ASX Announcement

Ansell Limited FY24 Half Year Results

20 February 2024 – Ansell Limited (ASX:ANN), a global leader in personal protection safety solutions, today announces financial results for the half year ended 31 December 2023.

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

- **Sales growth and significant margin improvement achieved in Industrial.**
- **Volume growth achieved in Exam/SU, overall reduction in Healthcare sales, as expected, on prior year price reductions in Exam/SU and Surgical and Life Sciences customer destocking.**
- **Accelerated Productivity Investment Program on track, annualised FY26 pre-tax savings target increased from $45m to $50m, total expected cash costs increased from $70-85m to $85-90m.**
- **Delivered targeted working capital reduction, resulting in strong operating cash flow and fully funding Accelerated Productivity Investment Program costs and increased share buyback.**
- **FY24 Adjusted EPS[1] guidance range narrowed to US94¢ to US110¢.**

($m, unless specified)	**FY23 H1**	**FY24 H1**	**Growth %**	**CC Growth %[2]**
Sales	835.3	784.9	(6.0%)	(7.6%)
EBIT[3]	91.5	78.2	(14.5%)	(6.4%)
EBIT Margin	*11.0%*	*10.0%*	*(100bps)*	*10bps*
Adjusted EPS (US¢)[1]	50.6	41.1	(18.8%)	(12.8%)
Statutory EPS (US¢)	50.6	15.5	(69.4%)	(63.1%)
Operating Cash Flow[4]	3.5	57.9		
DPS (US¢)	20.10	16.50	(17.9%)	

- **Sales** of $784.9m. Growth in Industrial more than offset by lower Healthcare sales leading to an overall 7.6% decline on a constant currency-basis[2]. On a reported-basis, sales declined 6.0%.
  - Industrial GBU constant currency[2] sales growth was 1.9%, with growth in both Mechanical and Chemical.
  - Healthcare GBU sales declined 15.1% on a constant currency-basis[2]. Volume improvement in Exam/SU offset by carry forward impact of price reductions in mid-FY23. Sales in Surgical and Life Sciences declined due to continued customer destocking but data from channel partners show underlying sell out trends were positive.
- **EBIT[3]** of $78.2m.
  - Double-digit Industrial GBU constant currency[2] EBIT growth with strong margin improvement, benefiting from carryover pricing from FY23 H2, net cost favourability and improved Chemical plant performance.
  - Healthcare EBIT reduced due to higher COGS from planned short-term production slowdown to reduce inventory, and lower sales in Surgical and Life Sciences. These effects are expected to be transitory with reduced impact in H2.
- **Adjusted Earnings Per Share[1]** of US41.1¢, excluding costs associated primarily with the Accelerated Productivity Investment Program.
- **Operating Cash Flow[4]** of $57.9m. Cash conversion of 158% driven by $60m working capital reduction including inventory decrease of $36m, supporting $33m Accelerated Productivity Investment Program cash costs and $30m share buyback.
- **Interim Dividend** of US16.50¢ at a payout ratio of 40%, consistent with Ansell's dividend policy.

1. Excludes one-off costs associated with the Accelerated Productivity Investment Program and legal costs associated with the shareholder class action.
2. CC (Constant Currency) compares FY24 H1 to FY23 H1 at Constant Currency.
3. EBIT includes share of loss from Careplus JV (equity accounted) in FY23 H1 and excludes one-off costs associated with the Accelerated Productivity Investment Program and legal costs associated with the shareholder class action in FY24 H1.
4. Operating Cash Flow is 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 FY24 Half Year Results, Managing Director and CEO Neil Salmon said:

"We executed well as a business during the first half and delivered results consistent with our expectations.

I was pleased with our cashflow delivery, the strong performance from our Industrial GBU and success in implementing the initial phases of our Accelerated Productivity Investment Program where we are now expecting annualised FY26 pre-tax savings of $50m versus our original estimate of $45m.

The sales and EBIT declines in our Healthcare GBU arose on sales and margin headwinds we had anticipated at the start of the year. As we begin the second half of the year, we see clear signs that these headwinds are moderating and expect performance in this business to improve. We expect Industrial performance to remain strong and we are targeting approximately $20m in second half cost savings from Accelerated Productivity Investment Program initiatives, most of which have been already implemented. This supports our continued expectation of stronger second half earnings, and we are therefore narrowing our full year Adjusted EPS[1] guidance to a range of US94¢ to US110¢.

