

Ansell Limited Full Year FY23 Results

14 August 2023 – Ansell Limited (ASX:ANN), a global leader in personal protection safety solutions, today announces financial results for the full year ended 30 June 2023.

Key Highlights *(Please note all amounts in this release are reported in US dollars)*

- **Adjusted FY23 EPS¹ of US115.3¢, within the original guidance range provided in August 2022**
- **Organic constant currency² sales growth and margin improvement in Industrial**
- **Lower sales in Healthcare due to customer destocking, but improved second half volume trajectory in Exam/SU**
- **Commencing Accelerated Productivity Investment Program**
- **On-market share buyback of up to \$50m in FY24**

(\$m, unless specified)	Statutory		Growth %	Organic CC Growth % ²
	FY22	FY23		
Sales	1,952.1	1,655.1	(15.2%)	(11.0%)
EBIT ³	245.1	206.3	(15.8%)	(6.7%)
EBIT Margin	12.6%	12.5%	(10bps)	60bps
Statutory EPS (US¢)	125.2	117.5	(6.2%)	
Adjusted EPS (US¢) ¹	138.6	115.3	(16.8%)	(4.3%)
Operating Cash Flow ⁴	114.0	74.3	(34.8%)	
DPS (US¢)	55.45	45.90	(17.2%)	

- **Sales** of \$1,655.1m. Growth in Industrial more than offset by lower Healthcare sales leading to an overall 11.0% decline on an organic constant currency-basis². On a reported-basis, sales declined 15.2%.
 - Industrial GBU organic constant currency² growth was 4.3%, with first and second half growth in both Mechanical and Chemical. Growth moderated in the second half as industrial end market conditions softened.
 - Healthcare GBU sales declined 20.7% on an organic constant currency-basis². Customer destocking affected sales in all SBU's, becoming more pronounced in Surgical and Life Sciences in H2 but improving in Exam/SU where H2 volumes exceeded H1 with stabilised pricing.
- **EBIT³** of \$206.3m. EBIT margin improved 60 basis points on an organic constant currency-basis².
 - EBIT was 6.7% lower on an organic constant currency-basis² due to destocking in Healthcare, and 15.8% lower on a reported-basis once the exit from Russia in FY22 and unfavourable FX changes were factored in.
 - Industrial EBIT margin improved significantly in H2, benefiting from pricing actions and cost control.
 - Healthcare EBIT margin improved vs FY22 on an organic constant currency-basis² as outsourced product costs fell and Careplus plant performance improved.
- **Adjusted Earnings Per Share¹** of US115.3¢, excluding the benefit of adjusting prior year provisions relating to the exit from Russia that was successfully completed in FY23.
- **Operating Cash Flow⁴** of \$74.3m. Cash conversion was 80%, affected by a H2 decrease in trade payables as purchases were slowed ahead of a planned production slowdown to reduce inventory in FY24.
- **Final Dividend** of US25.80¢ taking full year dividend to US45.90¢ at a payout ratio of 40%, consistent with Ansell's dividend policy.

1. Excludes one-time items associated with the Russia exit.

2. Organic CC (Constant Currency) compares FY23 to FY22 at Constant Currency and excludes the effects of acquisitions, divestments and business exits including Russia in FY22 and excludes the currency translation effects from extraordinary events (such as the economic instability in Sri Lanka from March 2022).

3. EBIT includes share of loss from Careplus JV (equity accounted) and excludes one-time items associated with the Russia exit.

4. Operating Cash Flow defined as net receipts from operations per the Consolidated Statement of Cash Flows adjusted for net payments for property, plant and equipment and intangible assets, repayments of lease liabilities, net interest paid, and tax paid.

Commenting on Ansell's FY23 Results, Managing Director and CEO Neil Salmon said:

"FY23 presented a unique range of challenges as we continued to experience the lingering effects of pandemic-related changes to customer behaviour on our business in addition to evolving global economic conditions. With pandemic-related supply chain risks subsiding, channel partners and end users took decisions to reduce inventory which materially affected sales in our Healthcare GBU. We also saw softening in certain industrial end markets towards the end of the year as global interest rate rises began to weigh on manufacturing activity. Despite these challenges, we were able to deliver FY23 EPS within the original guidance range we provided to the market alongside our FY22 results release in August 2022.

Our Industrial GBU recorded good top-line growth on an organic constant currency-basis¹. Mechanical continued to perform well, with growth in emerging markets and success with new products contributing to a strong result. Chemical returned to growth as the effects of pandemic demand for limited use chemical protective clothing in prior periods abated, with strong growth achieved in our high-end hand and body protection range.

Our Healthcare GBU experienced significant customer destocking through FY23 as channel partners and end users reduced inventory. We were pleased to see volume improvement in Exam/SU in H2, with sequential double-digit volume growth versus FY23 H1 driven by strong improvement in volumes of our differentiated industrial Exam/SU products produced in-house. Sales in our Surgical business, which grew significantly in H1, retreated in H2 as channel partners began to reduce inventory. Despite this Surgical sales reduction, sell out trends reported by our channel partners point to continuing growth in end user demand. The most significant destocking occurred in Life Sciences, with very conservative positions taken by market participants on inventory during the pandemic translating to a more prolonged inventory unwind which affected sales through the majority of FY23.

