

BLA Newsletter Issue #8 – December 2021

Webinars & Insights



Warm Wishes for a Happy Holiday

We would like to take this opportunity to wish you and your family a very happy holiday, and a healthy and prosperous 2022.

As we look back at 2021, we are seeing the economy and the stock market recover from a turbulent 2020. However, that doesn't mean we can be complacent. As you refine your goals for the coming year, know that our team is here to help.

We hope that you are able to relax and enjoy your family's holiday traditions with the peace of mind that can come from the knowledge that we have worked together to create a financial strategy to help meet your long-term goals.

Thank you for a great year. We look forward to continuing our work together in 2022.



Webinars

In case you missed it, the webinar recording for “Investing in Alternative Investments” is now available on our events page linked below.

We hosted this webinar on October 22, with guest speakers Brian Fraser, Director of Sales at Centurion Asset Management, and Emma Querengesser, Senior Alternative Investments Specialist at Raymond James Ltd.

You can watch previous webinar recordings on our website

www.blprivatewealth.ca/insights/events

Please contact us at any time if you have any questions regarding the topics discussed in the video.

Insights – Thermo Fisher Scientific

Health care is a sector that is seeing an accelerating pace of innovation and investment in diagnostics, vaccines, and treatments for infectious diseases. Over the past few months, we have spent time learning about the health care sector and identifying possible investment opportunities, such as Thermo Fisher Scientific, a leading global manufacturer and distributor of analytical instruments, lab equipment, consumables, and value-added services (e.g., drug development, clinical trials, and contract manufacturing) in the life science tools and diagnostics industry.

Our research specialist, Christopher De Sousa, posted his write-up on Thermo Fisher Scientific on our Insights page [here](#).

Below, you can read an excerpt of the article. If you would like to discuss further or have any questions, please reach out to Bee Lee at 519-883-6062 or email bee.lee@raymondjames.ca

Thermo Fisher Scientific

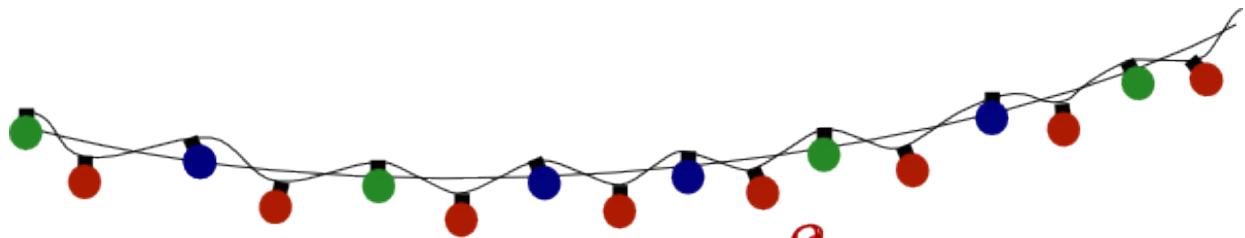
Thermo Fisher is a leading provider of analytical instruments, lab equipment, and consumables (e.g., biochemical reagents, vials, containers, petri dishes, pipette tips, diagnostic test kits, etc.) to highly regulated end markets. In the biopharma end market, medical researchers and scientists are required to provide detailed specifications of the lab equipment and consumables used in their workflows. Thermo Fisher is providing essential components such as biological reagents and lab instruments in each step across the workflow to design and manufacturer medicines and therapies. Importantly, when a biopharmaceutical company submits the drug for regulatory approval, the components used to develop and manufacture the drug are part of the regulatory filing.

Thermo Fisher is deeply embedded throughout the life cycle of a drug. Strict regulatory oversight creates very sticky and long-term customer relationships. Once an instrument is specified into the design (e.g., drug development and manufacturing process), the cost of switching out that instrument is significant. The biopharmaceutical company would have to find a new partner and revisit the regulatory environment (requires submitting the new specifications to the FDA and the FDA would have to reauthorize the facility/process, which can take months or even have to reauthorize the drug). All of this is timely and expensive for biopharmaceuticals. The regulatory requirement for consistency in performance and measurement results in high switching costs, as well as high barriers to entry for competitors—two factors contributing to Thermo Fisher’s competitive advantage in the life science tools and diagnostics marketplace.

Drug discovery and development is a complex and iterative process. The instruments used to measure, analyze, and produce biological data require a recurring flow of single-use consumables. Some instruments typically form a closed system. This means the instrument will only operate by using their own branded consumables. For example, if a medical researcher is using one of Thermo Fisher’s bioprocessing centrifuges (to separate particles in a liquid, like blood cells), then they can only use the bioprocess containers developed specifically for that machine to reduce cross-contamination risk. This razor-and-blade business model generates an attractive base of recurring revenue from selling high-margin consumables for instruments that tend to have an average life of 5 to 12 years (i.e., locking in the customer for many years). Thermo Fisher’s revenue mix is approximately 80% recurring, due largely from the sales of consumables and services.

Thermo Fisher enjoys a high level of pricing power from selling critical instruments and consumables that represent a relatively small portion of a customers’ overall R&D budget. This has allowed Thermo Fisher to steadily increase prices from 0.50% to 1% each year. Over time, we expect Thermo Fisher to increase its share of wallet at existing customers by launching relevant products and services. Thermo Fisher plays a meaningful role as a supplier, but also, a trusted advisor in the development of vaccines and therapies. Thermo Fisher touches the customer across the entire value chain from early discovery and research to clinical trials and contract development and manufacturing. In our view, the customer value proposition is unmatched in the life science industry.

[Click Here for the Full Article](#)



Happy Holidays!



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