



# ASX Announcement

For immediate release

June 13, 2017

## **CSL to acquire majority stake in Chinese plasma fractionator Wuhan Zhong Yuan Rui De Biologicals Products**

- *CSL to acquire an 80 per cent stake in plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biologics ("Ruide") in China for US\$352 million*
- *Ruide has a broad portfolio of domestic plasma products, with a manufacturing facility and four plasma collection centres*
- *The Chinese plasma therapeutics market is growing at approximately 15 per cent each year*
- *The transaction will complement CSL's leadership position in China as a supplier of albumin and better serve patients with rare and serious diseases in this important high growth market*

**CSL Limited (ASX:CSL; USOTC:CSLLY)** announced today that it has agreed to acquire 80 per cent equity of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. ("Ruide") from Humanwell Healthcare Group Co. Ltd. ("Humanwell"; Shanghai exchange: 600079) for US\$352 million. The transaction will provide CSL with a strategic presence in the Chinese domestic plasma fractionation market and complements the leadership position that its CSL Behring business has built over the past 20 years as a provider of imported albumin in China.

Ruide develops, manufactures and commercialises plasma-derived products for the Chinese domestic market. This includes albumin, immunoglobulin (Ig) for IV injection, as well as several hyperimmune Ig products. The company also has an advanced pipeline of multiple coagulation factor products that it plans to launch in the coming years, including plasma-derived Factor VIII. In addition, Ruide owns four plasma collection centres and one manufacturing facility in Wuhan, Central China. Ruide's total revenues reached approximately US\$30 million in 2016.

CSL Managing Director and Chief Executive Officer, Mr. Paul Perreault, said, "Humanwell is a leading Chinese healthcare company with strong capabilities in pharmaceutical manufacturing, sales and distribution, as well as healthcare services."

"CSL is driven by our promise to save lives and protect the health of people around the world. This expansion of our footprint in China through an investment in Ruide supports the delivery of this promise."



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“We will contribute our extensive plasma manufacturing expertise with a goal to expand and grow plasma collection capabilities and introduce new products into this high-growth market. In co-operation with Humanwell, we intend to work closely with local regulators and the sector to help improve plasma safety and quality, as well as enhance the plasma donor experience. We will also continue to find ways to extend our partnership with Humanwell in areas of mutual interest.”

Humanwell's Chairman, Dr Wang Xuehai, said, “We are excited to establish a long-term collaboration with CSL, a global leader in biopharmaceuticals, particularly in the plasma sector. Combining CSL's advanced technical capabilities with Ruide's established presence in the Chinese plasma sector will enable the partners to improve access to innovative therapies for patients that need them.”

## **A strong foundation to expand CSL's therapeutic offering in China**

China's plasma products market exceeded \$3.3 billion in 2016, with a 15 per cent growth rate for the past five years<sup>1</sup>. China is also the fastest growing immunoglobulin (Ig) market in the world, and in volume, second only to the United States. Improved physician awareness and recent changes to reimbursement coverage for plasma-derived products such as Ig will continue to drive strong demand.

CSL has a long history of delivering plasma-derived medicines for the treatment of rare and serious diseases. Within the Ruide joint venture, CSL will have an opportunity to contribute capabilities across the full range of plasma products currently produced by CSL in markets outside China.

## **Transaction & Closing**

Under terms of the agreement between the parties, CSL will be responsible for operational control of Ruide. The agreement includes a milestone based performance and payment mechanism to enable CSL to increase its ownership in Ruide over time. Closing of the initial 80 per cent stake is expected to occur in the second half of calendar year 2017, subject to regulatory approval by relevant government authorities and Humanwell shareholders.

The acquisition will be funded through CSL's existing debt facilities. The current share buy-back program announced at CSL's Annual General Meeting in October 2016 will not be impacted.

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<sup>1</sup>. Goldman Sachs Equity Research Report '*Building China's Blood Bank*' May 30, 2017.



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## About Humanwell

Humanwell is a fully integrated healthcare solution provider in China, with growing presence in Southeast Asia, North America and Africa. It is publically traded on the Shanghai Stock Exchange with revenues in excess of US\$1.7 billion in 2016, and ranked in the top 30 pharmaceutical companies in China. It has a distribution network covering China with direct sales to 20,000 medical institutions and 30,000 pharmacies, and operates and manages multiple hospitals in China.

