

The company using innovation to fight cancer

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With the advance of medical technologies and improving diets, global average life expectancy has increased. Sadly, as we live longer, cancer risk also increases. This backdrop creates a growing demand for radiation therapy as it is an effective and relatively affordable treatment option for cancer patients. This market is estimated to grow at 4% annually to \$6.3 billion in 2022. The market for radiation therapy equipment is consolidated, dominated by two major players Varian and Elekta. They compete on innovation and technology, which results in better clinical outcomes and lower side-effects for patients.

Varian's strategy is to transform itself from a global leader in radiation therapy to be a front-runner in multi-disciplinary integrated cancer care solutions. This approach helps it strengthen its leadership in radiation therapy, expand its addressable market and extend its global footprint. One of its plans is to expand into the adjacent markets of Care Coordination and Interventional Oncology. Care Coordination is a fast growing market due to the increasing complexity of cancer care. The market is expected to grow 20% annually to \$6 billion in 2022. Varian introduced its 360 Oncology care management platform in 2016, bringing together radiation, medical and surgical oncology, social services and primary care physicians to facilitate true coordinated care. This platform enables doctors to provide the highest quality, evidence-based care plan and best clinical outcome possible. Interventional Oncology is another fast growing adjacent market, estimated to grow at 8% annually to 2022. Varian launched Rhapsphere in 2018, a cancer imaging software for the interventional oncology market. The software can aggregate unstructured treatment and imaging data from diverse systems to show a comprehensive view of a patient's diagnostic imaging and treatment history.

To maintain its competitiveness, Varian is committed to innovation and generally spends 8% of its sales on research and development. There are numerous examples which demonstrate its leadership in innovation. Varian introduced a new cancer treatment device Halycon in 2017 to target emerging markets. Halycon aims to reduce the total cost of ownership and provide faster treatment times to meet the high demand for high-throughput cancer centres in the emerging markets. It also launched a new proton therapy system ProBeam 360 in 2018 with 30% smaller footprint and faster treatment times.

Varian is a pioneer in radiation therapy and we believe it will play an even bigger role in cancer care solutions in the future.

We invest in this stock for the following reasons:

1. **Secular market growth:** Radiation therapy is a growing market driven by the growing prevalence of cancer and the increasing adoption of radiation therapy in emerging markets.
2. **Dominant market leader:** Varian has around 50% market share in radiation therapy and is increasing its share.
3. **Innovative excellence:** Varian is fully committed to innovation. Its technological leadership is evidenced by the successful launch of Halycon, which was selected as one of 2018's most exceptional innovations in science and technology.
4. **Expanding addressable market:** Varian has successfully expanded into faster growing adjacent markets through internal development and acquisition.

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