Baillie Gifford™

Europe's next generation of winners

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In this Disruption Week webinar, discover how Europe is emerging as a hub for innovative growth companies. From biotech leaders like Sandoz to retail disruptors like Dino Polska, explore the diverse opportunities for patient investors in a continent often overshadowed by regulatory challenges and geopolitical tensions.

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Your capital is at risk.

Leo Kelion (LK): In post-war Europe a simple earache could mean days of agony, not just from the infection, but from the cure itself. Penicillin was a scares and painful remedy, often requiring five injections a day. Then in 1951 in a converted brewery beneath the Austrian Alps, chemists changed medicine forever. They created the first oral penicillin, transforming a dreaded ordeal into simply swallowing a pill. Today, that same site at Kundl produces billions of the antibiotic in tablet form annually. And its owner, Sandoz, has pushed the fermentation process involved further. It's pioneered a new class of drugs, biosimilars, that are lowering the cost of treating cancers, kidney diseases and more.

With a rich pipeline of biosimilars still to come, we see Sandoz as one of the next generations of European winners, growth companies with the ambition, no how, and sustainable advantages to stand among the world's best performers. Welcome to the second of our Disruption Week webinars.

Welcome to the second of our Disruption Week webinars. Today, I'm speaking to Christopher Howarth, an investment manager with our European Equities Team. These sessions run for about 45 minutes. Christopher and I will be chatting for the first 30 or so, and then we'll answer questions from you, the audience for the last 15.

For transparency, we've had to pre-record the session a short while ago, which means we'll be relying on questions some of you sent in advance. You can still use the Ask a Question tab on your screen and we'll provide answers at a later point via the Disruption Week webpage. Let's begin the session. Christopher, thanks for joining me. Great to have you with us.

Christopher Howarth (CH): Thanks for having me.

LK: Christopher, let's start with that phrase, Europe's next generation of winners. Can you give me an idea how wide you cast the net to find them, because it's not just in health care, is it?

CH: That's right. We are looking to invest in what we believe are some of Europe's best growth companies regardless of sector. We've put together a portfolio of around 40 or so companies which we believe have the potential to be some of the big winners over the next decade. Our larger positions include companies like the discount airline, Ryanair, for example, the semiconductor of equipment manufacturer, ASML, and the Danish freight forwarder, DSV. And we aim to hold these companies for over long time horizons, ideally for periods of five years or more, and in the case of Atlas Copco, which we've held since 1983.

LK: I want to use this session to concentrate on some of the companies that might be less familiar to our audience, but before we do, can we just address performance? Because I think it's fair to say that European growth stocks have lagged behind some of their internation counterparts over recent years. What's changing and why?

CH: That's right, and to be clear, performance of European stocks and European growth stock in particular over the past couple of years has been disappointing, and that's been for a variety of different reasons, and there's been something of a perfect storm. We had COVID, and of course that disrupted several industrial cycles, and caused a lot of supply chain blockages and inventory problems. There's been week consumer confidence across the board, and there's been inflation. Of course there's been a war in Ukraine, and with it, high energy prices which have hurt industrials. And then to cap it all, there's been a week dollar in the past year which has clipped some of the sales of European companies that are exporting into the US, so all in all, it has been something of a headwind to European growth stocks.

The positive side of things is, at least, that Europe now seems to be turning a corner. Germany, for example, has recently approved a €500 billion extra budgetary infrastructure fund and it's suspended its balanced budget requirements. So, that is potentially a good sign for German industrials and current companies in that area. There's also the possibility that other EU countries may follow suit. And also, from the European Commission, there's been the Draghi report which emphasised the importance of building Europe's competitiveness and innovation.

LK: That's from the European Commission, is it?

CH: That's right. That's a good sign that potentially Europe is now starting to turn a corner, so we hope that this will now lead to a recovery, not just in business fundamental metrics like earnings growth, but also in valuations as well.

LK: How do the US tariffs complicate the picture? Because in July, Washington and Brussels agreed to a 15 per cent tariff ceiling on sales of European goods into the US. Now, that was lower than some people had feared, but even so, a 15 per cent tax is negligible, is it?