## About CSL

CSL (ASX:CSL; USOTC:CSLLY) is a leading global biotechnology company with a dynamic portfolio of life-saving medicines, including those that treat haemophilia and immune deficiencies, as well as vaccines to prevent influenza. Since our start in 1916, we have been driven by our promise to save lives using the latest technologies. Today, CSL - including our two businesses, CSL Behring and Seqirus - provides life-saving products to more than 60 countries and employs nearly 20,000 people. Our unique combination of commercial strength, R&D focus and operational excellence enables us to identify, develop and deliver innovations so our patients can live life to the fullest.

## Media and analyst briefings

CSL's Chief Executive Officer, Mr Paul Perreault will host the following briefings today (AEDT):

### [11.00am ] Analyst & media conference call

|                   |               |
|-------------------|---------------|
| Australia:        | 1800 908 299  |
| International:    | +612 90078048 |
| Conference ID No: | 802024        |

***NB: Media are invited to attend the analyst conference call for background detail on a 'listen only' basis. Questions will be taken at the Media Conference Call directly following the Analyst call.***

### [12.00pm] Media conference call for Q&A with Paul Perreault

|                   |                |
|-------------------|----------------|
| Australia:        | 1800 908 299   |
| International:    | +612 9007 8048 |
| Conference ID No: | 373367         |

A copy of the investor presentation slides relating to the announcement will be lodged with the Australian Securities Exchange and is also available at [www.csl.com.au](http://www.csl.com.au) in the 'investor' section.



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## FURTHER INFORMATION

For further information, please contact:

### **Investors:**

Mark Dehring  
Head of Investor Relations  
CSL Limited  
Telephone: +613 9389 3407  
Email: [mark.dehring@csl.com.au](mailto:mark.dehring@csl.com.au)

### **Media:**

*Australia*  
Jemimah Pentland  
CSL Limited  
Mobile +61 412 635 483  
Email: [Jemimah.Pentland@csl.com.au](mailto:Jemimah.Pentland@csl.com.au)

*China*  
Teresa Chen  
Edelman  
Mobile +86 185 2130 8757  
Email: [Teresa.Chen@edelman.com](mailto:Teresa.Chen@edelman.com)

*United States*  
Natalie de Vane  
Mobile: +1 610-999-8756  
Email: [Natalie.devane@cslbehring.com](mailto:Natalie.devane@cslbehring.com)

# Acquisition of a Chinese plasma fractionator

13 June 2017

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# Acquisition of 80% equity of a Chinese plasma fractionator - Wuhan Zhong Yuan Rui De Biological Products, for US\$352 million<sup>(1)</sup>

- Provides CSL with a strategic presence in the Chinese plasma fractionation market
- Complements CSL Behring's position as the leading supplier of imported albumin in China
- Better serve patients with rare and serious diseases
- Wuhan Zhong Yuan Rui De Biological Products ("Ruide")
  - A wholly owned subsidiary of Humanwell Healthcare Group
  - Includes a manufacturing facility and four plasma-collection centers

(1) The agreement includes a milestone based performance mechanism to enable CSL to increase its ownership in Ruide over time.

# China is an important market with significant potential to expand

|  | US     | China |
|--|--------|-------|
| <b>Population (Million)<sup>1</sup></b>              | 320    | 1,380 |
| <b>GDP Growth (%)<sup>2</sup></b>                    | 1.6    | 6.7   |
| <b>Plasma Collection Volume (Tons)<sup>3</sup></b>   | 31,100 | 7,120 |
| <b>Plasma Product Market (\$Billion)<sup>4</sup></b> | 8.6    | 3.3   |
| -Growth rate (%)                                     | 10     | 15    |
| <b>Plasma product usage<sup>5</sup></b>              |        |       |
| -Albumin (gram per 1000 capita)                      | 548    | 223   |
| -Ig (gram per 1000 capita)                           | 210    | 15    |
| -FVIII (IU per capita)                               | 8.8    | <0.2  |

Source:

(1) US population: National Consensus in 2010; China population: National Bureau of Statistics in 2016.