The destocking in Healthcare meant that our total earnings were lower than FY22 on an organic constant currency-basis¹, but we were able to deliver good organic constant currency¹ earnings growth in Industrial, where we are seeing the margin benefits from a strong program of innovation, particularly in Mechanical, and success with pricing. FY23 earnings were supported by below target incentive outcomes, which combined with expected headwinds from foreign exchange and tax mean higher costs in our business as we enter FY24, which we are addressing through our recently announced Accelerated Productivity Improvement Plan. These investments will better position Ansell for improved growth and returns through changes to our organisational structure that will enable us to better execute against customer growth strategies, improvements in manufacturing productivity, and acceleration of our already successful digitisation strategy.

Amidst the challenging operating backdrop, we have continued to invest in our operations to position the company for long-term growth. Construction of our greenfield Surgical facility in India continues, which once completed will provide us with important capacity to meet the growing global demand for Surgical gloves. The buyout of our Careplus joint venture partner was completed in February, meaning sales of our more differentiated Exam/SU products produced in-house exceeded 40% of total Exam/SU sales in FY23. Integration is progressing smoothly, with a focus on insourcing key styles and delivering plant productivity improvements, and we are pleased with the level of utilisation in this facility.

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Improved supply and recovery from COVID-manufacturing disruptions allowed a renewed focus on product innovation in FY23, with good results from new product launches, in particular ultra-lightweight HyFlex® cut protection styles. Full ownership of Careplus provides us with additional flexibility to run R&D trials which will support innovation within our Exam/SU business in the coming years.

Efforts to improve the efficiency and reliability of our supply chain continued, with substantial improvements in key customer service metrics recorded over the course of FY23. We will now turn our attention to reducing inventory in FY24, and with the processes we have put in place we are confident we can achieve this without compromising the gains we have made in service levels.

We have continued to make significant progress against our sustainability objectives. Our operations safety performance continued to improve, demonstrating the effectiveness of our approach to embedding safety accountability and competencies right across our business. In our manufacturing facilities we have accelerated investments in renewable energy and water-saving infrastructure as we progress on our journey to net zero. We are now stepping up our efforts in collaboration with channel partners to enable informed end user choice of PPE solutions aligned to customer ESG goals. And finally, we continue to exercise vigilance around the use of labour in our supply chain, with progress including roll out of our supplier management framework to smaller suppliers and good overall improvements in supplier ratings.”

Global Business Unit Segment Performance

Healthcare GBU – 55% of sales and 52% of GBU EBIT

FY23 sales were \$904.2m, representing declines of 20.7% on an organic constant currency-basis¹ and 24.0% on a reported-basis.

Exam/SU declined 29.2% on an organic constant currency-basis¹, predominantly driven by a reduction in price as pandemic-related pricing receded. Prices were stable in the second half of the year. Volumes in the second half were higher than the first, particularly in our more differentiated products produced in-house. Surgical sales declined 1.8% on an organic constant currency-basis¹, with destocking in the second half following a period of inventory accumulation in the first, particularly in North America. Life Sciences declined 25.5% on an organic constant currency-basis¹, with destocking affecting sales performance throughout the year as key distributors and end users reduced inventory as concerns around supply chain risk and product availability eased.

EBIT declined 18.3% on an organic constant currency-basis¹. Expected reductions in costs from outsourced suppliers in Exam/SU and an improvement in performance from the Careplus joint venture, which became a wholly-owned Ansell subsidiary at the end of February, contributed to underlying EBIT margin improvement. On a reported-basis, EBIT contracted 24.8% due to unfavourable foreign exchange movements and the loss of earnings from our exited Russia business.

Industrial GBU – 45% of sales and 48% of GBU EBIT

FY23 sales were \$750.9m, an increase of 4.3% on an organic constant currency-basis¹ and a decline of 1.5% on a reported-basis. Positive organic constant currency¹ growth was achieved in both Mechanical and Chemical.

Organic constant currency¹ growth in Mechanical was 5.1%, benefitting largely from pricing and mix. Growth was delivered in all regions, including double-digit growth in emerging markets. Cut and Specialty portfolios performed

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well, benefiting from new product launches and strength in key verticals including automotive, energy and utilities. Chemical grew 2.4% on an organic constant currency-basis¹, with sales driven by pricing, double-digit growth in North America and outperformance from our high-end chemical range of hand and body protection products.

EBIT increased 10.1% on an organic constant currency-basis¹ and declined 2.9% on a reported-basis. Earnings growth accelerated in H2 following successful implementation of price increases at the beginning of the half. The decline in reported EBIT was due to unfavourable FX and the loss of earnings from our exited Russia business.

Currency, Cash Flow and Balance Sheet

The impact of currency movements was unfavourable to sales by \$63.2m and unfavourable to EBIT by \$32.4m. The strengthening of the USD against the EUR and other key selling currencies was only partially offset by corresponding weakness in major cost currencies. The unfavourable impact of FX to EBIT included a net foreign exchange gain on hedge contracts of \$8.7m, the equivalent number in FY22 was a gain of \$5.9m.

