



Australia Analyst Discovers Key Finding in the U.S.

For T. Rowe Price investment professional Kim Tracey, pertinent insights for her Australian health services coverage can occur anywhere on the planet. On a recent research trip to the United States, Kim detected a chronic shortage of global plasma supplies at a time when plasma-based protein therapies are in high demand. The United States provides about 70% of the world's plasma, but it has been tougher to attract plasma donors.

After attending trade shows and talking with major public companies and smaller private companies involved in the plasma-derived therapies industry, as well as independent collection centers and equipment suppliers, she concluded that the plasma market would remain tight for quite a while. "Hospitals were rationing the product for all patients, even for people with life threatening diseases," she says. "It's the kind of insight you can't get just studying the market from your office or running spreadsheets."

She says a challenging market can be favorable for the plasma industry in the short term, but "rationing the product is ultimately one of the worst things that can happen. Governments and other payors could dictate what patients get and how they get it, which could restrain manufacturers' profitability. Also, if patients and prescribers don't think they can get supply, they may

Talking with
Kim Tracey

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try alternative products and it can be challenging to get them back."

This imbalance has implications for Melbourne-based CSL Limited, a major manufacturer of plasma-derived and recombinant therapies. While rationing of plasma could adversely impact profitability, Kim is optimistic about CSL's earnings potential near term. "Clearly, there is strong demand and the supply is restrained," she says. "The company has pricing power in some markets. That's incrementally positive for CSL and reaffirms our favorable near-term outlook for the company."

Going Beyond the Numbers Reveals the Full Story

At T. Rowe Price, our investment approach is to go beyond the numbers when evaluating what companies may offer the best future potential. By getting out into the field, we gain insights and a deeper understanding of where a company or industry stands and where it could go in the future.

The qualitative input from the field can really help in forming a view on the sustainability of a business and the management team.

For Kim, that means spending about 20% of her time visiting companies, as well as their competitors, suppliers, and customers. On the recent U.S. trip, she visited with biotech companies that research diseases treated with plasma products.

Getting Ahead of Change

"Firsthand research is tremendously important," Kim says. "People tend to be more forthcoming in face-to-face meetings,

and it can be easier putting all the pieces of the puzzle together. At industry events, you never know who you might meet that will have some insights into the industry or individual companies that you won't get in the office or find out any other way. The qualitative input from the field can really help in forming a view on the sustainability of a business and the management team. Field research can also highlight important emerging trends."

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