



## Capital Allocation at CSL

Macquarie Conference – May 2018  
David Lamont CFO

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# Optimizing Capital Allocation

## *Capital Allocation to*

- *Support Strategy*
- *Optimize financial returns*



**Growth**



**Efficiency**



**Influenza**

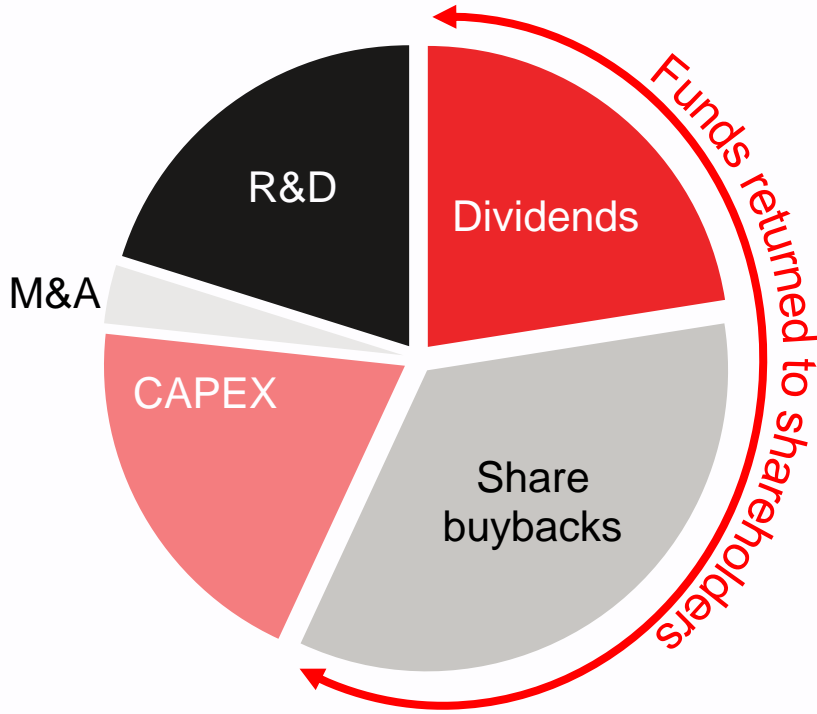


**Innovation**

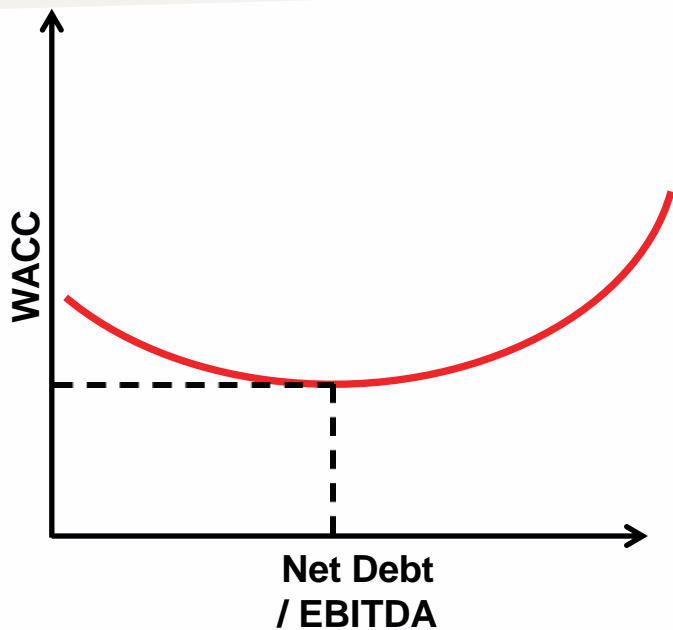


**People & Culture**

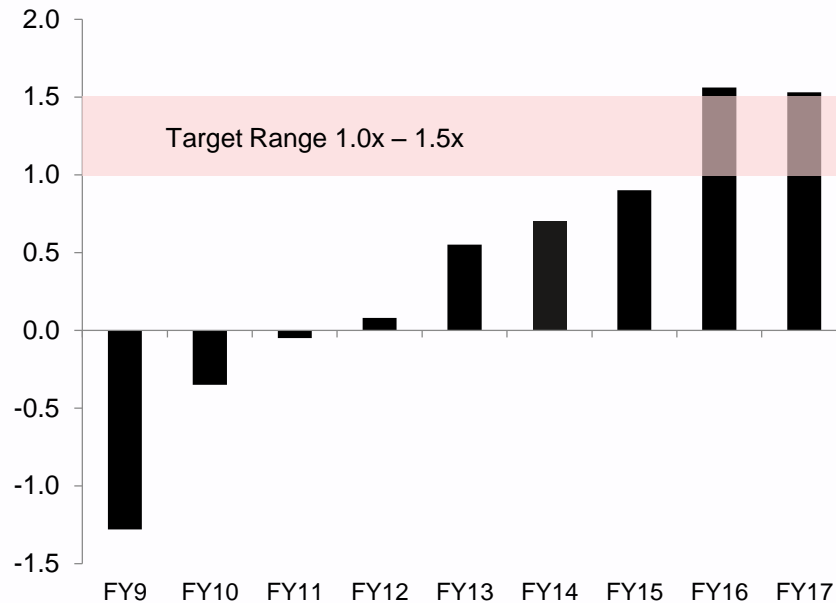
# Capital Allocation – Last 10 Years



# Balance Sheet Efficiency



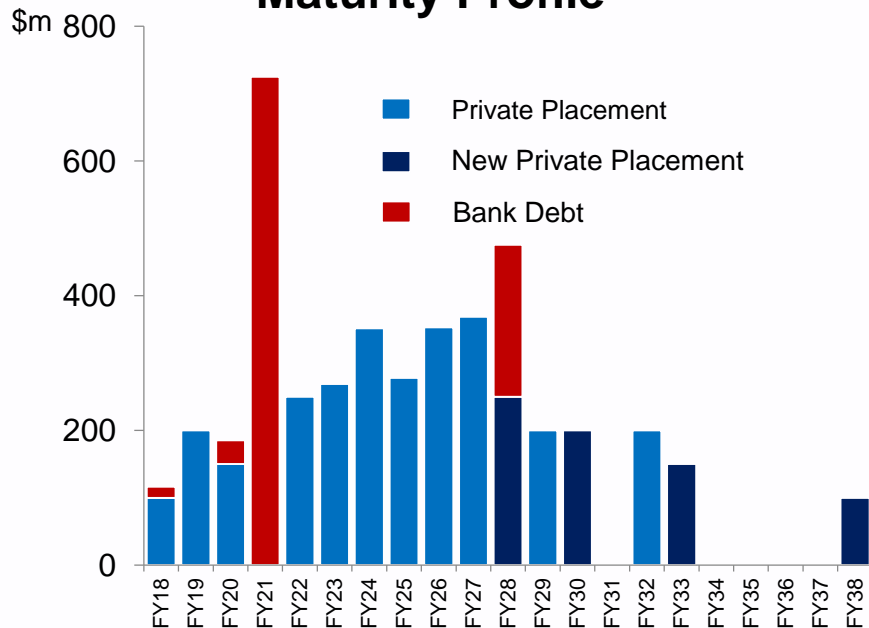
