



Australian
National
University

ANU Student Managed Fund

Exit Recommendation

CSL Limited

ASX Code: CSL

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Glossary

AAE	– Active Australian Equities
ANU	– The Australian National University
ASX	– Australian Securities Exchange
CEO	– Chief Executive Officer
CFO	– Chief Financial Officer
COGS	– Cost of goods sold
CSL	– CSL Limited
DCF	– Discounted cash flow
D/E	– Debt to Equity
ETP	– Exchange traded product
FCFE	– Free cash flow to equity
FY	– Financial year
GDP	– Gross domestic product
GICS	– Global Industry Classification Standard
GUARD	– Guarding U.S. Medicare Against Rising Drug Costs
GLOBE	– Global Benchmark for Efficient Drug Pricing
G&A	– General and administrative
IAC	– Investment Advisory Committee
iNomi	– Individualised Nomogram
Ig	– Immunoglobulin
IOZ	– iShares Core S&P/ASX 200 ETF
MAHA	– Make America Healthy Again
MoS	– Margin of safety
MFN	– Most Favoured Nation
NPAT	– Net profit after tax
NPATA	– Net profit after tax adjusted
OECD	– Organisation for Economic Co-operation and Development
R&D	– Research and development
SMF	– ANU Student Managed Fund
S&M	– Sales and marketing
TDAPA	– Transitional Drug Add-on Payment Adjustment
US	– United States
WACC	– Weighted average cost of capital

Portfolio Recommendation

The AAE Team recommends that the Student Managed Fund (SMF) sells its entire active position in CSL Limited (CSL) within the Active Australian Equities portfolio, comprising 9.40% of the portfolio as of 29th September, with the proceeds to be invested in the iShares Core S&P/ASX 200 ETF (IOZ).

CSL is a biotechnology company and is the 7th largest company listed on the ASX based on market capitalization. The company operates three business segments - Behring, the largest contributor to group earnings, Seqirus and Vifor - across 40 international markets with United States (US) being the largest. Behring develops plasma-derived and recombinant therapies for immune deficiencies, bleeding disorders, and other rare and serious conditions. Vifor focuses on iron deficiency, nephrology, and dialysis, providing treatments for kidney and iron-related disorders. Seqirus, on track to becoming its own independent segment, is one of the world's largest influenza vaccine providers, supplying seasonal and pandemic flu vaccines globally. The fund purchased CSL in October 2023 at \$248.33 per share and the holding has generated a total return of negative 19.57%.

CSL has been a volatile, loss-bearing holding for the SMF and at the current price, the prospective return no longer adequately justifies the idiosyncratic risk of maintaining the active position.

Vifor is guided to experience a 25% decline and flat growth for the next decade, and the Seqirus demerger is long overdue and bearing execution risk along with \$7 billion impairments and \$799m in restructuring costs. Given these, the Behring margin recovery to near pre-pandemic levels underpins the current market valuation. Behring's gross margin fell from 58% in 2020 to 49% in 2023 and has only managed recover to 49.6% despite collection levels rebounding to pre-pandemic levels and collection yields improving. Future margin recovery, therefore, remains uncertain and largely

dependent on price which is unlikely to move in the medium term because of signing the US Administration's Most Favoured Nation (MFN) drug pricing agreement. Together, these structural hurdles coupled with a lack of stable management to execute recovery due to the abrupt resignation of the Chief Executive Officer (CEO) Paul McKenzie in February 2026, make fundamental driver recovery unlikely in the team's view. The share price at \$182.30, as of 29th September, compared to the AAE team's intrinsic valuation estimate of \$133.28 implies a -26.89% MoS that indicates substantial downside risk if the fund chooses to hold for longer; and hence prompts the case for a sell.



