



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth



CSL

Business Description

CSL Limited (CSL)'s is a major international biopharmaceutical company and develops, manufactures, markets and distributes biopharmaceutical and allied products in various countries around the world. Geographic segments include, the US, Germany, Australia, Switzerland, and other countries. The bulk of its sales are derived from the pharmaceutical and bioplasma divisions.

Strategy Analysis

The Australian strategy is focused on the successful role out of Merck's Gardasil product which CSL has the domestic rights to. This market is buoyed by the government's national HPV vaccination program. CSL is also aiming to increase expenditure on biotechnology research and so diversify its risk and increase the probability of discovering its next new star compound. The international strategy is to retain its competitive position by extracting the highest financial yield from its blood. Research on extending the use of blood plasma products to a variety of different conditions will widen the addressable market. Development of higher margin branded compounds aims to further differentiate product and increase margins. CSL will use excess financial capacity to invest in promising biotechnology within its field of expertise, taking acquisitions from the laboratory to the market. CSL reported NPAT up 44% to \$501.9m for the half-year ended 31 December 2008. This included a foreign currency benefit of \$26m and a number of favourable non operational items totalling \$44m in net profit after tax which also boosted the result. Total revenue were \$2.35bn, up 25% from the same period last year. Diluted EPS was 85.05 cents compared to 63.06 cents last year. Net operating cash flow was \$445.05m compared to \$286.62m last year. The interim dividend declared was 30 cents compared with 23 cents last year. Looking ahead, to-date there has been little to no impact on CSL sales arising from the global financial crisis. This is consistent with a product portfolio of life saving therapies and essential vaccines. However, CSL remains vigilant as the situation develops. Potential risks to CSL outlook include pressures on healthcare spend, debtors risk, foreign exchange volatility and ongoing access to long term debt. The Group anticipates broadly stable market conditions for CSL's group of businesses.

28 July 2010

Recommendation

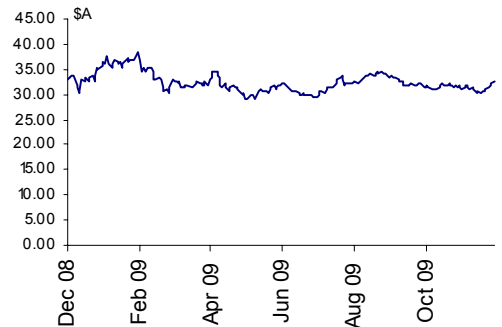
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: CSL
Stock price: \$32.99
Market cap: \$18,057m

	Y/E 30/06/2010	2010e	2011e	2012e	2013e
Reported e	\$m	1080.1	1059.8	1254.5	1478.8
Adjusted e	\$m	1080.1	1059.8	1254.5	1478.8
EPS adjusted	¢	188.4	196.2	232.3	273.8
EPS growth	%	10.2	4.2	18.4	17.9
PE	x	17.5	16.8	14.2	12.0
PE relative	x	1.2	1.5	1.4	1.3
DPS	¢	73.9	78.7	93.5	109.8
Yield	%	2.2	2.4	2.8	3.3
Franking	%	0.0	0.0	0.0	

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	10.0%
CSL Behring	79.0	25.7	31.7	3 year	5.0%
Other Human Health	17.6	1.6	1.4	5 year	25.0%
Intellectual Property	3.4	427.1	85.4	10 year	12.0%
Licensing				Dividend Reinvestment Plan	No
Total	100.0	454.4	118.5	Shareholder Discounts	No
Results by Geography					
United States	37.6	0.0	0.0		
Rest of the World	28.3	0.0	0.0		
Germany	16.4	0.0	0.0		
Australia	13.3	0.0	0.0		
Switzerland	4.3	0.0	0.0		
Total	99.9				

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