CH: That's right. While the 15 per cent figure is lower than had initially been feared, it is, of course, still significantly higher than it was even a few months ago, so that is something which is somewhat disappointing, however having certainty is perhaps the most important thing here. And what businesses need to make long-term investment decisions is certainty, and now we have that degree of stability, so that's potentially a good thing.
Now, of course, tariffs don't necessarily have a direct impact on the majority of stocks in our portfolio. We own many businesses which have local operations in the US, and then, of course, they aren't then subject to tariffs at all.

And then, of course, we own businesses which sell predominantly into European markets, which, again, are not going to be subject to tariffs. So, while US tariffs may have second- or third-order consequences, we don't expect them to have a significant direct impact on the portfolio.

LK: Just to be clear, you're not trying to give our clients broad exposure to the European market, are you? You're very much trying to focus on those companies with the very best long-term prospects.

CH: That's right. It's important to note that we are very active investors, in the sense that we don't see ourselves as trying to offer broad exposure to the European index at all. Europe is home to many fantastic businesses, and we try to give our clients exposure to these businesses, and their fates are going to be ultimately determined by their management teams, their opportunities, rather than Europe's as a whole. So, it's actually something quite different to offering exposure to the broad market.

LK: Let's discuss some of those fantastic growth businesses, specifically, and start with Sandoz, the company that I mentioned right at the very beginning. Can you tell us a little bit more about what biosimilars are and how they feed into its growth case?

CH: Yes. Sandoz is a Swiss manufacturer of what's know as follow-on medications, and these fall into two categories. The first of these, generics, and the audience may have heard of which account for about 80 per cent of Sandoz's sales, are simple, small-molecule drugs that have come off patent and can now be produced cheaply and sold to health care providers. Sandoz competes in this market and it's a very strong operator there.

Biosimilars are the remaining 20 per cent of Sandoz's sales, but they're the must faster-growing part, and that's where the majority of Sandoz's R&D is now going. Biosimilars can be thought of somewhat analogous to generics, but in the space of biologics. Biologics are medicines, highly-complex molecules, which are produced by living organisms rather than biochemical synthesis. So often they're made by yeast fermentation. They are not so much as synthesized as they are brewed in giant vats. There are significant economies of scales manufacturing them.

Now, Sandoz is a world leader in the biosimilars space. It was one of the first companies to bring a biosimilar to market. It was the first in Europe, the US, Canada, Japan to get an approval for a drug for treating growth hormone deficiencies, so it has a very strong position in this space.

LK: You describe it as a leader, but it doesn't have this whole market to itself, does it?

CH: That's right. It is a highly-competitive market. They compete with Amgen and Pfizer amongst others, but because of the fact that they have a strong relationship with health care providers, which partly stems from their expertise in the generics space, some of those advantages carry over. They also have a very large manufacturing capabilities, and these economies of scale are much more important in the production of biologics than they are in generics. So, we believe that their incumbent advantage should actually get stronger as they move into biosimilars.

LK: The opportunity here sounds like it's really big. What is it that Baillie Gifford is seeing that the market isn't fully appreciated?

CH: I think a key piece of context here is that Sandoz is a spin-off. Now, while Sandoz was actually founded in the 19th century, it was absorbed into the pharmaceutical company, Novartis, in the 1990s, and it was only in 2023 that it was then spun out again as a public company. Now, spin offs tend not to attract the same level of attention in the market as companies that are coming to the market for the first time. They don't tend to have the same entourage of investment bankers and roadshows, and there's generally just not as much noise around them, so perhaps, as a result of this, spin offs have tended to outperform historically. We believe that, to some extent, the same is true here of Sandoz.

Another thing to bear in mind is that the biologics space is somewhat more complicated than the generics space, it's also somewhat newer, and the market possibly doesn't appreciate it fully yet. Investing these things takes a very long time and requires a lot of patience, and that's something that's also in short supply in the markets.

LK: So, that's Sandoz. Do you have any other investments in this biological medicine sector?