AUSTRALIA

ASX code: CSL

Price (at 29/09/2026) \$182.30

Valuation \$133.28

Margin of safety (MoS) (29/09/2026) -26.89%

AUD/USD FX (29/09/2026) 0.6986

Dividend yield (2026F) 1.94%

GICS Healthcare

52-week range \$90.00 - \$222.47

Recommendation SELL

Key assumptions

Cost of Equity 9.60%

WACC 9.04%

Carbon intensity

CSL 30.72

ASX200 175.21

Five-year share price history



Investment Thesis

Original Investment Thesis

The SMF's original investment thesis identified the following drivers of long-term value:

- Defensive and resilient cash flows from a diversified product portfolio, specialising in the production of drugs, therapies, infusions, and vaccines for a host of common and rare diseases.
- A strong R&D pipeline to develop and manufacture innovative, industry-leading high margin products.
- Investment in efficiency initiatives to reduce input costs, expected to contribute to margin improvements.

Has the original thesis held?

CSL's original investment thesis has been rigorously tested and has either largely materialised or no longer holds across the identified strategic areas since the Fund's initial purchase. All three segments deteriorated in FY26, reporting negative to low-single digit revenue growth against the backdrop of 15% average historical revenue growth for the decade before purchase. Behring reported a 1% revenue decrease in FY26, driven by a 17% downturn in Albumin sales due to Chinese government cost-containment measures and flat immunoglobulin (Ig) sales caused by Medicare Part D reforms which capped beneficiaries' annual drug spending to \$2000 and shifted more cost liability to pharmaceutical manufacturers. Seqirus reported an 8% decrease in FY26 revenue, primarily driven by low US immunisation rates which are unlikely to change in the medium term due to COVID-era vaccination fears and crackdown on vaccination by movements like 'Make America Healthy Again' (MAHA). Finally, Vifor saw a 3% increase of sales, driven by the inclusion of VELPHORO, a Nephrology product, on the U.S. Transitional Drug Add-on Payment Adjustment (TDAPA) program. However, the temporary add-on expires in December 2026 and competition from generic entrants across operational geographies is predicted to result in a 25% decrease in revenue next financial year along with flat growth for the next decade. Overall, the diversified product portfolio faces significant structural challenges across all operating segments, and the defense vcgfh and resilience benefits seem to have deteriorated.

The Research & Development (R&D) to product release pipeline has fared somewhat better than the cash flows. The higher-margin rare disease treatment product development paid off as detailed in the original investment thesis with 'Andembry' generating \$240M in revenue within the first year and 'Hemgenix' continuing to grow sales by 25% in FY26. However, the other 2 of the 3 pipeline product initiatives outlined in the initial thesis have struggled to deliver. CSL112 missed its primary endpoint in its AEGIS-II trial in February 2024, and CSL has no near-term regulatory filing plans for it. 'Clazakizumab' was terminated early for futility in its lead antibody-mediated rejection indication and was later out-licensed to Eli Lilly for \$100 million in February 2026. CSL has also decreased R&D spending, falling below the initial thesis guidance, leading to expected terminal revenue growth declining from 7.2% to 4%. The R&D budget also fell to 7.7% of revenue against the initial thesis guidance of 10-11%. On top of pipeline failures and missed budget targets, this strong R&D pipeline does not remain unique to CSL. Peers like PTakeda, Grifols and Octapharma mirror the same process: diversified pipelines, a focus on rare-diseases and targeted acquisitions (like CSL's of Vifor) to bring in late-stage or already approved products (e.g. Pfizer's \$43B acquisition of Seagen to gain market share over its already marketed cancer drugs). Therefore, even if the R&D pipeline has partly held, it is no longer a competitive moat for CSL.

The cost-cutting initiatives have seen mixed results. While cost per litre for plasma collection is falling, 22 collection centres successfully closed and Rika Rollout (a next-gen plasma collection device) has successfully reduced collection times, Behring gross margin has not yet recovered as detailed previously. An annual transformation savings target of up to \$550M by FY28 has been introduced but execution risk remains due to lack of permanent leadership. Notably, cost reduction measures can no longer be viewed as a driver of upside. Rather, they have become a necessity, as the company is reporting a net loss and must take steps to limit its exposure.

