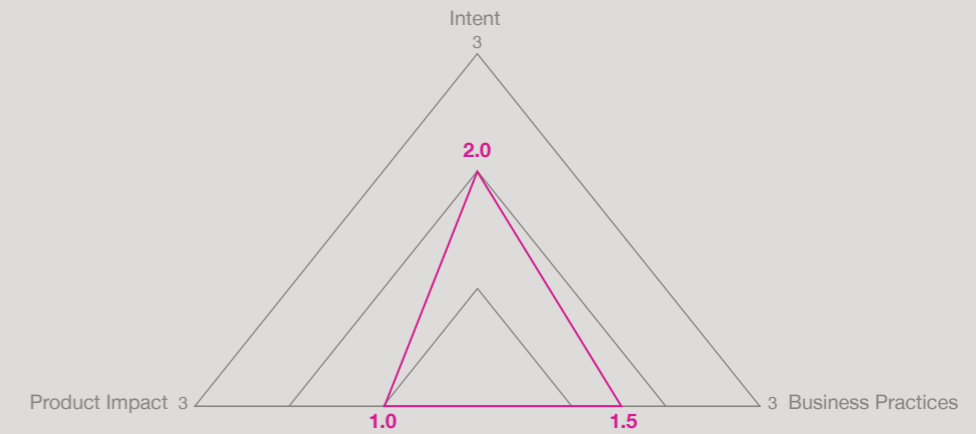


Sartorius is a global biopharma and laboratory equipment supplier which provides single use manufacturing equipment for biological drugs and a wide range of instruments used by pharmaceutical R&D departments and academic research institutes.

Investment Case

What challenge is the Company tackling?	Sartorius is an enabler of change. It is helping to address the cost of bio manufacturing of biological drugs and the costly and lengthy process of drug development. Traditional manufacturing processes rely on sterilisation after each production run, causing not only high costs and a rigid system but also the potential for cross-contamination in testing. Single-use equipment helps to reduce capital cost (potentially over 50%) and can be twice as fast to install and reduces the risk of contamination. Single use equipment could help to enhance proliferation of young biotech companies by allowing them to focus on their core competency.
Is the Company's offering sufficiently different and better than the status quo?	It is hard to imagine an alternative to single use equipment. The normal sterilisation processes are clunky and costly. Sartorius' aim is to lower the likelihood of failure and reduce the time and cost of the drug development. Analysis shows that operating costs for a single-use facility compared to stainless steel are 22% lower and this is primarily due to less labour, utilities maintenance and waste.
Is there a committed management team? What have they done before?	The Sartorius Group Executive Committee has an average tenure of 17 years and is led by CEO Joachim Kreuzburg. The Sartorius families hold 55% of the ordinary shares in the company, and Bio-Rad Laboratories with 34% holding. Kreuzburg has been with the company for 19 years. Sartorius is nearly 3 times larger than when he joined, and the company has become younger in this period, with only 25% of employees with more than 15 years with the company. CFO Rainer Lehman re-joined Sartorius in 2006 following a brief stint with Biesterfeld AG.
How does the Company treat stakeholders?	Sartorius is recognised as a good place to work by staff, there is a committed culture that incubates innovation. The proportion of women in the workforce has been increasing and in 2018 was at 38%. The company has committed itself to appointing a female to the Executive board by 2022 where there are currently no female members. Customers are a priority in Sartorius and the company takes its commitment to conducting business with utmost integrity very seriously.
Is there a potential to create a profitable and defensible business?	Sartorius has managed to remain relevant over 100 years by embracing an innovative culture and looking to adopt new technologies into the business, it is already a successful business with attractive financials. Recurring revenue accounts for 65% of total sales and customers are sticky. Sartorius' long-term growth in bio manufacturing correlates strongly with the growth in the biopharma industry, which has been growing at 7% per year, and is likely to continue in the long term. If we assume its future growth will be driven by the volume of growth the single-use market could grow at 13–15% per annum over the next 5–10 years. Sartorius is well positioned to gain market share in the US given its strong product portfolio and trust with existing customers.
Is the business attractively valued?	Sartorius is the only focussed player in the single-use technology and we believe it can grow this business at 30% p.a. thanks to its strong industry reputation. We believe there is a good chance that new types of biological drugs such as gene and cell therapy will noticeably expand Sartorius' addressable market where it is already has a 20% market share. Single-use technologies could rise to 60% penetration as young, clinical manufacturing grows faster than existing commercial manufacturing. We believe both Sartorius' growth and the addressable market expansion are under appreciated by the market and that Sartorius is therefore very attractively valued given this opportunity over the next 5 years.

Impact Analysis



Product Impact

Single-use technologies developed by Sartorius enable efficiencies across the drug development process, providing benefits such as lower costs and reduced environmental impact, as well as increased bioprocessing speed and flexibility. The availability of suitable alternatives as well as the reliance on the pharmaceutical industry to pass on these benefits results in a lower score.

Intent

Sartorius has a clear mission and strong culture which are focussed on supporting scientific discovery through innovation and collaboration.

Business Practices

Sartorius demonstrates an awareness of the impact across its various stakeholder groups, with good evidence of responsible management and progression. However, there are also some gaps particularly regarding governance and forward-looking environmental initiatives.

	Relevant Targets	Relevant Products
	<p>Target 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.</p> <p>Target 3.B Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use the full provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all.</p>	<p>Sartorius provides products which reduce the complexity and cost of bio-manufacturing, a complex process with high risks of contamination. Traditional manufacturing relies on reusable technology that requires sterilisation after each production run, this is a costly and time-consuming process.</p> <p>Single-use equipment helps to address these challenges by reducing the risk of contamination, allowing more flexibility and have a lower environmental impact than reusable technologies.</p>

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