CH: Yes. We actually invest in another Swiss drug manufacturer, and this one called Lonza. Lonza is a third-party drug manufacturer. What that means is that it manufactures drugs for pharmaceutical companies, so you can essentially think of this as drug manufacturing as a service. The reasons why a company might want to do this is that drug manufacturing is extremely capital intensive and takes a lot of time, and sometimes pharmaceutical companies don't want to make that upfront capital investment. They're willing to outsource that to someone else, like Lonza.

LK: Lonza's operations, are they all in Europe, or does is have operations elsewhere?

CH: Yes. Lonza has recently acquired a site in Vacaville in California, which is adding hundreds of thousands of litres of antibody manufacturing capability, and that's important because Lonza sits on the other side of the tariff boundary. So, while it's a European company, it's US operations means it won't be subject to those US tariffs, which is, of course, a significant advantage for Lonza. But then, of course, its competitors, in many cases, will be subject to those tariffs, because Lonza competes with many Chinese companies and these Chinese companies are not only going to be subject to US tariffs, but potentially be subject to US Biosecure Act, which would designate them as pharmaceutical companies of concern.

So, in anticipation of this, many pharmaceutical companies are already derisking their supply chains by moving away from Chinese manufacturers and towards European ones like Lonza.

LK: So, both Lonza and Sandoz are sizeable pharmaceutical companies with correspondingly-large market capitalisations. Do you see any promise amongst Europe's smaller biotech companies as well?

CH: Yes. We invest in a Swedish biotech company called Camurus. Now, Europe is home to many fast-growing biotech companies. Interestingly, many of them are in the Nordics. I don't know why the reason for that is, but they certainly do it very well. Camurus is interesting because they are developing long-acting versions of existing drugs. What they do is they've developed a technology called FluidCrystal, and this is a sort of gel which encapsulates a drug, it's injected into the body and then over the course of the month, it slowly releases that drug, so that you don't have to have repeated injections.

The important thing to note about Camurus is that they are not taking on science-based risk themselves, so that distinguishes them from a typical biotech, which is usually in the area of drug discovery. What Camurus is doing is taking generics that already exist and that are known to work, and then applying its FluidCrystal packaging to them effectively, so it's really a drug-delivery company. The use case that has been identified as the most promising here is the opioid-use disorder, which is also known as opioid addiction, which, of course, is a serious problem in the US, Europe and many other places.

Now, the conventional treatment for this is that patients will go to clinics where they'll be prescribed a daily dose of methadone or buprenorphine, and this problematic because these drugs must be taken every single day, they require repeat visits. There's also the possibility that patients can resell the drugs rather than taking them themselves, because, of course, this is unfortunately a disorder with a very high relapse rate.

Now, what Camurus is able to do is encapsulate buprenorphine in it's FluidCrystal technology and provide a once-monthly injection, and this is, of course, much better for patient outcomes, and so it's seen a huge surge in use in the Nordics in clinics, but also in the US prison system amongst others, so this has already become a profitable franchise for Camurus. Now, the exciting thing about Camurus though is that it doesn't see itself as just a buprenorphine company or an opioid addiction disorder company. They see this really as a platform technology that can be used for a wide variety of different drugs.

LK: What might some of those other uses be?

CH: One of the drugs that they're developing is a treatment for acromegaly, which is a growth hormone disorder, and they've recently received interest from Eli Lilly, the obesity drug manufacturer, which has approached them to create a once-monthly injection of the obesity drug, Mounjaro®. This we see as, not only positive because it's a huge market, but it also is a validation of their platform technology.

LK: For smaller companies like this with very disruptive products, I know one of the things that Baillie Gifford places emphasis on is the leadership, so what can you tell me about the person who's running the company?

CH: Camurus was founded about 30 years ago by a Swedish professor whose work led on to this FluidCrystal technology, but the company, as it exists today, was really set up in around 2003 when the current CEO, Fredrik Tiberg, took over. He got rid of a lot of the legacy research operations and really pivoted it around the profitable franchise that it is today, so we see him as an effective founder of the business. He owns about 3 per cent of the shares of the company, which we believe gives him a strong alignment with us as long-term shareholders, and this is a good example of managers having skin in the game, which is a characteristic that we like to see.