Given the original thesis no longer remains relevant, we recommend that the fund exits its position in CSL and reallocates funds to IOZ, with the investment case driven by:

- Structural Pressure on segments rather than cyclical
- Demerger Execution Risk
- Increasing Government Intervention and Scrutiny

Case For Exit

Structural pressure on segments rather than cyclical

The market's expectation of a recovery on ongoing earnings for CSL appears to rest on the view that FY26 was a cyclical trough characterised by a one-off US immunoglobulin (Ig) destock, a temporary dip in Chinese albumin pricing, and a calmer than expected influenza season. The market expects these compounding factors to reverse as conditions normalise. This is reflected in the recent share price rebound, where CSL's market valuation increased to \$175 in early September from a low of \$90 in May. However, across all three segments, headwinds stem from structural factors: competitive entry, loss of exclusivity, policy-driven price resets, and falling vaccination demand. The AAE team believes these factors dynamics are unlikely to reverse, as discussed below, and will lower ongoing revenue growth and operating margins.

The team believes that the headwinds faced by CSL have shifted from being transitory to persistent. CSL revised guidance lower in October 2025 and again in May 2026, while Ig growth slowed from 20% in FY24 to 7% in FY25 and remained flat in FY26. Behring margins fell 100bps to 49.6% in FY26 with only a modest improvement guided for FY27, leaving that target increasingly out of reach. The company also recognised US\$7.1bn in pre-tax impairments in FY26 that is difficult to attribute to a temporary downturn.

Within Behring, the US destock masks a broader loss of market share in Ig which is CSL's largest franchise comprising US\$6.2bn or 54% of FY26 revenue. The segment is experiencing market-share loss in key markets, as acknowledged by the interim CEO. Over the six months to June 2026, CSL's Ig sales grew 7% compared to 12.8% for Grifols, its closest plasma competitor, due to new product launches and faster growing pipelines for Grifols. With Ig demand and supply now balanced, CSL no longer benefits from the pricing power of the supply-constrained market post-COVID. FY27 Ig growth guidance of "in line with market" represents a significant downgrade from its 2023 target to outpace it. Behring's flagship 'KCENRA' revenue fell 16% in FY25 after Octapharma's 'BALFAXAR', only the second four-factor blood-clotting concentrate approved in the US, entered and disrupted CSL's long-standing monopoly. 'KCENRA' fell a further 17% in FY26 under continued US price pressure as Behring was forced to offer defensive wholesale discounts to avoid losing large hospital network accounts to the new alternative. Similarly, CSL's star haemophilia B drug, 'IDELVION', is facing a major structural threat from newer rivals like Pfizer's 'HYMPAVZI' and Sanofi's 'QFITLIA'. Patients are switching to these new therapies because they offer simpler and less intrusive solutions, directly undermining CSL's dominance in the IV factor replacement and bleeding-disorder market.

Vifor and Seqirus are facing similar pressure. Although overall growth was positive, Vifor's iron revenue fell 16% in FY26 following the entry of generic therapies which have captured significant market share in Europe and the United States as Ferinject and Injectafer patents expire. Management expects Vifor revenue to decrease by 25% in FY27 as clinics suffer from tight budget constraints and pricing power declines. The US\$4.9 billion Vifor impairment, equivalent to roughly 42% of the US\$11.7 billion paid for the business in 2022, substantiates that this is a permanent reset rather than a cyclical trough. The drivers management cite for the impairment – generic competition, changed competitor dynamics and the end of the TDAPA – are all irreversible, with a further US\$200 million in impairments already flagged for FY27. Seqirus faces structural headwinds as vaccination rates continue to decline post-COVID. Vaccination rates among adults aged 65 and over, the core market for its adjuvanted influenza vaccine, fell by 5.9% in a single season to 63.8%. This raises concerns about whether CSL can continue to reap the benefits of this demographic which was expected to drive growth ongoingly due to rising ageing populations. Although the rate of decline is slowing, US vaccination rates – which form the most significant portion of CSL's total market at 12.7% of Seqirus revenue – limit the growth potential of this segment.

