



INCOME/CORE

RECOMMENDATION

CSLTM

CSL:ASX
November 2024

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INCOME RECOMMENDATION

CSL Limited CSL:ASX

CSL Limited is a global biotechnology leader specializing in the development and manufacture of plasma-derived therapies, vaccines, and biopharmaceuticals.

The company operates through three main divisions: CSL Behring, CSL Seqirus, and CSL Vifor. CSL Behring focuses on plasma-derived and recombinant therapies for rare and serious diseases, including immunodeficiencies, bleeding disorders, and neurological conditions.

Their flagship products include immunoglobulins like Privigen and Hizentra, as well as hemophilia treatments like Idelvion.

CSL Seqirus is a major player in the influenza vaccine market, offering both egg-based and cell-based vaccines. Their innovative adjuvanted vaccine, Fluad, has shown strong growth and achieved blockbuster status.

CSL Vifor, the newest addition to the CSL family, specializes in iron deficiency therapies and nephrology treatments. This division has faced some challenges but continues to grow its iron volumes in Europe.

CSL's commitment to research and development is evident in its substantial annual investment, which reached \$1.4 billion in FY2024.

This focus on innovation has led to breakthroughs like HEMGENIX, a gene therapy for hemophilia B, and ongoing development of next-generation therapies across their portfolio.



INVESTMENT CONSIDERATIONS

Leadership

CSL's leadership team is headed by CEO and Managing Director Dr. Paul McKenzie, who took the helm in March 2023.

Dr. McKenzie brings over 30 years of experience in the biopharmaceutical industry, including senior roles at Johnson & Johnson and Biogen. His leadership has been marked by a focus on executing the company's strategic objectives and driving operational efficiencies.

The broader management team includes a mix of long-standing CSL executives and newer additions, bringing a balance of institutional knowledge and fresh perspectives.

The company's board, led by Chairman Dr. Brian McNamee, includes individuals with diverse backgrounds in science, finance, and global business. This leadership structure has proven effective in navigating the complex global healthcare landscape and driving CSL's continued growth.

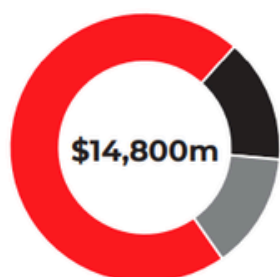
The management team's commitment to innovation, operational excellence, and strategic expansion has been evident in recent initiatives such as the rollout of new plasma collection technologies and the integration of CSL Vifor.

Their ability to deliver on strategic priorities, as demonstrated in the FY2024 results, instills confidence in CSL's future trajectory.

Financial Performance

Strong Performance¹

Revenue +11%
NPATA^{2,3} +15%
NPAT³ +25%



Revenue Growth

- Behring +14%
- Seqirus +4%
- Vifor nc⁴

CSL Behring

Strong growth across the portfolio driven by Ig

- Ig +20%, HAEGARDA[®] +12%, ALBUMIN[®] +12%, IDELVION[®] +10%
- Gross margin +120 bps at CC
- Rika deployment on schedule for end-FY25
- I-Nomogram FDA clearance
- First patient dosed with HEMGENIX[®] in Europe
- Garadacimab US, EU and Japan regulatory submissions

CSL Seqirus

Solid performance driven by differentiated portfolio

- Seqirus +4% , FLUAD[®] +14%
- KOSTAIVE[®] COVID vaccine approved in Japan
- aTIVc phase III ongoing; sa-mRNA phase I influenza study

CSL Vifor

Evolving Iron market

- EU iron volumes robust
- Continued patient conversion to MIRCERA[®]
- Strong Nephrology launches

