

CSL 2021 AGM Report

ASX Code	CSL
Meeting Time/Date	10am, Tuesday 12 October 2021
Type of Meeting	Virtual
Monitor	Mike Muntisov assisted by John Whittington
Pre AGM Meeting?	Yes, with Director Megan Clark and Company Secretary Fiona Mead

It's all about plasma

What the Company Does

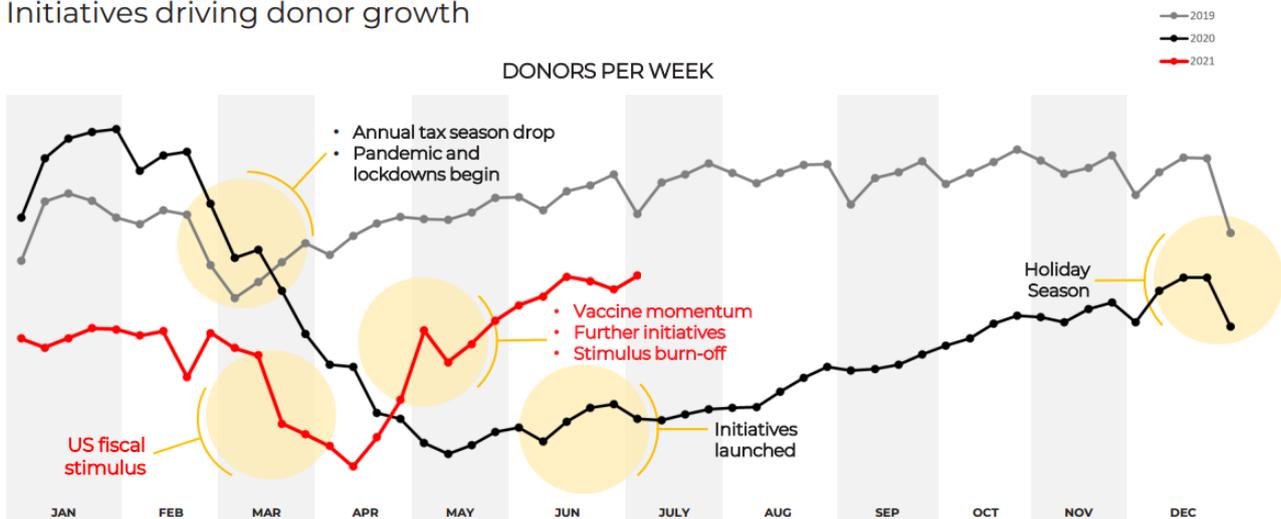
CSL Limited is a global biotechnology company. It operates two divisions. The largest is CSL Behring (more than 80% of total revenue) which develops mainly blood-plasma-based therapies including for rare and serious medical conditions. The other division, Seqirus, develops flu-related vaccines and products.

Developments in the Financial Year

COVID had a significant impact on the company in FY2021. On the positive side, the raised awareness due to the pandemic resulted in a record performance from the Seqirus flu division. On the other hand, COVID had a negative impact on plasma collections, down by about 20% as can be seen in the graphic. This impact will be felt in FY22, as there is a nine month delay between plasma collection and product sale. Despite this, CSL opened 25 new plasma collection centres in the USA in FY21.

Plasma Collections

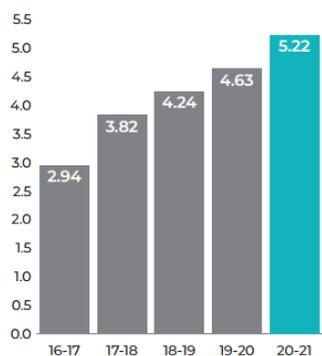
Initiatives driving donor growth



Source: CSL 2021 AGM presentation

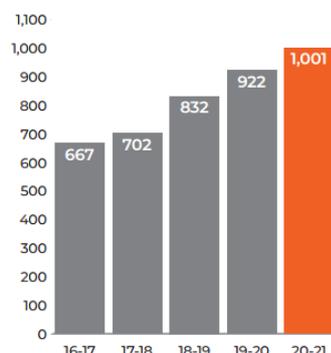
Financial performance in FY2021 continued recent positive trends, as shown in the graphic below:

