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Optimizing Capital Allocation

Capital Allocation to
• Support Strategy
• Optimize financial returns
Capital Allocation – Last 10 Years

- Dividends
- R&D
- M&A
- CAPEX
- Share buybacks

Funds returned to shareholders
Balance Sheet Efficiency

<table>
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<th>WACC</th>
<th>Optimal gearing</th>
<th>Target gearing</th>
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<td>Net Debt / EBITDA</td>
<td>Target Range 1.0x – 1.5x</td>
<td>FY9</td>
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Funding – Debt

Balanced Debt Portfolio

- Total debt book ~ US$4.0bn
- No critical exposure years
  - Average life of 5.8 years
- Majority of portfolio @ fixed rates
  - Weighted average rate of ~2.5%

Credit Ratings

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<th>Outlook</th>
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<tr>
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Dividends – Ongoing Growth

Dividend growth over time

- No formal policy
- Historical payout ~40-45%
- 13% dividend growth over 8 years
- Dividend yield\(^1\) on IPO 230%

\(^1\) FY17 total dividend A$1.75 / float share price adjusted for share split A$0.77
Growth in capital reflects three dynamics

- New Products
  - Idelvion®, Afstyla®, Haegarda®

- Growth in existing products
  - Privigen®/Hizentra®, Albumin, Haegarda®/Berinert®, Kcentra®/Beriplex®

- Facilities that need modernization or replacement
  - K3 building 4, Marburg H67, Broadmeadows toll building
Acquisition Thinking

Strategic Relevance
- Adjacencies
- Competencies
- Capabilities

Marketplace
- Industry trends
- Competitive landscape

Financial Parameters
- Valuation: NPV, IRR, EPS accretion
- Funding considerations – Debt vs Equity
Share Buybacks

Balanced Share Register
- Shares on issue 455m
  - 25% held by Australian inst.
  - 40% held by O/S inst.
  - 30% held by Private (Retail) investors
    - 144k private investors

Buyback programs have delivered
- WACC reduction
- 24%¹ EPS accretion

1. Excl Talecris
R&D – Disciplined Investment

Program Approval/Initiation

- Choice
  - Viable programs exceed available capital
- Investment ~10-11% of revenue
- R&D expensed *not* capitalised

Program Monitoring

- Stage gate approval process
- Programs discontinued if failure to meet ongoing hurdles

~15 – 20% of CSL Behring revenue arising from products launched in the last 5 years
Capital Allocation – Summary

1. Excl Talecris

**Buyback programs delivering 24% EPS accretion**

- **CAPEX**
- **M&A**
- **Adjacencies, Competencies, Capabilities**
- **R&D**
- **Dividends**
- **Share buybacks**

**Active Review & Flexibility**

- Investment driven by sales growth
- Expensed not capitalised
- Ongoing growth +13% over 8 years
CSL Limited

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