FY23 operating cash flow was \$74.3m. The exit from Russia and unfavourable FX movements contributed to a reduction in EBITDA versus FY22. Net working capital increased \$35.8m following a reduction in trade payables in the second half as purchases were reduced ahead of the planned slowdown in production and reduction of inventory in FY24. This working capital outflow meant FY23 cash conversion was 80%, compared to 90% in FY22, however improved to 93% in the second half assisted by a reduction in inventory.

Our balance sheet remains strong and conservatively geared (net debt/EBITDA of 1.2x).

Dividend

A final dividend of US25.80¢ per share has been declared, taking total dividends for the full year to US45.90¢. The dividend will be unfranked and represents a 40% payout ratio which is consistent with Ansell's dividend policy. The record date will be 21 August 2023 and the payment date will be 7 September 2023. For non-resident shareholders, the dividend will not attract withholding tax as it is sourced entirely from the Company's Conduit Foreign Income Account.

Dividend Reinvestment Plan (DRP)

The DRP will be available to resident shareholders of Australia, New Zealand and the United Kingdom with an election cut-off date of 22 August 2023. The pricing period will be based on the trading days commencing 24 August 2023 and ceasing on 30 August 2023. No discount will be available.

Accelerated Productivity Investment Program

As noted in our market update on 18 July 2023, in FY24 we will commence an investment program to adjust our business in response to post-pandemic operating conditions and position us for our next phase of growth. The program will aim to deliver the following objectives:

- Simplify and streamline our organisational structure, achieving clearer organisational alignment to customer and market-oriented growth strategies and reducing cost with less duplication of leadership responsibility.
- Reduce manufacturing employee numbers in order to provide a partial offset to the unfavourable impact of slowing production while investing in improving longer term manufacturing productivity through increasing automation, leveraging new operating systems and making limited changes to our manufacturing configuration where optimisation opportunities exist.

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In parallel to these initiatives, we will also accelerate our digitisation strategy, building on successes from recent investments in modern cloud-based supply chain planning and manufacturing ERP systems and broadening to include our commercial units as we move to consistent global ERP and decision support systems.

The costs and benefits from these investments remain as previously outlined.

FY24 Outlook

As previously advised in our market update on 18 July 2023, we expect FY24 Adjusted EPS, excluding investment program costs, to be in the range of US92¢ to US112¢. FY24 Statutory EPS, including investment program costs, is expected to be in the range of US57¢ to US77¢.

Key FY24 assumptions are as follows:

- Sales growth expected in the Industrial GBU but subject to broader macroeconomic developments.
- Healthcare GBU sales trends mixed. Expected recovery in Exam/SU volumes to be offset by the impact of price reductions taken during FY23, with this price effect to reduce sales by ~\$30m in H1 versus FY23 H1. Destocking to affect Surgical and Life Sciences with reduced impact in H2.
- Without the benefit of the hedge book gain in FY23, foreign exchange to reduce EBIT by \$9m.
- Normalisation of incentive costs to reduce EBIT by \$39m versus FY23.
- Book tax rate to be in the range of 22.5% to 24.5%.
- Net interest cost to increase to ~\$29m on increased gross debt, higher average borrowing cost and incremental leasehold interest expense.
- Capex to be in the range of \$60-80m as we near the end of a period of elevated investment in additional manufacturing capacity.
- One off pre-tax investment program costs of \$55-60m, including IT investments, which are excluded from Adjusted EPS.

Our on-market share buyback program will be active, and we intend to make up to \$50m of repurchases in FY24.

FY23 Results Webcast

Neil Salmon (Managing Director and Chief Executive Officer) and Zubair Javeed (Chief Financial Officer) will host a webcast at 8:00am Australian Eastern Standard Time on 14 August 2023 (equivalent to 12:00am Central European Summer Time 14 August 2023 and 6:00pm Eastern Daylight Time 13 August 2023) to discuss the results.

To listen to the webcast, please visit our Investor Relations [website](#). Alternatively, please click on the following [link](#).

FY23 AGM

Ansell advises that its Annual General Meeting will be held on Tuesday 24 October 2023. In accordance with the Company's constitution the closing date for the receipt of nominations for the election of directors will be 5 September 2023.

This announcement was authorised for release by the Board of Directors of Ansell Limited.

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About Ansell

Ansell is a world leader in providing superior health and safety protection solutions that enhance human well-being. The world's need for better protection never stops, so Ansell is constantly researching, developing and investing to manufacture and distribute cutting edge product innovation and technology, marketed under well-known brands that customers trust.

Operating in two main business segments, Industrial and Healthcare, Ansell is the market leader that continues to grow, employing over 14,000 people worldwide. With operations in North America, Latin America/Caribbean, EMEA and Asia Pacific, customers in more than 100 countries around the world trust Ansell and its protection solutions.

Information on Ansell and its products can be found at www.ansell.com. #AnsellProtects

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