INVESTMENT CONSIDERATIONS

Valuation

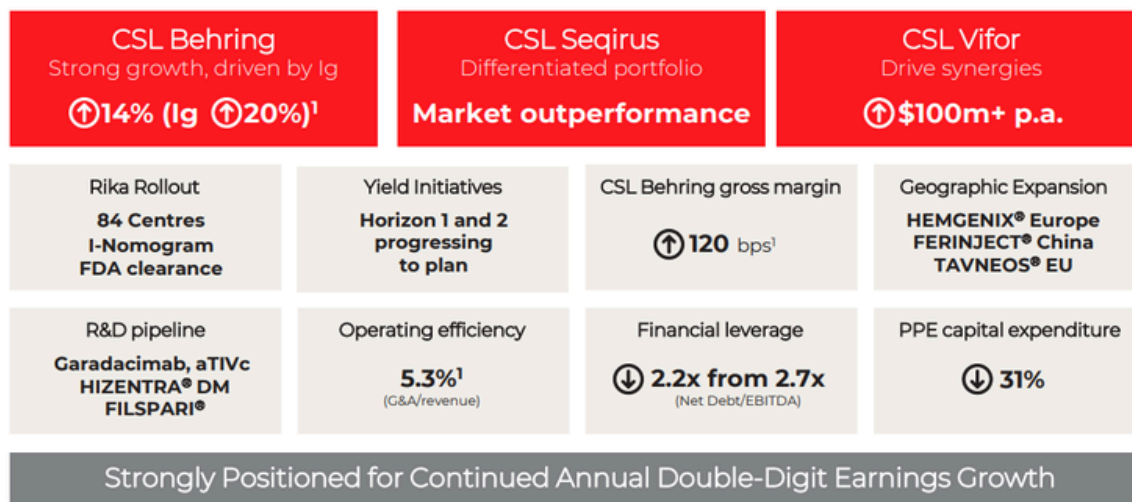
CSL's valuation reflects its position as a global leader in biotechnology and its consistent track record of growth.

As of November 2024, CSL trades at a forward P/E ratio of approximately 28x, which is below its 10-year average of 31x. This suggests potential upside, especially considering the company's double-digit earnings growth target over the medium term.

CSL's strong financial performance, with FY2024 revenue of \$14.8 billion (up 11% at constant currency) and NPAT of \$2.64 billion (up 25% at constant currency), underscores its value proposition.

The company's commitment to returning value to shareholders is evident in its dividend policy, with a full-year dividend of US\$2.64 per share in FY2024, up 12% from the previous year.

CSL's valuation is supported by its strong market positions in plasma therapies and vaccines, its robust R&D pipeline, and its potential for margin expansion as operational efficiencies are realized. The company's guidance for FY2025, projecting 5-7% revenue growth and 10-13% NPATA growth, further reinforces its attractive valuation profile.



Sociological Factors

CSL's societal impact is significant, focusing on developing life-saving therapies for rare and serious conditions. The company's plasma-derived treatments and vaccines, particularly for influenza, address critical medical needs and support public health globally. CSL's research and development efforts contribute to medical advancements, while its global presence in over 40 countries allows for widespread impact. The company's plasma collection centers provide essential materials and local economic opportunities. CSL demonstrates corporate responsibility through sustainability efforts, ethical practices, and diversity initiatives. Its response to global health crises, such as COVID-19, further underscores its role in addressing urgent societal needs.

RISKS

While CSL presents a compelling investment case, there are several risks to consider:

The plasma therapeutics market is highly competitive, and CSL faces pressure from both established players and new entrants. Any disruptions to plasma collection, such as those experienced during the COVID-19 pandemic, could impact product supply and financial performance.

The company's reliance on a few key products, particularly in its immunoglobulin portfolio, exposes it to risk if market conditions for these products change.

Regulatory risks are significant in the biotechnology sector, with potential for delays in product approvals or changes in reimbursement policies affecting CSL's business.

The integration of CSL Vifor presents execution risks, and the performance of this division has faced challenges.

CSL's global operations expose it to geopolitical risks and currency fluctuations.

The biotechnology sector's inherent unpredictability in R&D outcomes means that investments in new therapies may not always yield expected returns.

Pricing pressures in healthcare markets globally could impact profit margins.

WHY HOLD THE COMPANY?

Why hold the Company?

Investors should consider owning shares in CSL for several compelling reasons:

Strong Market position - CSL's strong market position in plasma therapies and vaccines provides a stable foundation for consistent revenue growth. The company's focus on rare diseases and critical care products creates high barriers to entry and reduces vulnerability to generic competition. CSL's robust R&D pipeline, backed by substantial investment, offers potential for future growth through new product launches and expanded indications for existing therapies.

Solid track record - The company's track record of double-digit earnings growth and commitment to maintaining this trajectory demonstrates its ability to create shareholder value. CSL's global footprint allows it to capitalize on growth opportunities in emerging markets while maintaining strong positions in developed economies.

Operational efficiencies - The company's operational efficiency initiatives, including plasma collection improvements and manufacturing yield enhancements, provide potential for margin expansion.

Financial health - CSL's strong balance sheet and cash flow generation support both organic growth and strategic acquisitions. The company's dividend policy offers a balance of income and reinvestment in the business.

Focus on addressing critical needs - CSL's focus on addressing critical medical needs aligns with growing investor interest in companies with positive societal impact. For investors seeking exposure to the healthcare sector with a combination of stability, growth potential, and innovation, CSL represents an attractive opportunity.

Disclaimer



Our Commitment

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