LK: Thanks, Christopher. A reminder, I'll be putting some of your questions to Christopher shortly, so stay with us for that. But Christopher, before we come to that, I know you and your colleagues place great importance on going to meet companies on their home turf to get a deeper understanding into their culture and what really makes them special. Can you give me an example of a recent trip that you've made that maybe involves a company outside the health care sector?

CH: I've recently come back from Poland, where I visited what felt like almost every Polish supermarket, and the reason for that is because we own a supermarket called Dino Polska. Now, Dino is not a household name, certainly not in Western Europe, but not even really in Poland, and that's because Dino operates almost exclusively in very small villages of typically with no more than 3,000 inhabitants. What it does is it opens new stores incredibly rapidly, and typically almost one per day. The stores are completely identical and built by Dino's own construction firm.

What tends to happen is that when Dino moves into a village, it's the only shop in town, and there isn't space for a second, like Lidl to move in, so what Dino has is hundreds and hundreds, or if not, thousands of local monopolies all over the country. So, Dino, we think, is a really interesting company and it has a long growth runway ahead of it.

LK: I think we can show a picture from inside the Dino Polska, one of their supermarkets. That is quite the butcher's meat counter. There is a reason for showing that. Can you just explain that?

CH: That's right. While it might seem strange to show an image of a meat counter, this is really something that sets Dino apart, and it's for three reasons. Firstly, it's actually quite unusual for a discount supermarket in Eastern Europe to have its own traditional meat counter. Most will sell meat in plastic packaging, but that's not what rural customers want. They've typically grown up with a local butcher, so they expect there to be one in the supermarket.

Secondly, it's quite important for Dino's business, because having it all inhouse means that they see all the data on the meat consumption and that reduces spoilage and therefore that improves their margins. And then, thirdly, it's also important as part of Dino's heritage, because the founder, Tomasz Biernacki, was from a family of butchers, so it's part of the company's identity.

LK: Have I got this right? The growth case is really about Dino Polska expanding elsewhere in Poland, or is there also an international opportunity as well?

CH: Yes. Currently, Dino has around 2,800 stores, and as I mentioned, it's opening about one per day, but what's interesting is that while it's predominantly in the west of Poland, which is where it started, and the number of stores that they're adding in each of its most mature regions is basically the same as the number of stores that they're adding in the least mature regions, in the east of Poland. So, that gives us conviction that they have a long growth runway ahead of them, and actually the management team have told us that they would be disappointed if they don't reach 5,000 stores by the end of the decade.

But, of course, once that happens, that doesn't necessarily mean it's the end for Dino, and there's the possibility that they'll be able to move abroad into neighbouring countries as well, so we think that there's a very long growth runway ahead.

LK: Christopher, let's jump orders. I want to talk about Germany, because one of the reasons to feel more confident about Europe's prospects is the German effort to revitalise its economy. Can you tell me about a company that you've visited there?

CH: Yes. This is another name that perhaps won't be well-known, and that's because it's a business-to-business supplier, but this is a company called Hypoport. Hypoport is a company that operates a mortgage-lending platform known as Europace. So, if you're buying a house in Germany and you go to a mortgage broker and you're comparing the offerings from Germany's literally hundreds of local banks, then the platform over which the mortgage will be transacted will be Europace. And they will take a very small percentage of fee out of what the mortgage broker receives, so it's typically about 0.1 per cent of the value of the mortgage.

What's interesting about the business is that it's in a duopoly effectively, so there's just one other player, but it is monopolistic in certain segments, so we think it's very strong business, but it also has a significant growth potential as it's starting to bring more and more banks onto the platform.

LK: Am I right in thinking that Hypoport, like Dino Polska, is a company with a very involved founder, chief executive who owns a sizeable stake of the firm as well?