**Optimal gearing**



**Target gearing**

# Funding – Debt

## Maturity Profile



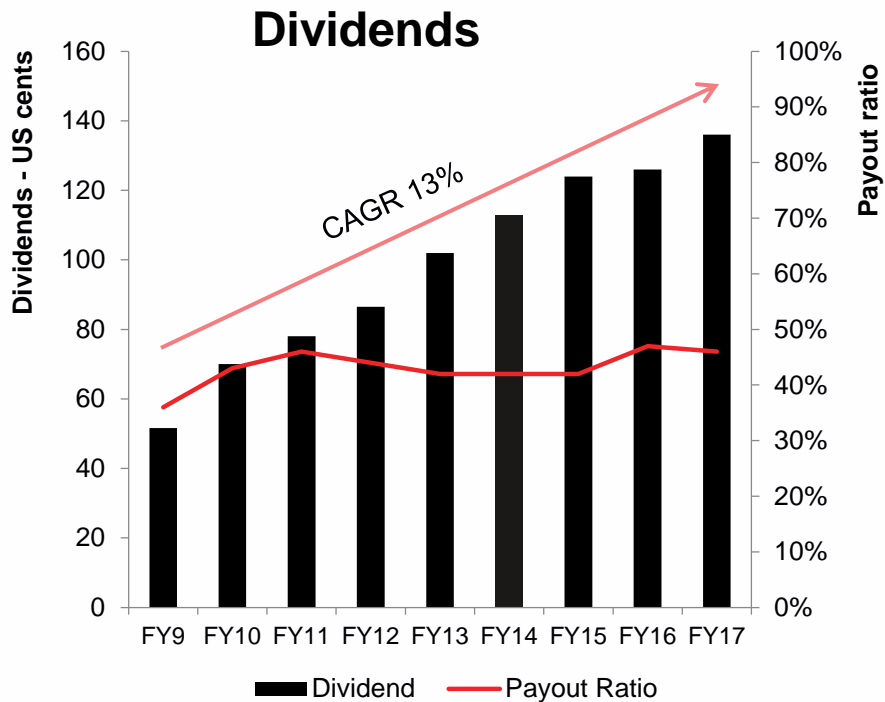
## Balanced Debt Portfolio

- 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

	Long-term	Outlook
S&P	A-	Stable
Moody's	A3	Stable

# Dividends – Ongoing Growth

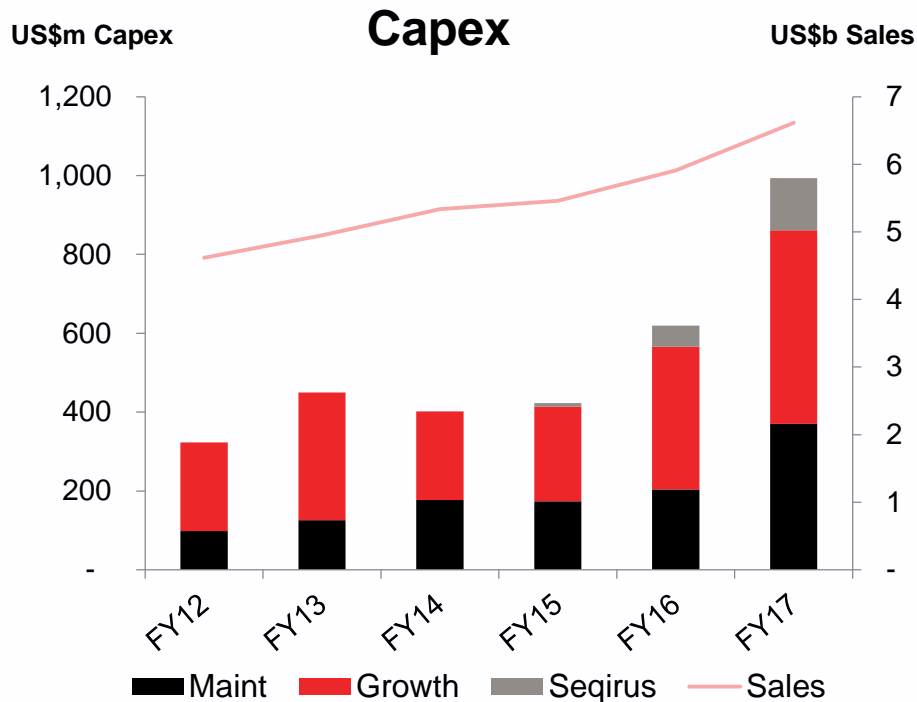


### Dividend growth over time

- No formal policy
- Historical payout ~40-45%
- 13% dividend growth over 8 years
- Dividend yield<sup>1</sup> on IPO 230%

1. FY17 total dividend A\$1.75 / float share price adjusted for share split A\$0.77

# Capex – Growth Driven



## Growth in capital reflects three dynamics

- New Products
  - Idelvion<sup>®</sup>, Afstyla<sup>®</sup>, Haegarda<sup>®</sup>
- Growth in existing products
  - Privigen<sup>®</sup>/Hizentra<sup>®</sup>, Albumin, Haegarda<sup>®</sup>/Berinert<sup>®</sup>, Kcentra<sup>®</sup>/Beriplex<sup>®</sup>
- Facilities that need modernization or replacement
  - K3 building 4, Marburg H67, Broadmeadows toll building



# Acquisition Thinking

## Strategic Relevance

- Adjacencies
- Competencies
- Capabilities

## Marketplace

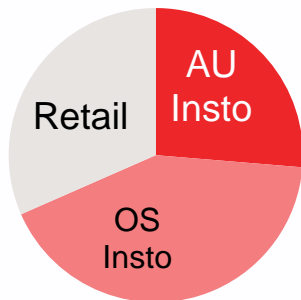
- Industry trends
- Competitive landscape