CSL Earnings per share (US\$)



US\$5.22 per share

CSL R&D Investment (US\$ millions)

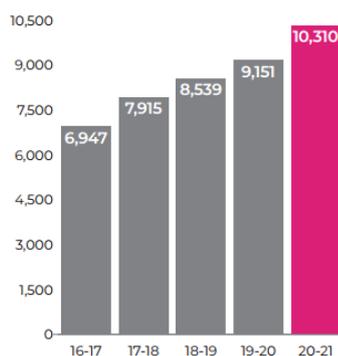


US \$1,001 million



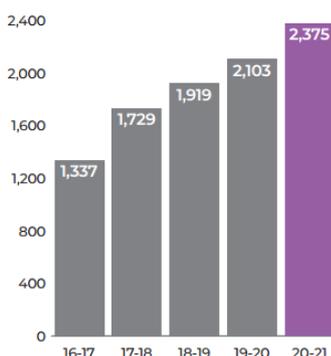
● New product development 66%
● Market development 10%
● Lifecycle management 24%

CSL Total operating revenue (US\$ millions)



US \$10,310 million

CSL Net profit (US\$ millions)



US \$2,375 billion

Source: CSL Annual Report 2021

The production of the Astra Zeneca COVID vaccine in Australia, although garnering a lot of headlines, was not a material contributor to the results.

CSL has several major projects currently underway including:

- Expansion of its Bern Switzerland facility which went into commercial production in FY21
- The US\$900m Broadmeadows Base Fractionation Facility to be operational in FY23
- New global headquarters in Melbourne
- Announcement of a cell-based flu vaccine production facility in Melbourne to be completed by the end of FY25.

FY2021 saw the resignations of two directors, Pascal Soriot and Abbas Hussain, due to potential conflicts arising with their employer companies. New directors have been appointed – see below.

A new CFO, Joy Linton, previously from health insurance company, Bupa, commenced in March 2021 taking over from David Lamont.

Summary of Historical ASA Issues with the Company

CSL has a good track record on ASA focus areas including Board composition, remuneration disclosure and 'skin in the game'

Debate and Voting at the AGM

The AGM was held virtually with all participants in separate locations.

Two new directors, Alison Watkins, member of the Reserve Bank and ex CEO of Coca Cola Amatil, and Professor Duncan Maskell, Vice Chancellor of the University of Melbourne were both comfortably elected. So too were Brian McNamee, the chairman, and Professor Andrew Cuthbertson who were up for re-election.

In his presentation the CEO advised that plasma collections were still below pre-COVID levels – see graph above. And in response to a question, he explained how new US Government border policy was preventing Mexican citizens from crossing into the United States to donate plasma as they had done for years. CSL has filed a court action to overturn this policy.

Among other questions was whether mRNA technology was a threat or opportunity. The CEO answered that they have the technology in their portfolio (see outlook below), and that their expertise would assist in dealing with issues of stability and dosing.

Another question along these lines was about the potential rival threat of FcRn technology. The chair answered that this technology would only cover a small subset of their product range and that they were confident that plasma-based therapies would continue to grow.

The Remuneration Report received an 11% vote against and surprisingly the grant of performance rights to the CEO received a 26% vote against. The latter vote was apparently due to the recommendation of one proxy adviser, ISS. The ASA supported both resolutions.

The ASA queried the forward-looking three-year performance period of the long term incentive plan and another shareholder asked whether the Earnings per Share (EPS) target was too low compared to historic performance. Megan Clark, the chair of the remuneration committee, answered that they recognised the long term nature of the business and include a 7-year average Return on Invested Capital as a measure, and for the EPS target, that they had taken into account the likely short-term slowdown in FY22.