CH: Yes. This is a big part of the investment case, though Ronald Slabke set up the business in 1999, technically he bought out the previous business, which was a chain of mortgage advisors, and building up Hypoport has really been his life's work. Now, he's a very interesting man. He's quite reclusive. We've been very lucky to speak to him face-to-face several times, and the reason we were able to do that is because we're the second- or third-largest shareholder after the founder. Now, Ronald owns about 37 per cent of the business, he plans on being there for decades to come, and he really has that long-term vision for the business that we look for in founders, because it aligns them with the same time horizon that we apply when we look at businesses.

LK: So, both Dino Polska and Hypoport are both companies that are focussed on the domestic audience, at least, for now. Can you give me an example of another company that's maybe playing on the global stage from a sector that we haven't discussed yet?

CH: Yes. I would point here to a company called ASM International. Now, listeners may have heard of a company called ASML. ASML is also a portfolio holding. It is often described as Europe's finest business. It's effectively a monopoly on the production of some of the most advanced machinery in the world that's used for making semiconductor chips. It's absolutely indispensable for AI, practically everything that goes on in computing.

Now, ASM International, much less well-know, was the company from which ASML spun out several decades ago. For a while it flew under the radar, but it was quietly developing a technology known as Atomic Layer Deposition. Now, what this is, is a process whereby a single atom-thick layer of substance can be deposited on a surface, on a chip, and can be done completely uniform. The analogy the company likes to use is imagine that you're depositing a layer of film on a city-worth of skyscrapers, and that film is completely uniform in every place.

Now, Atomic Layer Deposition, or ALD, is absolutely indispensable when making the most advanced forms of microchip, so the AI revolution is completely impossible without ALD, and ASM International holds around 80 per cent market share in making the machines that are used for making the logic chips in this area.

LK: So, if you're wanting to make the best logic chips, effectively you've got to buy the multimillion-euro machines from ASM International to do so. But apart from the logic chips, is there also a play for the company with the other big part of semiconductors, is memory chips?

CH: That's right. When we think of semiconductors, we usually think of logic chips, which are the things that go into iPhones and computers and AI data centres. Memory is also very important. Now, memory is not somewhere that ASM historically was as strong. It holds around 30 per cent market share, but as we've got better at making memory chips over the years, we've reached the point where we cannot make the cells on the chip smaller, just because of the physical limits.

So, the next step from here is to start stacking them on top of each other, and when you do that, you certainly start to need a lot of Atomic Layer Deposition, and specifically, you need a lot of the type of Atomic Layer Deposition that ASM specialises in. We believe that, as this process happens, they will be able to gain market share in memory while also retaining their very strong market share in logic.

LK: Christopher, I know your focus is very much on Europe, but we heard yesterday from Alice Stretch about her team's investments in semiconductor firms in emerging markets, and I know some of Baillie Gifford's other teams, like the Japan team for instance, were also invested in this sector as well. Are you able to draw on that larger repository of knowledge to stress test the case for ASM International, and indeed ASML as well?

CH: Yes. We're very fortunate at Baillie Gifford to be able to draw on the work from all of the teams across our investment floor, so we have access to an internal library of research from companies like TSMC in Taiwan. And we have people who have met some of ASM's competitors, like Applied Materials or Lam Research, and then we also have, perhaps unusually, a collaboration with a R&D facility in Leuven in Belgium known as imec. Imec have been very useful in helping us understand how the value creation is shifting in the semiconductor industry, and they were instrumental in developing our thesis that deposition, which is what ASM does, is going to become as important to semiconductors as lithography was over the past decade.

LK: Thank you. I want to cover one more area before we go to the audience's questions, and that's luxury, which is an area where Europe really does lead in. I know your team has investments in two of the luxury conglomerates, LVMH and Richemont, but is there also an opportunity in the smaller, perhaps more disruptive luxury companies as well?

CH: That's right, and, of course, no discussion on Europe would be complete without talking about luxury. LVMH is soft luxury, Richemont is hard luxury, but we own also this company, Moncler.

LK: What is soft and hard luxury?

CH: Soft luxury, you can think of that as things like leather, bags, clothing, and so on. Hard luxury is more like jewellery, watches. Moncler is a fashion brand. It's essentially luxury puffer jackets. They are very popular in Europe. They have a skiing heritage. But they've become particularly popular in China over the past few years, so we see this as a very fast-growing disruptive brand with a potential for a long growth runway ahead.