Demerger Execution Risk

In August 2025, CSL management announced their intention to divest Seqirus and to list it separately on the ASX before the end of FY26. However, the demerger remains incomplete, and no revised completion date has been provided since management withdrew its FY26 target in October 2025. Though, some direction was provided- that timing would be revisited when market conditions would "support the maximisation of shareholder value", with no revised date provided since. Operational separation was

completed nonetheless on 1 July 2026 resulting in CSL incurring the cost and disruption of establishing Seqirus as a standalone business while continuing to own it. While these are sunk costs, management continues to delay the demerger due to its belief that the market would undervalue Seqirus if listed now based on market sentiment. The AAE team sees limited evidence to support a re-rating that CSL's own Seqirus guidance of a 8% revenue drop in FY26, downgraded FY27 for low single-digit growth does not support. This leaves the company holding a structurally declining asset for an indefinite period with little recovery prospects in the medium to long-term. CSL is therefore positioned to either demerge a vaccine business into a shrinking market at a depressed valuation or continue deferring the transaction while incurring the separation costs and management attention that the process consumes.

Execution risk is compounded by cost overruns and uncertain leadership position. The turnaround program, which includes the demerger, already surpassed the original restructuring costs target of \$770 million, with a further \$300 million of cash outflow expected in FY27 against the \$100 million original guidance. The offsetting savings from the transformation program's targeted US\$500-550 million in annualised savings by FY28 are also back ended, with only US\$176 million delivered in FY26. Roughly half of the incremental FY27 savings is allocated for reinvestment in commercial and R&D initiatives, so it funds new operating expenditure rather than reducing the cost base. This major initiative is also being executed under interim leadership. With the search for a permanent CEO still underway, an incoming CEO is likely to revisit the demerger and transformation plan. This extends the timeline further and leaves the SMF invested during a period when the structure, key strategic direction, and leadership of the company are all under duress.

Increasing Government Intervention and Scrutiny

As the US pharmaceutical legislative environment becomes more volatile, defined by a rise in US protectionist policies, CSL faces heightened risk of adverse policy changes. The impact of these policy changes is apparent in the recent signing of both a MFN agreement and an onshoring agreement between CSL and the US government, with CSL committing to invest US\$1.5 billion into an expansion of their Illinois production facilities as part of the onshoring agreement and reduce prices within the US to avoid a 200% tariff on pharmaceutical products that was proposed by the current US administration. Under the MFN, CSL is required to charge US State Medicaid programs the same price they charge other developed nations, a change which is projected to cut into the CSL Behring and CSL Vifor revenue streams. Though the market responded positively to the announcement of the agreement signing, CSL's compliance threatens pricing power long term. It sets precedent for future administrations to introduce further legislation constraining companies' ability to reprice products on their own terms. Whilst the Most-Favoured-Nation agreement provides shareholders with some stability in the short term against the threat of tariffs, CSL remains exposed to further changes in legislation- such as the proposed GUARD or GLOBE Medicaid pricing changes which further reduces revenue by expanding the use of international price benchmarks in Medicaid pricing, or an increase in the tariffs charged on pharmaceutical imports by the US.

The already beleaguered Seqirus segment faces further revenue reductions due to a broader societal trend away from vaccines, pushed through groups such as the MAHA movement. Under the current US administration, the Centre for Disease Control has reduced the number of vaccines recommended for children and reduced headcount. This has culminated in declining vaccination rates across the US, leading to a reduction in Seqirus vaccine sales. The US is Seqirus' largest geographical segment, accounting for 65% of flu vaccine sales which translates to 8% of total revenue and 10% of total earnings. With broader anti-vaccine societal trends appearing unlikely to abate, it can be expected that the long-term vaccination rate will continue to fall, beyond the current administration's exit, increasing the long-term downwards pressure on Seqirus revenue. The administrations reduction of funding to departments such as Health and Human Services puts further pressure on Seqirus, which has a major vaccine supply contract up for renewal in early 2027. Renewal remains speculative as Secretary RFK Jr. announced they was winding down mRNA vaccine development activities administered through BARDA, terminating or restructuring 22 contracts worth nearly \$500 million.

Considering the recent and emerging changes in the legislative environment and broader societal context, the AAE team views CSL's idiosyncratic risk as increasing and hence recommends exiting the current position.