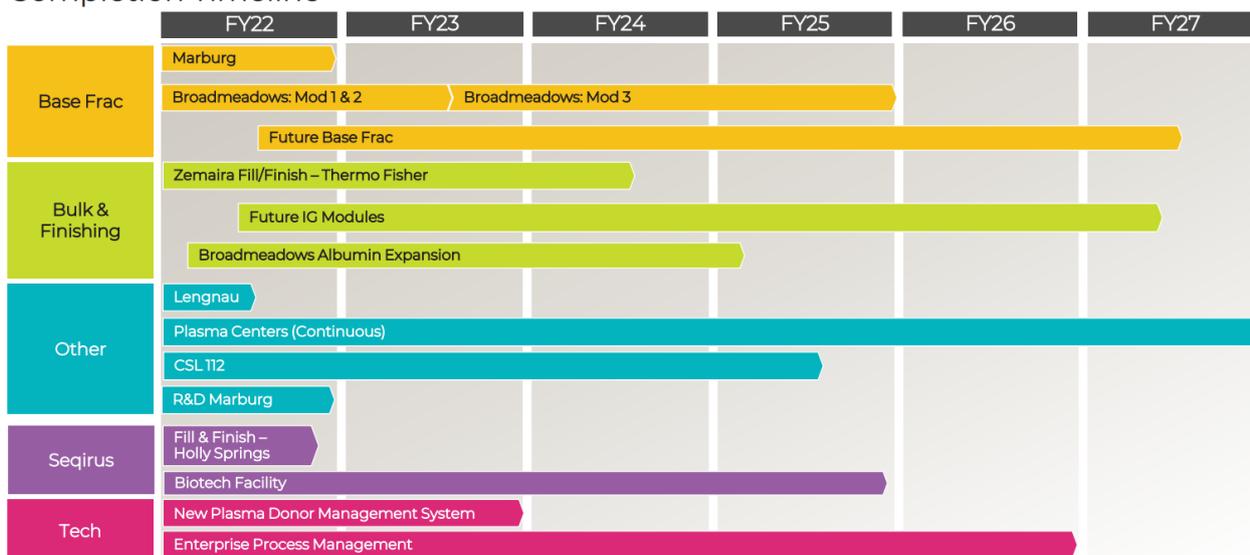
Outlook Statements from the Company

At the AGM, CSL reaffirmed its guidance for financial performance in FY22. They expect revenue to grow by between 2% and 5%, and for net profit after tax to be down between -5% and -10%, mainly due to the reduced plasma collections.

However, CSL is planning to open up to 40 new plasma collection centres in FY22 (current total about 300).

The following graphic shows CSL's key capital projects over the next five years.

Key Capital Projects Completion Timeline



Source: CSL FY2021 results presentation

CSL spends nearly 10% of its revenue on Research and Development. As a result, CSL has many products in the pipeline at various stages of development. The ones most prominent in CSL’s statements are *EtranaDez*, a gene therapy for treatment of Haemophilia B, and *CSL 112*, a treatment to reduce recurrent cardiovascular events. Both of these are in Phase III trials (the last trial hurdle). CSL also announced that Phase I work on an mRNA flu vaccine will commence in 2022.

As at 4 October 2021, there were eight brokers recommending a buy for CSL, ten a hold, and zero a sell according to MarketIndex.com

Meeting Statistics

Number of Holdings Represented by ASA	750 (last year 1133)
Number of Shares represented by ASA	1.27m (equivalent to 14th largest holder in Top 20 list)
Value of Shares represented by ASA	\$368m
Number Attending Meeting	213 shareholders/proxyholders plus 119 guests (last year 172/270)
Market capitalisation	\$132b
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individuals (or their associates) involved in the preparation of this voting intention have no direct shareholding in this company.