Adcock Ingram – a Get-Rich- *Slowly* Investment

Perspectives: September 25th, 2024

There is an old truism about going bankrupt – slowly at first, and then all of a sudden. Well, I figure the opposite also rings true. How does anyone create durable value? Slowly at first, and then all of a sudden. This is how durable value is created in our personal lives, in our relationships, in the world of business, and would you believe it, this is also exactly how durable value is created in the stock markets.

Most people have no idea what **Adcock Ingram** is or does, and I would not blame them. It is a pharmaceutical manufacturer, established nearly 130 years ago, that first listed on the JSE in 1950, and that today has a small market capitalization by local and global standards of just R11,5bn, of which control owner **Bidvest** owns 59%. As a result, the business is not widely owned or followed by the institutional investment community or the financial media. However, many South Africans would be intimately familiar with many of its branded products, such as **Corenza**, **Panado**, **Compral**, **Cepacol**, **Allergex**, **Vita-Thion**, and **BioPlus**, to name a few.

While Adcock Ingram has a small market cap and a low profile on the stock markets and in the financial media, it is by no means a small business enterprise. With more than R9,6bn in annual sales, it is in fact a leading and major competitor in its pharmaceutical industry segments, in both the private and the public sectors.

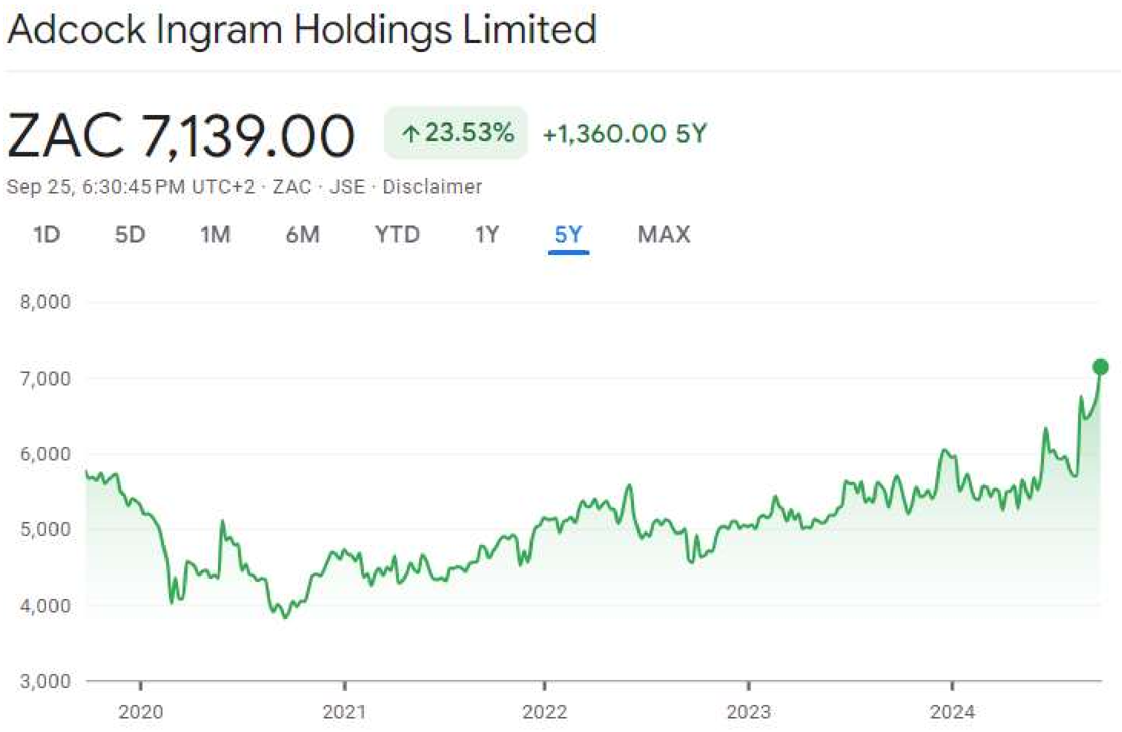
Long-serving CEO **Andrew Hall** and CFO **Dorette Neethling** are two of the most capable, confident yet humble executives we have come across. The words we use at Perspective to describe these two are '*understated excellence*'. Besides their proven operational competence and obvious humility, what distinguishes them further is their proven record and skills in (1) making sensible acquisitions aligned to their clearly stated core business strategy, and integrating them efficiently, and (2) doing meaningful and highly pershare value-accretive share buybacks. These are rare finds in the listed markets that we seek out and treasure.

Seen in the context of 15 *years* of a sustained low growth South African economy, rampant state corruption and administrative ineptitude, devastatingly high unemployment levels, weak consumer balance sheets, confidence, and spending, and fierce industry competition, their long-term operating results reflect steady growth, and it speaks volumes.

The best part is that all of this have been happening under the radar, with no fuss, little to no coverage, and no grandstanding. They just get on with it. It is beautiful to watch, and a privilege to be able to partake in on behalf of our fund investors on a truly long-term basis.

In the stock market, the ticker tape is reflecting the underlying steady growth fundamentals of the business. An 86% share price increase (*note – in both Rands* and *US Dollars*) from R38 in September 2020 to R71 today is a highly respectable outcome indeed. That does not even consider the healthy and consistent annual dividends paid out over the past 4 years to long-term share owners.

Adcock Ingram Share Price: 2020-2024



Source: Google Finance

We express our deepest respect, admiration, and gratitude for this remarkable business and all its leadership and people. May they keep their focus on getting on with it, and on creating durable value – slowly, and steady as she goes.

Our work continues…

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