Challenges to the Case to exit

Successful cost-cutting initiatives

Another risk is that CSL's transformation program, the organisational simplification and cost-reduction initiative announced in August 2025, delivers ahead of the pace assumed in our base case. Progress so far suggests that this not implausible. CSL delivered \$176 million of savings in FY26, against a \$100 million target for the year, with annualised targets of \$400 million in FY27 and up to \$550 million by FY28. Overdelivering by 76% in the first year of the program is credible evidence that the guided trajectory is achievable or can even be outperformed. If FY27 and FY28 are similarly overdelivered, the margin recovery would land earlier and at greater scale than our base case assumes. A faster margin recovery would leave the structural pressures on CSL's revenue base intact, but it would still close much of the valuation gap that supports this recommendation. Plasma cost per litre continues to fall and has not risen materially since the 2022 post-COVID peak in donor payments, removing the input cost pressure that drove much of the margin compression identified in the original downside thesis. We treat this as a risk to the pace of margin recovery rather than to the investment case itself: outstanding delivery accelerates convergence with our valuation but does not by itself resolve the structural revenue pressures the team identifies.

Separately, CSL's plasma collection efficiency program has cleared its early milestones, having completed rollouts for RIKa in FY26 across the US network. This occurred alongside the deployment of iNomi, an individualised nomogram software that sets each donor's collection volume based on their weight, height, and other characteristics. Horizon 1, the first stage of CSL's plasma yield-improvement program, finished its US rollout in FY25, improving output by 5%, lifting the volume collected per donor by 10% and reducing centre labour hours per donation by 12%. Management has also taken structural cost out of the network, cutting 3,000 roles and closing 22 collection centres. If the remaining savings convert at the guided rate, the FY28 run rate of up to \$550 million is material against a CSL Behring revenue base of \$11.4 billion. Given Horizon 1 is now complete, it may act as a source of confidence in the achievability of management's targets.

The larger upside sits with Horizon 2, which begins in mid-2027 and carries an expected 23% yield improvement alongside a concurrent \$1.5 billion facility build. This program remains pre-approval, however, with uncertainty regarding the approval timeline. If this program gains regulatory approval on schedule, the gross margin recovery could counteract the 70 basis points of the FY26 decline that management has guided to recover in FY27, and CSL Behring could move back towards its pre-COVID gross margin level of >56% rather than remaining near the 49.6% recorded in FY26. This poses a risk to the fund exiting before successful Horizon 2 implementation which could prompt fundamental recovery.

Fundamentals recovery by credible permanent leadership

Post the abrupt resigning of their CEO in February 2026, the search for a permanent replacement remains underway- with interim CEO, Gordon Naylor, expected to transition to a non-executive director role once a successor is in place. A principal risk, therefore, to the sell recommendation is the appointment of a credible CEO who can uplift market confidence and eradicate the major demerger execution risk previously outlined. Removal of leadership uncertainty, that underpinned the AAE team's decision to hold in S1 2026, could support a re-rating. A strategic reset from an incoming CEO is likely to be received well by the market, given current dissatisfaction.

This turnaround is not far-fetched either, given reset successes across industry. Appointment of CEO Satya Nadella by Microsoft in 2014, who refocused the company on cloud and subscription revenue and helped multiples recover after a long period of stagnation. Arrival of CEO Pascal Soriot in 2012 for AstraZeneca, during a patent cliff and pipeline drought, aided share re-rating by his rebuilding of R&D productivity and the oncology franchise. Further, CSL also retains structural advantages that a recovery narrative can be built on, holding roughly 30% of global plasma fractionation capacity and around 33% of global collections behind high capital and regulatory barriers to entry limiting the ability for new firms to compete with CSL. Divestment now, before the appointment of a permanent CEO, therefore risks exit before major fundamental value driver recovery.

Model Summary

Revenue

We forecast FY27–FY31 revenue from a US\$15,797m FY26 base using two independent builds (geographically and segment-specific factors), weighted equally.

The geographic build takes projected nominal GDP growth and projected population growth for each of CSL's seven reporting markets and weights each by that market's share of FY26 revenue. We amended the split between the two indicators from 50/50 to 60% population and 40% GDP. This decision was made since population is a stronger driver for CSL's volume such as plasma and iron therapy demand which scales with the number of patients treated. Nominal GDP, by contrast, grows mostly through price and healthcare funding capacity rather than patient numbers. CSL's ability to convert this spending into realised price is precisely what Medicare Part D redesign, most-favoured-nation pricing and Chinese volume-based procurement are constraining. Because weighted population growth (0.41% in FY27) sits far below weighted nominal GDP growth (4.44%), the reweighting lowers the geographic build from 2.42% to 2.02% in FY27.

