

Twitter Thread by Sajal Kapoor

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@unseenvalue



Not easy to track all 4K generic chemical molecules. My template is rather simple so even a layman can follow! Invest in innovator synthesis (#CDMOs) as ::

- a) molecules are on-patent. No pricing pressure
- b) typically 1 or 2 suppliers compete per molecule
- c) runway is extra long



INVESTMENT SCREENING CRITERIA



INDUSTRY STRUCTURE

- From “Basement” to “Top Tier” (positive forward rate of change)
- From “Unfavourable” to “Favourable” 5 forces over time
- Examples : Chemicals 2011 vs 2016 onwards; APIs been under attack (1999 - 2019)



BUSINESS ECONOMICS

- Critical or essential product / service
- High entry barriers (competition)
- High exit barriers (customers)
- Low cyclicalities in cash flows



MANAGEMENT

- Walking the talk
- Capital allocation track record
- No major red flags (fraud, misconduct etc)
- Skin in the game