

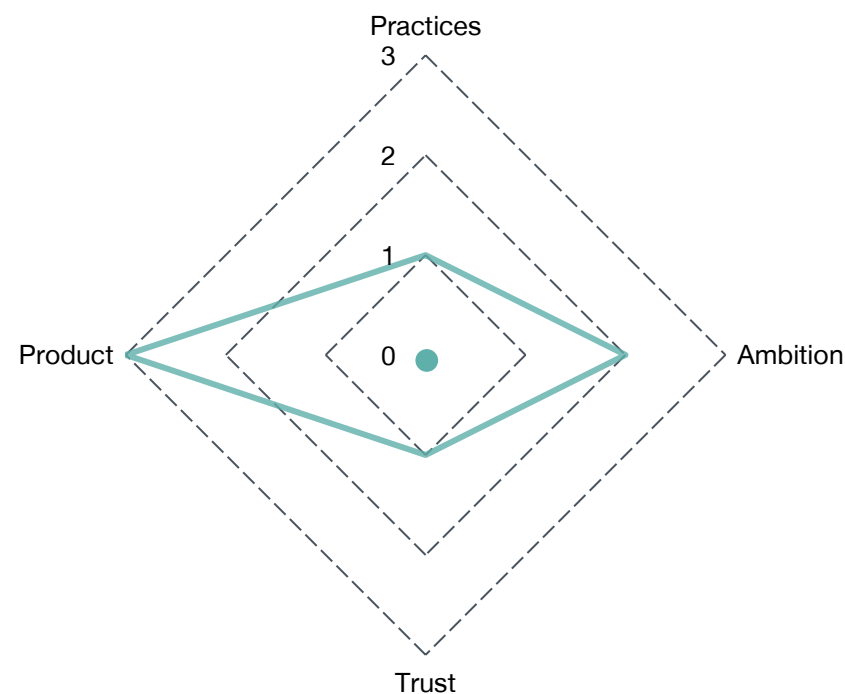
# Illumina

## Sustainable Growth Hypothesis:

As the global leader in gene sequencing, Illumina occupies a privileged position in the genomics value chain and has clear potential to make a difference by enabling scientific and medical advances.

- Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?**
  - Illumina provides key infrastructure for growth in the genomics market. While growth under the last CEO was disappointing, we believe the new CEO will bring a renewed focus to profitability of the core business.
- Resilience: How much control does the company have over its own success?**
  - Illumina's large installed base, along with high switching costs for customers, and significant scale versus peers means it boasts a strong competitive position. Furthermore, 85% of revenues are recurring – an indicator that its customer base remains stable and cash flows are reliable.
- Valuation: What is our insight?**
  - Our willingness to remain patient in the wake of longer duration cash flows, look past short-term fluctuations, and remain close to management through our relationships that strengthen over time.
- Products: To what extent will the core products & services create value for society over the next decade?**
  - Illumina has handled >90% of genomes ever sequenced. Most cancer tests, and all single-cell sequencing currently rely on its devices. Its success has enabled economies of scale that have driven down the cost of sequencing dramatically over the last 12 years.
- Practices: Does the company show leadership in its business practices?**
  - Allegations of keeping prices high have remained a priority for engagement. Handling of the recent attempted GRAIL acquisition also raised questions about decision-making and focus, but recent management changes have helped us gain confidence in the future direction of the company.
- Ambition: What is the company's purpose, and how ambitious are they?**
  - The founding principles were focused on societal benefit. We continue to monitor if this still drives the company's growth.
- Trust: Should we trust the company with our clients' capital?**
  - We have open lines of communication with management which have proved invaluable in 2023. With the new CEO in place, and a trusted Board, there is a chance for Illumina to restore confidence among its stakeholders.
- Engagement: No company is perfect, what should be our engagement priority?**
  - Our focus will be to remain close to the refreshed management team and strategic decisions they make around focusing on returning to growth in the core business.
- Milestones: What developments should we pay most attention to? Where could we be wrong?**
  - We must stay alert to growing competition in the genomics market and whether Illumina continues to have significant scale and competitive advantages over peers.

## Compass Scores



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