## Financial Parameters

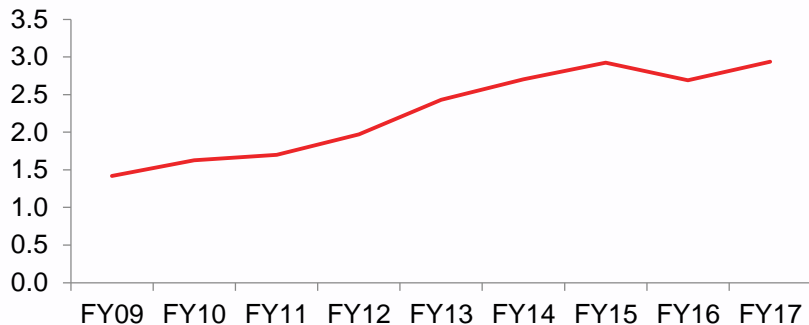
- Valuation: NPV, IRR, EPS accretion
- Funding considerations – Debt vs Equity

# Share Buybacks

## Share Register



## EPS



## 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%<sup>1</sup> EPS accretion

1. Excl Talecris

# R&D – Disciplined Investment

## Program Approval/Initiation

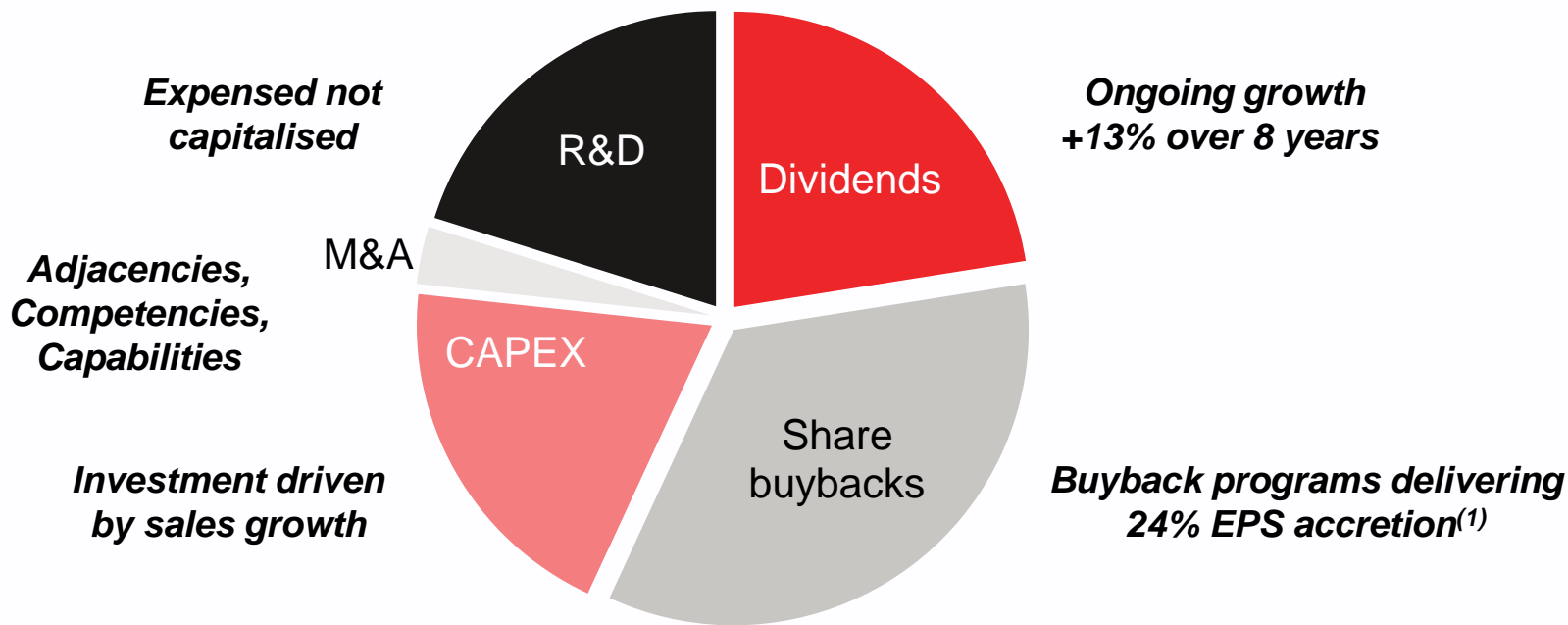
- Choice
  - Viable programs exceed available capital
- Investment ~10-11% of revenue
- R&D expensed **not** capitalised

## 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



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## CSL Limited

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