(2) US GDP Growth % in 2016: Ministry of Commerce; China GDP growth % in 2016: National Bureau of Statistics.

(3) US 2015 collection volume: MRB; China 2016 collection volume: Goldman Sachs Equity Research Report "Building China's Blood Bank" on May 30, 2017

(4) US 2015 plasma market size: MRB; China 2016 plasma market size: Goldman Sachs Equity Research Report "Building China's Blood Bank" on May 30, 2017

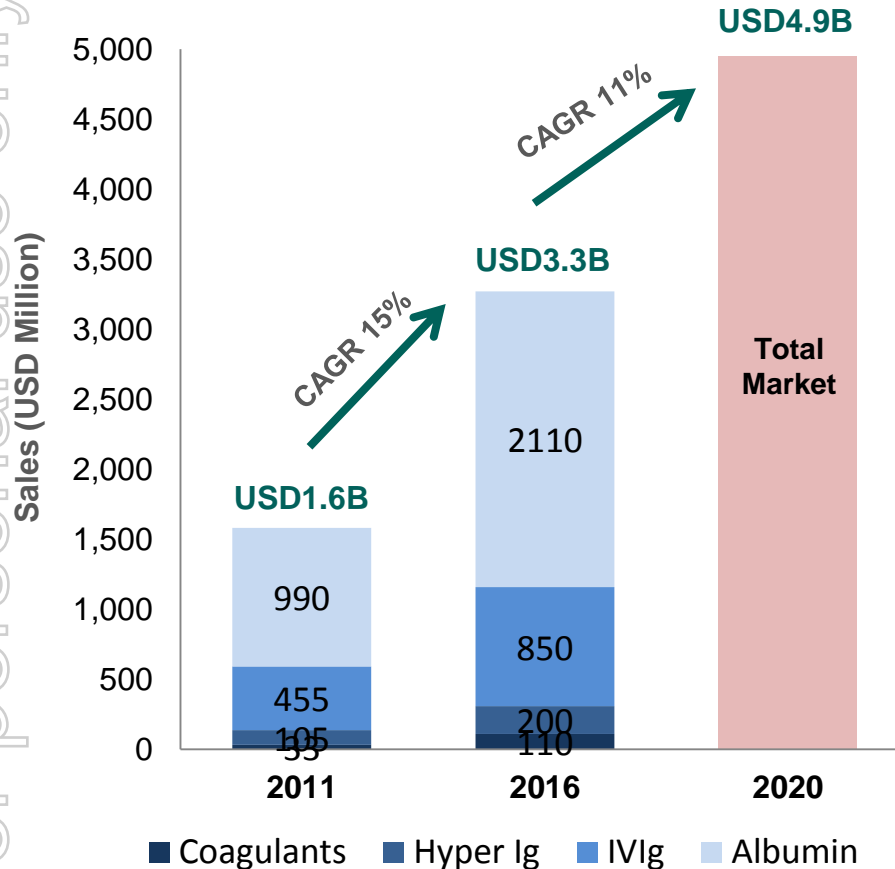
(5) US 2015 plasma product usage rates: MRB; China plasma product usage rates in 2015: MRB.



# Transaction provides CSL an opportunity to participate fully in China, a strategically important market

- China's plasma products market estimated to be US\$3.3 billion in 2016, with an annual growth rate of 15%.
- China is the fastest growing immunoglobulin (Ig) market worldwide, second only in volume to the US. Over the next five years, China's Ig demand is expected to grow strongly and significantly outstrip supply.
- Current regulatory restrictions on the sale or distribution of all imported plasma products (except for albumin)
- Tremendous opportunity for both patients and donors in China to benefit from CSL's extensive plasma capabilities
  - Leverage CSL's expertise in plasma collection, manufacturing and new product innovation
  - Enhance the plasma donor experience

