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# BAILLIE GIFFORD UK STOCK STORIES

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Abcam and Homeserve

Investment managers Iain McCombie and Milena Mileva give some examples of companies within the UK portfolio that show exciting growth potential.

*Investment markets can go down as well as up and market conditions can change rapidly. The value of any investment can fall as well as rise and investors may not get back the amount invested.*

*This communication was produced in March 2020 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.*

**Iain McCombie (IM):** We are bottom up growth investors and that means we're trying to find individual companies that have attractive growth potential. Why is that important? We think in the long run share prices follow fundamentals so we're trying to find individual companies with characteristics that are going to grow faster than the market and we think you'll be well rewarded for doing so.

**Milena Mileva:** The advent of genomic sequencing and advances in computing power more broadly have really unleashed a great deal of innovation in the life sciences. There has been a proliferation of new targets which life scientists can investigate in order to further our understanding of the complex mechanisms which underlie our biology and ultimately advance the processes of drug discovery and development.

Abcam is a leading provider of antibodies and other tools used by the global research community and as such, we see this real beneficiary of this very exciting industry backdrop.

Abcam has always been an innovative company. Its founder, Jonathan Milner, did much to modernise the fairly inefficient distribution of research antibodies by setting up the Abcam's ecommerce platform.

I guess the staples of life science research, the quality of antibodies also matters a great deal to the outcome and reproducibility of scientific experiments. And Milner's other insight was really that quality here refers not just to the actual physical product but also the accompanying supporting information and validation data. And Abcam sought to address this issue by encouraging the development of a very comprehensive database of reviews covering the very large range of antibodies sold on its platform.

I guess what really excites us is that over the last 5 years Jonathan Milner's successor, Alan Hirzel, and his team, they have really taken this commitment to quality a step further and they've done so by significantly investing in the company's in-house capabilities, it's in-house scientific capabilities and innovation capabilities and as such, Abcam's role has evolved from a distributor to a more higher value-added role for its customers and the percentage of revenues for example, that's coming from internally developed products, have gone from 12 per cent at the time of IPO to nearly 50 per cent in the last financial year.

We are very enthused about Abcam's prospects, simply because despite its very significant growth over the last 15 years, we still see a very large opportunity ahead of the company. The CEO recently announced a new ambitious plan to double the size of the business again in the next five years by extending the company's leadership in the core antibody market but also expanding in adjacent life science reagent markets – proteins, acids, salines – targeting a 3



billion dollar opportunity. And then looking further still, we can see scope for Abcam to grow outside of its core academic markets into more commercial applications by partnering with bio-pharmaceuticals and diagnostic companies.

So while this investment plan comes with a short-term hit to profitability, we think that the scale of the long-term rewards on offer here, as well as the likelihood of success because of Abcam's financial and competitive strengths, really make this a worthwhile allocation of shareholders capital.

**IM:** Homeserve is an emergency repair service that operates in the UK, France, Spain and the US. And essentially it works with its partners, utility companies, to market to the customers who want that service.

The chief executive of Homeserve is called Richard Harpin and he's the founder and I think that's really important for understanding why it's been successful. Because his drive I think is a key factor for the growth angle in this business.

Homeserve essentially has two businesses. The first side is its traditional business, its very mature businesses, the UK and Europe. They are growing, but they're not growing a huge amount. But that's fine. They're very profitable. But the other side of the business is where we're really excited. And I can again break it down into two aspects. The first one is the US. Now the US market is much less mature than the UK for example. But Homeserve over the last decade have been growing that business through acquisitions and organic growth and we're now at that critical mass point where the profitability is really starting to drive through which is excellent.

The other business is much more early stage but its potentially very exciting. And this is a business called Checktrade and you may have seen adverts on that on the TV. And essentially this is a platform which is trying to connect consumers with tradesmen. So for example I recently had a TV aerial that blew down and I used Checktrade to look for TV aerial installers so I was able to find one, good reviews in punctuality and so on. And I picked one, I phoned the number on the site, and that's actually a Checktrade number, and it connected me to the tradesman who did the job and I was very happy. The installer is also very happy because he's getting new sources of trade that he wouldn't have got before. And he's paying for that and that's how the revenue model works. And we think this is really exciting because it's a big problem. If you don't know a tradesman, how can I find one that's trustworthy? Well Checktrade is trying to sort that problem out and that's why we're very excited about it.

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