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# GLOBAL STEWARDSHIP STOCK STORIES: SARTORIUS

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Investment manager Josie Bentley explains why Sartorius Stedim, biologic drug equipment and product provider, not only has exciting growth opportunity, but is also a company fundamentally intertwined with a better future for society.

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**Josie Bentley:** The coronavirus pandemic has shown us all how important drug development and drug manufacturing is for society. European company Sartorius Stedim is at the heart of this theme. Sartorius provides equipment and products needed for the manufacture of biologic drugs like antibodies, vaccines, and even newer treatments like gene therapy. Sartorius is a trusted partner to the world's biopharma industry and one of the key players in a global oligopoly. So it's a European company that deserves its place in a best-in-class global portfolio.

There are two, key, long-term growth drivers for Sartorius. The first is the growth in biologic drugs. Biologics are typically more targeted therapies than traditional small molecule drugs and should have fewer side effects for patients.

However, biologics are more complicated to manufacture, which is why Sartorius's equipment is important. The second growth driver is the increased penetration of *single-use equipment* for the manufacture of biologic drugs. As I've mentioned, manufacturing biologics is not easy. Compared to small molecule drugs, there's a greater risk of contamination and it's more cost intensive. Sartorius's single-use equipment reduces the risk of contamination as the equipment doesn't need to be sterilised and re-qualified after each manufacturing cycle. Single-use equipment also lowers up-front capital costs and gives manufacturing sites the flexibility to scale their volumes up or down as necessary.

When we hear single-use we often think of waste, like single-use plastic bags. But when we've looked at the research on the full lifecycle impact, single-use equipment for making biologics often seems better for the environment than reusable systems. That's because the biggest environmental impact is the energy and water use during the drug production phase and, at this phase, single use is more efficient. It's a counterintuitive result and we're not complacent on this point and will keep looking out for new environmental studies.



After all, in Global Stewardship we look at both the investment case and the stewardship case. The first question we ask in our reports is “will the company add value for society over the long term?” For Sartorius this is a resounding yes. This company lowers the cost of manufacturing for biologic drugs and enables its customers to produce them reliably and flexibly.

When speaking to Sartorius’s management, we’ve also been impressed at how the company is adapting and future-proofing its business to emerging types of drugs. In fact, Sartorius, the parent company, has stayed relevant for over 100 years through continuous evolution. We admire the company’s strong links with academia and a very customer-oriented culture. We believe these points should help Sartorius remain at the forefront of healthcare innovation and ultimately help make sure new therapies for patients can be manufactured at scale. Again, this is an area where the positive inclusion factors – a positive contribution to society – overlaps with the investment case.

Sartorius is a stock where we monitor the valuation carefully and try hard not to overweight shorter-term hype around coronavirus developments. As with all our holdings, we’re looking at the 5-10 year view, not next quarter’s earnings. And for Sartorius that long-term investment case for growth in biologic drugs and single-use bio-processing equipment is fundamentally intertwined with a better future for society.

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