The segment build applies a growth rate to each segment and weights each by its share of FY26 revenue, giving 7%, 1% and -25% respectively in FY27. These rates are based off the FY26 result and management's FY27 guidance, with the value-driver rows beneath each segment used to test them. Behring is held broadly at its FY26 rate deliberately as the recommendation does not rest on a Behring slowdown. Seqirus assumes FY26's decline does not repeat, while Vifor is stepped down to account for US generic competitive entry against the iron franchise from FY27 and then held broadly flat. Weighted together the segment build returns 1.41% revenue growth in FY27.

Blending the two builds gives group growth of 1.72% in FY27, then rising and stabilising at 3.03% by FY31 to give group revenue of US\$18,215 million.

Costs

Cost modelling methodology remained largely unchanged from the original recommendation, using a sum of parts of each of the segments: COGS, S&M, G&A, R&D and Employee Expenses. Employee Expenses are further broken down by salaries & wages, DB plan expense, DC plan expense, and share-based expense. Only one notable change was made to how the segment inputs are forecast; with the original team projecting a cost segment as a percentage of revenue. The model structure has been updated to forecast growth rates of individual cost lines. This improves valuation accuracy as forecasting a percent of total revenue relies on projecting a more unsubstantiated view of the percentage of total revenue each cost segment is.

COGS growth was forecasted at 3.5-3.75%, reflecting improvements in refinement efficiency and donor experience program resulting in reduced costs, with the long-term assumption that no major plasma collection constrain will arise. G&A costs are forecasted around 4-6% and S&M costs around 3-4% broadly in line with recent historical values. R&D costs are forecasted to reduce by 7% in FY27 based on management guidance, with expenses normalising at ~7.25% of revenue in line with historical averages. Salaries and wages, DB and DC plan expense, and share based expense forecast remain, unchanged, modelled through rolling historical averages. Employee expenses have been forecasted to decline by 5% in FY27 and remain flat in FY28 with future normalisation to account for partial success of the announced cost-cutting initiatives which are expected to reduce headcount. Overall, cost forecasts have been kept relatively low to assume at least partial success of the cost-cutting initiatives and ensure an unbiased picture.

Weighted Average Cost of Capital (WACC)

First, the cost of common equity is estimated using the Equity Risk bucket method. Healthcare is classified as a moderately risky industry, aligning with SMF's target return of 9.60% which is used as the cost of common equity. The cost of debt used is 5.81%, equivalent to Bank of America's 10-year non-financial corporate A-rated bond yield, consistent with CSL's A3 rated debt, which using a marginal tax rate of 30% led to the after-tax cost of debt evaluated to be 4.07%. Combined with the debt-to-equity ratio of 11.26%, the WACC was found to be 9.04%.

Scenario Analysis

Scenario analysis was conducted to quantify the impact of various idiosyncratic, macroeconomic, structural, and regulatory changes on CSL's intrinsic valuation.

The Bear case assumes a failure by management to reduce costs through their Horizon 2 program, with expenses continuing to remain elevated and grow in line with historic averages. It further models a continued deterioration of revenue, at the FY26 levels, due to strong competition, more stringent competition from generic competitors when patents expire, realisation of GUARD or GLOBE Medicaid pricing changes, and a significantly further decline in US vaccination rates and legislative environment.

The Bull case forecasts significant cost reductions, through the successful completion of improved patient care, R&D cost reduction in line with management goals, resulting in a lower expense growth forecast. It further assumes robust revenue growth across all segments, with recently released CSL Behring products Andembry and Hemgenix growing rapidly, US vaccination rates rebounding following the recent measles outbreak and the newly signed influenza vaccine supply contracts with the UK government increasing CSL Seqirus revenue and finally sustained investor confidence appreciating the share price regardless of improvement in the company's fundamentals.

A full breakdown of scenario assumptions and valuation methodology is available in Appendix B.