LK: Christopher, that's great. Let's go to some audience questions now. Looking down at the iPad, the first one that was sent in, are there any structural or contextual advantages that Europe's next generation of winners will have over US competitors? I guess that's asking about long-term advantages.

CH: Yes. Of course, it can seem that Europe is a plucky continent fighting giant competitors in the US and China and elsewhere. I think the answer here is that Europe doesn't have to compete with America and China in every single front. Europe is really a continent of clusters of excellence. There are some things that Europe does phenomenally well, whether it's luxury, pharmaceutical businesses, semiconductors, as we talked about. So, in areas there where there's decades of expertise, strong cluster effects of having similar businesses connected to each other, then Europe has really world-class talent and expertise, and I think will continue to be able to compete alongside the US and China for decades to come.

LK: Okay. We've got one that builds on what you were talking about with Poland before. Given the success of Poland in recent years, is there any other particular area of Europe that currently excites you?

CH: Yes. The answer, which I have given in the past, has always been Sweden. Sweden punches way above its weight in terms of number of exciting companies, but I am also very interested in Spain and Portugal, where I have an upcoming trip that I'm planning, so there are lots of interesting businesses here. There is Inditex, which listeners may know as the owner of the brand, Zara, amongst others. And then there's a collection of less well-known companies. There's Jerónimo Martins in Portugal, which is another discount retailer. There're companies like Rovi, which is another pharmaceutical company. I think that's another constant which is very interesting, and they have also had pretty good GDP growth rates recently.

LK: I've got one, how will these companies WIN when up against the rest of the world?

CH: How will which companies?

LK: How will any of these European companies win? I guess it's a more general question.

CH: I think there are some advantages that Europe has as a continent in terms of it has relatively stable predictable governance and strong regulations, which, of course, can be a headwind, but can also be an advantage in many industries, like pharmaceuticals. There is also some of the strength of the talent that Europe has, but I think it's really about choosing the vectors that Europe is going to compete in. It doesn't have to compete on every single sector.

LK: A question related to that, is there any prospect of Europe growing its own Magnificent Seven companies? I guess, by that they mean the equivalence of Apple and NVIDIA and Meta.

CH: Europe does have something in the same vein as the Magnificent Seven, although at an order of magnitude, lower, so there is a slightly more unwieldy acronym known as the GRANOLAS, which is Europe's Large Cap stocks, which is a mixture of pharmaceuticals, consumer goods, and semiconductor companies. These businesses are very strong, they have phenomenal competitive advantages, and I wouldn't be surprised if some of them, perhaps ASML amongst others, could rival the Mag Seven in terms of getting to a trillion-dollar market cap someday.

But I think it is true that, because Europe's tech sector lags behind the US, that has meant that it doesn't have many of the Mega Cap stocks, but I think a few of them have the possibility to get up there in the next decade.

LK: Do you think it will continue to lag behind in the full length of time, or do you think there's potential to catch up?

CH: I think Europe certainly has the means. Certainly, its strength in semiconductors. It has some AI companies. There's Mistral in France, for example, which give it the potential to compete. I think in the long run it will also come to its ability to retain some of these companies, because sometimes we find that Europe has the talent, phenomenal companies that start in Europe, but can sometimes migrate over to the US. So, I think it's very much in Europe's hand whether or not it can compete.

LK: There's a question that builds on that. Can you tell us what you think about ASML investing in Mistral, which is this European AI frontier lab?

CH: I think it's very positive to see Europe's best company investing in a start-up in a French AI company, and ASML does have a long history of building up extensive investment in its suppliers as well, so I think it's quite interesting to think that they're considering AI as a potential adjacency there. I also wonder, to what extent this might have been state-directed or at least encouraged, but I think it is good to see this collaboration between a company which facilitates AI and is absolutely indispensable to AI and a company that's working in that field.

LK: Great, so you see that as a good thing. Another stock-specific question, what lessons did your team learn from the rise, fall, and rise again as Spotify, and how might that apply to other investments? I guess by fall, they're probably talking about the period in 2022, 2023 where some of the numbers weren't quite what the markets were expecting. I don't know if that's how you'd describe it.