# China plasma market has been growing at 15% per year



## China Plasma Market Top 10 Companies (2016)

| Rank | Company                             | Market Share |
|------|-------------------------------------|--------------|
| 1    | CSL                                 | 16%          |
| 2    | China Biologic (CBPO)               | 11%          |
| 3    | China National Biotech Group (CNBG) | 10%          |
| 4    | Hualan                              | 10%          |
| 5    | Grifols                             | 9%           |
| 6    | Shanghai RAAS                       | 9%           |
| 7    | Shuyang                             | 6%           |
| 8    | Shire                               | 6%           |
| 9    | Octapharma                          | 5%           |
| 10   | Kangbao                             | 3%           |
|      | Others                              | 15%          |

**CSL Behring China is the market leader – currently limited to importation of Albumin only**

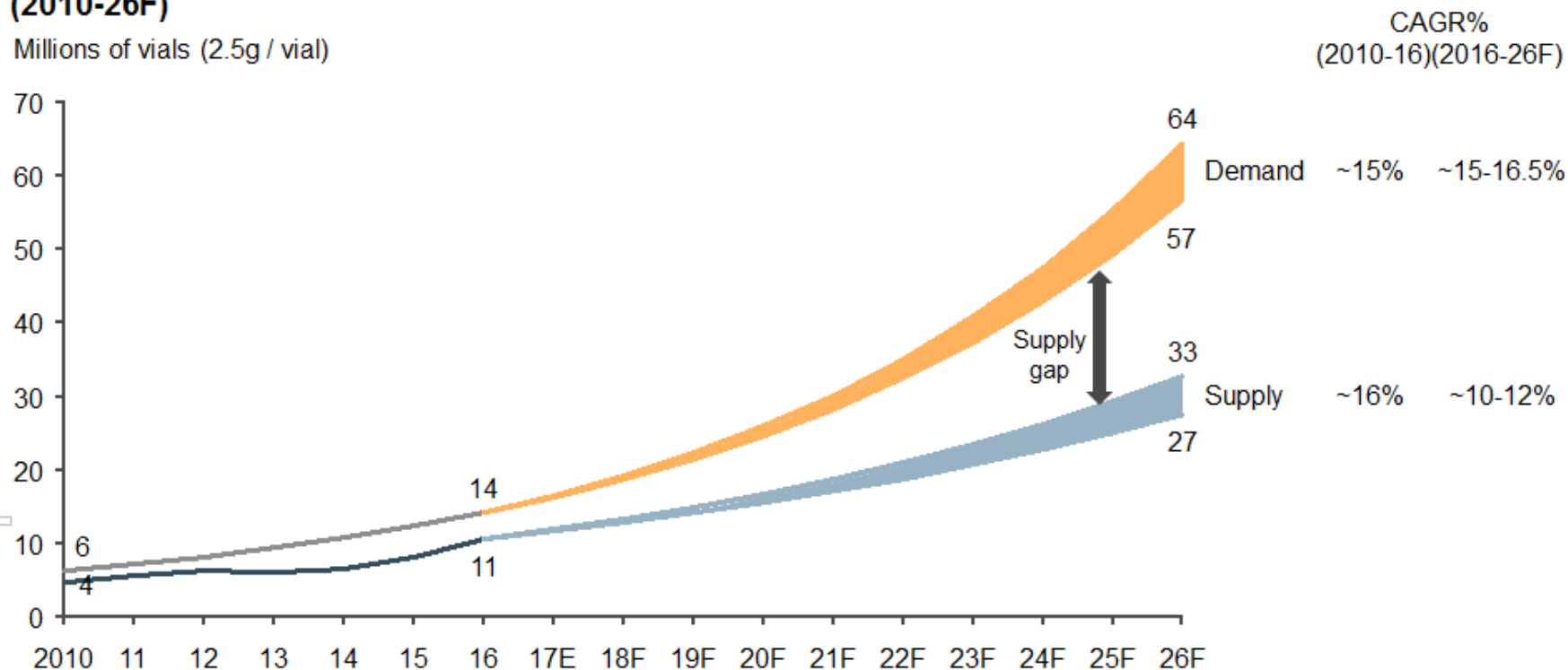
Source: CSL Behring internal analysis based on China lot release data from government official testing agencies, and Goldman Sachs Equity Research Report "Building China's Blood Bank" on May 30, 2017.



