

18 August 2021

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CSL Limited

Health Care

HOLD

CSL A\$297.94

TARGET PRICE A\$325.69

CSL Limited researches, develops, manufactures, markets, and distributes biopharmaceutical and allied products in Australia, the United States, Germany, the United Kingdom, Switzerland, China, and internationally.

Company Data

Number of shares	455.1 M
Market Capitalisation	\$135,601.0 M
Free float (%)	99.9
12-month high/low	\$318.58/\$246
Average Daily Turnover (\$m)	137.541
% S&P/ASX200	6.44%
DDM Ranking	206
% All Ordinaries	5.302%
GICS Industry Group	Pharmaceuticals, Biotechnology & Life Sciences

Source: FactSet, Barclay Pearce Capital

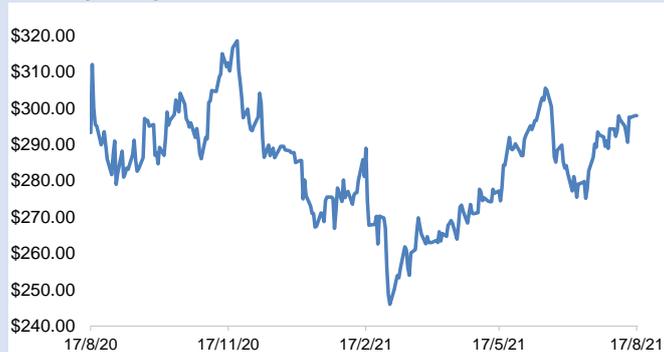
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F
Revenue (\$M)	9,980.0	9,557.4	9,920.8
EBITDA (\$M)	3,720.0	3,422.8	3,354.1
Reported NPAT (\$M)	3,130.0	2,190.3	2,165.2
Adjusted NPAT (\$M)	2,375.0	2,194.7	2,171.5
Reported EPS (¢)	522.0	680.8	828.5
Adjusted EPS (¢ - FD)	507.0	676.2	826.4
Adjusted EPS growth (%)	79.8	33.4	22.2
Adjusted P/E (x)	58.8	44.1	36.1
Dividend (¢/sh)	2.2	294.7	350.1
Gross yield (%)	1.0	1.0	1.2
Net yield (%)	0.0	1.0	1.2
ROIC (%)	21.2	16.6	18.5

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Yearly Results Media Release

Financial Performance

CSL delivered a strong full-year result, with reported net profit after tax of \$2,375 million, up 10% at CC² and revenue up 10% at CC² reflecting:

- Critical operations maintained during COVID-19 pandemic, demonstrating CSL's resilience and agility
- Strong growth in our leading subcutaneous Ig product HIZENTRA[®]
- Strong growth in our leading HAE product HAEGARDA[®]
- New distribution model fully operational in China with sales of albumin now normalised
- Exceptionally strong performance by our influenza vaccines business, Seqirus
- Earnings per share \$5.22, up 10% at CC²
- Final dividend³ of US\$1.18 per share (approximately A\$1.61, franked at 10%)
 - Total full year dividend increased to US\$2.22 per share, up 10%
- Net profit after tax for FY22 is anticipated to be in the range of approximately \$2,150 million to \$2,250 million at constant currency

Response to Covid-19

CSL MD and CEO Paul Perreault said:

"COVID-19 has presented any challenged for our business, our supply chains and in particular the collection of plasma, an essential raw material used in the production of many of our therapies.

Our focus on research and development and innovation remains as strong as ever. From the outset of the pandemic, CSL has pursued multiple R&D projects in the fight against COVID-19 which involved unprecedented programs and partnerships spanning vaccines, monoclonal antibodies and plasma therapies."

CSL entered into an agreement to manufacture the Oxford University/AstraZeneca COVID-19 vaccine. In addition, the company works with the University of Queensland (UQ) to develop a COVID-19 vaccine

Outlook for FY22

- Gross margin easing expected following increased plasma collection costs, partially offset by modest margin expansion arising from growth in differentiated influenza vaccines
- **Seqirus** product differentiation and COVID-19 expected to drive strong demand for influenza vaccines
- Underlying IG demand expected to remain strong with IG & albumin sales reliant on current plasma collections and cycle times.
- Plasma Collections expected to improve with CL plasma initiatives and COVID-19 vaccine rollout

Earnings changes

CSL as reported FY21 NPAT of approximately AU\$2,375, which is less than market expectations of AU\$3,129M. Although CSL delivered a strong net profit result for H1 FY21, a poorer second half is expected given the seasonal nature of the Seqirus business and reduced plasma collections in the Behring unit. Hence, we expect earnings revisions of -2% for FY22 and no significant earnings revisions for future periods.

Valuation

We are updating our coverage on CSL with a price target of \$325.69 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)