

## CSL Limited:

World-Leading Specialty Biotechnology Company

**Strategy:** CSL started in 1916 as the Commonwealth Serum Laboratories. According to the company, over a century ago they made a promise to save lives and protect the health of people who were stricken with a range of serious and chronic medical conditions. Today, “as a leading global biotech company, that same promise has never been stronger. We develop and deliver innovative biotherapies and influenza vaccines that save lives, and help people with life-threatening medical conditions live full lives.”

Acquisitions include: Aventis Behring (now known as global biotech leader CSL Behring), U.S. plasma collector Nabi (now the world's premier plasma collection company in CSL Plasma), the Novartis influenza vaccine business (now integrated and known as Seqirus) and Calimmune (a leader in gene-modification and cell delivery technology).

**Profit Drivers:** 8 manufacturing sites in Australia, China, Germany, Switzerland, UK and US; 19,000+ employees working in 30+ countries. CSL researches, develops, makes and markets products to treat and prevent medical conditions including coagulation disorders, viral and bacterial diseases, bleeding disorders and other serious diseases.

The company has 170 plasma collection centres around the world: plasma is fractionated for both albumin and immunoglobulin. (Immunoglobulin is converted into a range of products by CSL to be administered either intravenously or subcutaneously.)

The company has been putting increasing attention on the Asia Pacific region. China's plasma product

market exceeded US\$3.3 billion in 2016 with 15% pa growth over the past 5 years. CSL's recent acquisition of 80% stake in Ruide provides it with a strategic presence in the Chinese domestic plasma fractionation market.

**Success Drivers:** Its core expertise is to derive increasingly high margin products from plasma. CSL prides itself on being a science company. Yet has a keen focus on the end users of its products.

**Member Meeting:** CEO Paul Perrault is a marketing and operations person with emphasis on understanding the needs of consumers.

**Economic Moats:** Broad geographic sales reach: Australia 9.7%, US 43.1%, Germany 10.5%, Switzerland 3.3%, UK 3.2%, rest of world 30.1%. World class research and production centres around the world: able to scale quickly to ensure sufficient product in all their lines.

Research labs in Australia often enables first to market in the northern hemisphere with flu vaccines. Understand the requirements of the FDA to get products approved in a timely manner.

Company has invested US\$2.6b in R&D over the past 5 years around the world ensuring giving it a pipeline of high quality prospective products all the way up to its “breakthrough” products.

**Key Future Risks:** Loss of reputation from unexpected side-effects from any of their products. Risk of not meeting sudden demands, particularly flu vaccines. Debt higher than we generally like.

Dividend Yield	ROE	5 Year Growth	
		SPS	EPS
1.1%	42.3%	17.2%	12.9%

• Market Cap: \$84.5 billion • 5-yr TSR: 26.9%

**Conclusion:** Excellent science-based biotechnology company with products in demand globally. (Jun 2018)

*This report is prepared for members of the Conscious Investor Fund. It does not take into account anyone's personal circumstances. Remember, what happened in the past is not always what will happen in the future.*

*Questions? Contact us:*

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