# Demand for Immunoglobulin is expected to significantly increase in the future

## China IVIg domestic supply and demand (2010-26F)

Millions of vials (2.5g / vial)



Source: L.E.K. research and analysis

# Acquisition of Ruide provides CSL with domestic manufacturing presence

- Founded in 1995 and has 300+ employees

- Acquired by Humanwell in 2010

- Operates four plasma collection stations

- Plasma collection 127 tonnes in 2016

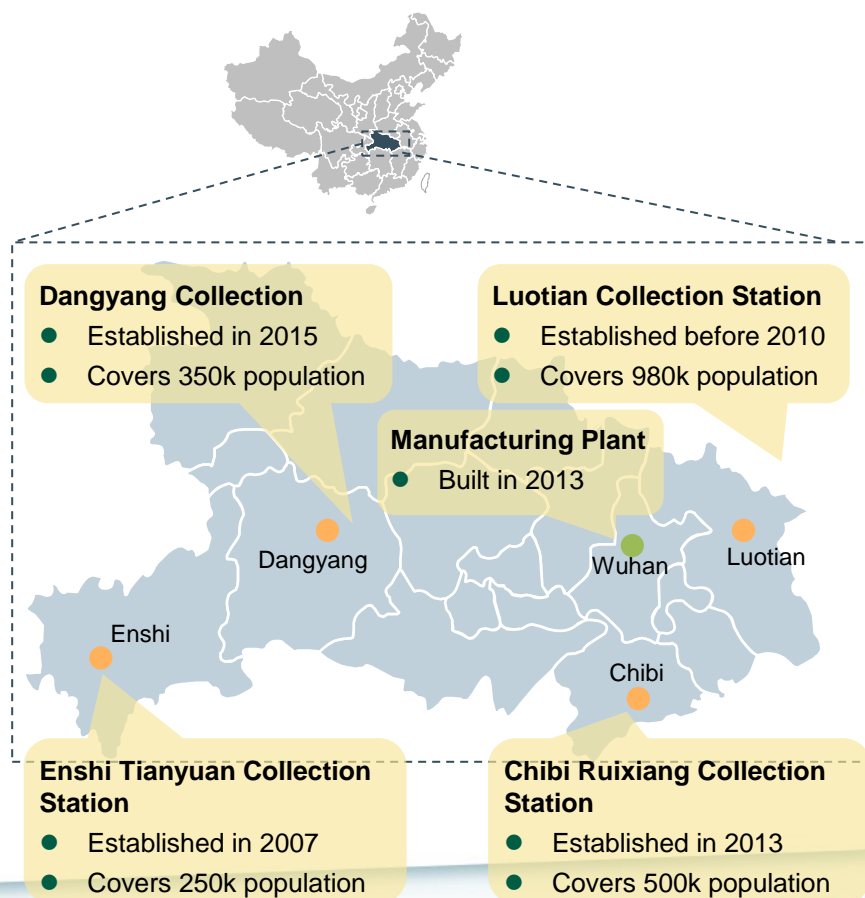
- Manufacturing facility located in Wuhan

- Processing capacity ~400 tonnes

- Six products approved, including Albumin, Ig for IV Injection, Rabies Ig, and other hyperimmunes