CH: Yes, I think Spotify is a good example of, when we say long term, this is what we mean. We invested in Spotify before its IPO, back in 2016, when it was still a private company. And then after IPO, there was a long period of when its stock price didn't really go anywhere, and that was despite the fact that the number of people using Spotify was continuing to grow every year. But it was just spending cash, it was investing huge amounts of money in R&D, it hadn't yet reached profitability, and there were questions about whether it ever would.

I admit, there were times we came close to thinking about selling it, because we were worried, would this ever make a profit? But our conviction was reinforced by meeting the founder, Daniel Ek, several times, and we understood his long-term vision for the company. He explained to us that he eventually did want it to be very profitable, but he wanted first to invest in the brand and building up the infrastructure.

Everything changed around 2022 when they suddenly decided that they were now going to make that pivot. They cut investment in R&D, they slashed costs, they increased their internal hurdle rate for making new investments, and they hit profitability. Since then, the stock has just been incredibly strong, and this has been one of our best contributors to date. I think this is a good lesson in the importance of backing exceptional founders and exceptional companies, even when you have to be far more patient than the average market investor, but the rewards are there if you do it, eventually.

LK: One more stock-specific question, to what degree are Ryanair's fortunes tied to the future of Michael O'Leary? We should probably say Baillie Gifford's a big, big investor in this company, isn't it, as a whole.

CH: That's right, and it sometimes surprises people, because people think that growth stocks have to be tech stocks, and they have to be growing at 20 per cent per year. Actually, Ryanair has delivered very solid 7 per cent growth for a very long time, and we see it very much as a growth stock. Now, what's really interesting about Ryanair is not just the controversial and very amusing founder, Michael O'Leary, but how deeply the culture he has created penetrates into the organisation.

I really saw this when I went to meet him in Dublin a few years ago, and just saw how strongly this idea of being frugal permeates the organisation, even down to every new employee ceremonially buying their own pen when they arrive to show that they're not going to be expensing it. So, it was really exciting meeting the company, and it really showed me that, while Michael O'Leary is incredibly important to the organisation, his spirit persists everywhere in the organisation. While he's said that he wants to stay for the business, without the business for many more years to come, I wouldn't have any doubt that it will continue to be an exceptional business, even after he retires.

LK: Thanks, Christopher. As I mentioned earlier, we'll answer other submitted questions on our Disruption Week website. Details of that coming up, but before we get to that, Christopher, I wonder, can you pull some of the discussion together and leave our audience with one final thought?

CH: While, in the US over the past few years, the rally in US stocks has really been driven by growth, and value has underperformed in the US, in Europe it's been the exact opposite. In Europe, value has done extremely well, led by the banks, which is not typically a growth sector. And although there have been a few growth sectors that have done well, for example, defence and some industrials, growth has lagged significantly behind. Now, while this has been disappointing for European growth investors, it's also the opportunity for the future, because value rallies don't last for ever. Ultimately a rally that's driven by expansions in valuation has to hit a ceiling.

We believe that in the long-run it's long-term growth in business fundamentals like earnings that drives the stock prices, so we believe that owning the best growth businesses, from here over long periods of time, will deliver the best value for our clients. And the good news is that you can buy them now at some of the lowest valuations that they've been on for years, so we believe that this is a great opportunity and we hope that this will be the start of the growth rally in Europe.

LK: Christopher, it's a good place to leave things. Thank you so much for taking part.

CH: Thank you very much.

LK: I hope you, our audience, have enjoyed this event as much as we have. Join us tomorrow when I'll be chatting to investment manager, Robin Matzler [?], about his work on our Private Companies' Team. You can also catch up on yesterday's session on the emerging market innovators by visiting our Disruption Week website, bailliegifford.com/disruption-week, where we'll also be posting video and writeups for all the events. As ever, if you have any specific questions, don't hesitate to get in touch with your client contact or email us at disruptionweek@bailliegifford.com. But for now, I look forward to seeing you again soon.

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