Conclusion and Recommendation

CSL has delivered a -19.57% total return to date and has overall been an unsuccessful holding for the SMF. However, at the current market price of \$182.30, a value 26.89% above the teams DCF valuation of \$133.28, the team identifies limited upside to continuing to hold, particularly with consideration to risks related to structural pressure on segments, demerger execution and government scrutiny. The growth drivers, identified in the original investment thesis, have fundamentally changed. Vaccine uptakes have reduced due to structural changes in narratives since the pandemic and reforms introduced by the new US administration. Iron segment has been confirmed by management to experience no growth over the next decade. And finally, plasma segment recovery relies on an overambitious savings target program. Given these factors, the AAE Team recommends that the SMF sell its entire active position in CSL and reinvest the proceeds in IOZ. IOZ retains diversified exposure to the Australian market, including CSL at index weight, without the concentrated active risk, and is therefore a better fit for the fund than CSL.

Appendix

Appendix A: Key Financial Summary

Financial Year (\$ million)	2023(A)	2024(A)	2025(A)	2026(A)	2027(E)	2028(E)	2029(E)
Total Revenue	13310	14800	15558	15797	16068	16559	17159
Revenue growth %	26.02	11.19	5.12	1.41	1.72	3.31	3.37
Adjusted EBITA	3030	3764	4054	4181	4473	4574	4683
Adjusted EBITA Margin %	22.77	25.43	26.06	26.47	27.84	27.55	27.29
NOPLAT	2918	3031	3208	3728	3551	3649	3766
NOPLAT Margin %	21.92	20.48	20.62	23.60	22.10	21.98	21.95
Invested Capital (ex. goodwill)	13274	14493	15275	14133	13734	14081	14458
Invested Capital (inc. goodwill) %	23642	32187	33177	27192	26793	27140	27517
ROIC (ex. goodwill) %	25.6	22.8	22.1	24.4	25.1	26.6	26.7
ROIC (inc. goodwill) %	20.0	12.8	10.0	11.2	13.1	13.6	13.9
Free Cash Flow	-6169	-5514	2219	3500	3950	3302	3389
IC Turnover (ex. goodwill) %	1.1	1.1	1.0	1.1	1.2	1.2	1.2
Financial Year	2030(E)	2031(E)	2032(E)	2033(E)	2034(E)	2035(E)	2036(E)
Total Revenue	17679	18215	18944	19702	20490	21309	22162
Revenue Growth %	3.03	3.03	4.00	4.00	4.00	4.00	4.00
Adjusted EBITA	4708	4741	5128	5333	5546	5768	5999
Adjusted EBITA Margin %	26.63	26.03	27.07	27.07	27.07	27.07	27.07
NOPLAT	3791	3821	4109	4274	4445	4622	4807
NOPLAT Margin %	21.44	20.97	21.69	21.69	21.69	21.69	21.69
Invested Capital (ex. goodwill)	14781	15012	15935	16519	17139	17799	18507
Invested Capital (inc. goodwill)	27840	28071	28994	29578	30199	30858	31567
ROIC (ex. goodwill) %	26.2	25.8	27.4	26.8	26.9	27.0	27.0
ROIC (inc. goodwill) %	13.8	13.7	14.6	14.7	15.0	15.3	15.6
Free Cash Flow	3468	3590	3856	4010	4171	4337	4511
IC Turnover (ex. goodwill) %	1.2	1.2	1.2	1.2	1.2	1.2	1.2

Appendix B: Scenario Analysis

Bear Scenario: Transformation Failure and Continued Revenue Deterioration

This scenario models the risk that CSL's transformation program fails to deliver its targeted savings, while structural pressure on each segment continues to erode revenue through the forecast period.

Valuation: \$84.72 (-52.12% Margin of Safety)

Rationale: The market's recovery narrative relies on FY26 being a cyclical trough and the transformation program restoring margins. If the Horizon 2 yield program is not approved on schedule and savings continue to trail plan, Behring's gross margin would remain well below its pre-COVID level of 56%. Restructuring costs of US\$799 million have already exceeded the US\$770 million program target, and FY27 restructuring cash outflow guidance has tripled to US\$300 million. On revenue, Behring continues to lose immunoglobulin market share to Grifols, and generic entry keeps pressure on Vifor's iron franchise. Realisation of the GUARD or GLOBE Medicaid pricing reforms and a further decline in US

vaccination rates would limit any recovery in CSL's largest market. Under these conditions, FY26 would represent a structural reset rather than a cyclical trough.