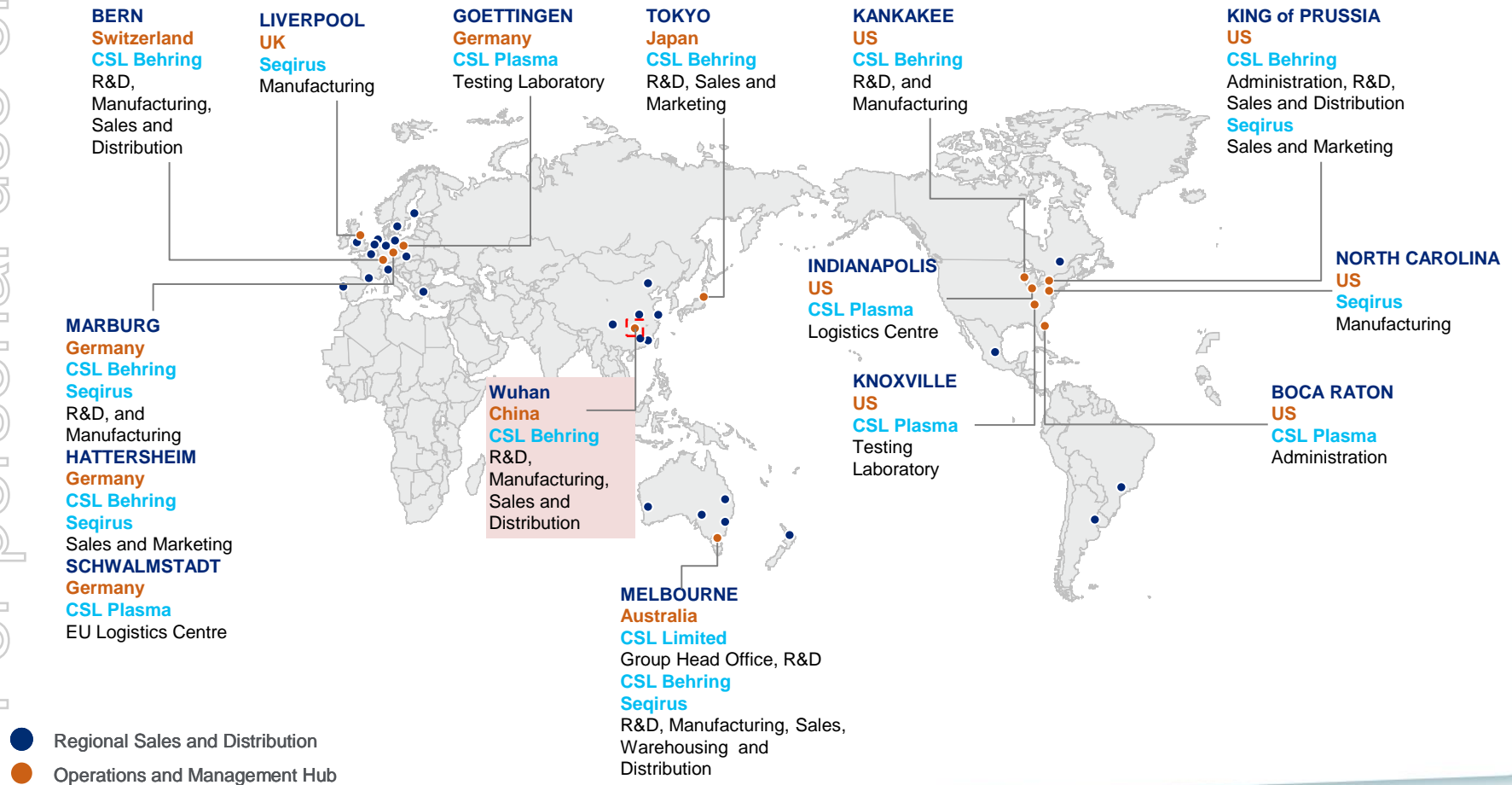
- Planning to launch multiple coagulation factors over the coming years (e.g. Factor VIII, Fibrinogen and PCC)

## Ruide's manufacturing plant and plasma collection stations located in central China



# Adding China to CSL's global manufacturing footprint

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# Key Financials

- Ruide business is profitable
- Key metrics for 12 Months to 31 December 2016
  - Sales US\$30m
- One off costs ~\$10 million
- Acquisition will be debt funded
- Inclusion of financing costs give rise to a small EPS dilution in initial years
- Outlook - 5 years post acquisition
  - Sales of ~US\$100m
  - EBIT margin comparable to CSL Behring business

# Transaction details

- CSL will take full operational control of Ruide, including the nomination and appointment of management
- Transaction expected to close in the second half of calendar year 2017, subject to regulatory approval
- Residual 20% equity
  - Clear path to 100% ownership on achievement of milestones
  - Total acquisition value
    - Initial 80% stake - US\$352m
    - Remaining 20% stake - between US\$96m & US\$142m
      - Est. based on timing & achievement of performance milestones
- No impact on the current share buy-back program