Model Changes: Operating expenses continue to grow in line with historical averages, rather than reflecting the partial success of the cost-cutting initiatives assumed in the base case. COGS grows at 4-6% (base case: 3.5-3.75%), G&A at 4.5-5.2%, S&M at 6-10% (base case: 3-4%) and R&D at -0.5% to 4%, in place of the 7% R&D reduction assumed in FY27. Segment revenue growth is lowered to 3% for Behring, 0.5% for Seqirus and -0.5% for Vifor.

Bull Scenario: Transformation Delivers and Revenue Growth Recovers

This scenario models the upside if CSL's transformation program exceeds its savings targets and revenue growth recovers across all segments.

Valuation: \$194.11 (+9.70% Margin of Safety)

Rationale: CSL delivered US\$176 million of savings in FY26 against a US\$100 million target, which suggests the program could continue to outperform as annualised targets rise to US\$400 million in FY27 and US\$550 million in FY28. If Horizon 2 is approved on schedule and delivers its targeted 23% yield improvement, Behring's gross margin could recover from 49.6% towards its pre-COVID level of 56%. On revenue, recently launched Behring products Andembry and Hemgenix would grow rapidly. Seqirus would benefit from a rebound in US vaccination rates following the recent measles outbreak and from the newly signed influenza vaccine supply contracts with the UK government. Vifor would outperform the flat growth consensus despite generic entry. Even under these optimistic assumptions, the margin of safety is only 9.70%. The upside to holding therefore remains modest relative to the downside in the bear case.

Model Changes: COGS, G&A and S&M costs grow at only 2% across the forecast period. The CFO's guided 13% R&D reduction is achieved in full, compared with the 7% reduction assumed in the base case. Employee expense growth is held at around 1%. Segment revenue growth is lifted to a steady 8% for Behring, 3% for Seqirus and 2% for Vifor, beating the flat growth consensus.

Scenario Analysis Summary:

	Bear Case (Transformation failure)	Base Case (Partial success)	Bull Case (Transformation success)
Valuation	\$84.72	\$133.28	\$194.11
Margin of Safety	-52.12%	-26.89%	+9.70%

Appendix C: Sensitivity Analysis

A\$ per share	WACC						
EBITDA margin	7.54%	8.04%	8.54%	9.05%	9.55%	10.04%	10.54%
Base -3.0pp	\$165.73	\$151.68	\$139.39	\$128.55	\$118.93	\$110.34	\$102.62
Base -2.0pp	\$167.37	\$153.22	\$140.83	\$129.90	\$120.20	\$111.54	\$103.77
Base -1.0pp	\$169.00	\$154.74	\$142.25	\$131.24	\$121.47	\$112.74	\$104.91
Base (32.9%)	\$170.66	\$156.29	\$143.70	\$133.28	\$122.75	\$113.96	\$106.07
Base +1.0pp	\$172.11	\$157.64	\$144.97	\$134.80	\$123.88	\$115.03	\$107.09
Base +2.0pp	\$173.91	\$159.32	\$146.54	\$135.27	\$125.27	\$116.34	\$108.33
Base +3.0pp	\$175.54	\$160.84	\$147.96	\$136.61	\$126.53	\$117.54	\$109.46

Appendix D: Portfolio Fit

Correlation of CSL Returns against Asset Allocation Portfolio:

Correlation: CSL vs.					
IOZ	IEM	VGB	VGS	VGAD	AAA
18.37%	-11.92%	8.11%	11.57%	6.35%	3.31%

Correlation of CSL Returns against Active Australian Equities Portfolio:

Correlation: CSL vs.				
ANN	LLC	RWC	SUN	WOR
37.68%	24.97%	44.34%	11.52%	-15.06%

Correlations are based on 5-year monthly returns.

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