Overall, our goal in the second half is to show we are moving past this recent period of post-pandemic market disruption, that we are realising the benefits of the substantial work done to strengthen our business and that we are successfully executing on our growth and productivity strategy."

Global Business Unit Segment Performance

Industrial GBU – 49% of sales and 68% of GBU EBIT

FY24 H1 sales were $384.4m, an increase of 1.9% on a constant currency-basis[2] and an increase of 4.4% on a reported-basis. Positive constant currency[2] growth was achieved in both Mechanical and Chemical.

Constant currency[2] growth in Mechanical was 2.4%, benefitting from faster growth in emerging markets, increased sales of specialty products including Ringers® impact protection solutions, and a strong contribution from new products including HyFlex® ultra-lightweight cut protection styles. Chemical grew 1.7% on a constant currency-basis[2], supported by growth in our higher margin range of high-end chemical hand and body protection solutions, and growth in the overall body protection category.

EBIT increased 46.7% on a constant currency-basis[2] and 36.0% on a reported-basis. Earnings growth was driven by carryover pricing from FY23 H2, net cost favourability and improved Chemical plant performance. The quantum of the increase in part reflected the weaker than normal FY23 H1 result where price increases had lagged cost increases and higher plant costs were experienced in Chemical.

Healthcare GBU – 51% of sales and 32% of GBU EBIT

FY24 H1 sales were $400.5m, representing a decline of 15.1% on a constant currency-basis[2] and a decline of 14.2% on a reported-basis.

Exam/SU sales declined 9.9% on a constant currency-basis[2], with the decline due to the $27m carry over impact of price reductions implemented in mid-FY23. Volumes improved versus FY23 H1, with good growth from TouchNTuff® and MICROFLEX® styles produced inhouse. Surgical sales declined 22.9% on a constant currency-basis[2], with the effects of destocking in key markets on current period growth compounded by significant customer inventory building in FY23 H1. Life Sciences declined 12.3% on a constant currency-basis[2] on similar destocking activity. Surgical and Life Sciences sales remain significantly higher than pre-COVID, both growing at over 4% on a

1. Excludes one-off costs associated with the Accelerated Productivity Investment Program and legal costs associated with the shareholder class action.
2. CC (Constant Currency) compares FY24 H1 to FY23 H1 at Constant Currency.

compound annual basis[1] despite the current period effects of customer destocking. Sell out trends reported by our distributor partners in both these SBU's were positive in the first half.

EBIT declined 46.0% on a constant currency-basis[2]. On a reported-basis, EBIT contracted 51.2%. Lower sales in Surgical and Life Sciences contributed to the EBIT reduction, as well as the deliberate slowing of production which yielded an inventory improvement alongside a temporary increase in COGS.

Accelerated Productivity Investment Program Update

In July 2023 we announced the commencement of our Accelerated Productivity Investment Program, a multi-year program comprising a series of productivity initiatives designed to adjust our business in response to post-pandemic operating conditions and position us for our next phase of growth. The core objectives of the program are to:

- Simplify and streamline our organisational structure.
- Reduce manufacturing headcount and improve manufacturing productivity.
- Accelerate our digitisation strategy, expanding our successful program of ERP upgrades in our manufacturing operations to our larger commercial entities.

Changes to our organisational structure were implemented and completed in H1, with the creation of a simpler, more customer-centric and lower cost organisation led by a new streamlined executive leadership team.

Manufacturing employee numbers were reduced by approximately 1,200 in H1 as we deliberately slowed production, with investments in manufacturing process automation and benefits from completed manufacturing ERP upgrades designed to maintain this improvement in productivity as production returns to levels commensurate with end user demand.

As part of the manufacturing program, we will rationalise less differentiated, low margin legacy Chemical hand protection ranges in early FY25. This will reduce revenue by an estimated $30m in FY25. In advance of this change, accelerated depreciation was booked against related manufacturing assets in H1. We successfully completed a warehouse move in the USA in H1, and other planned footprint optimisation initiatives will be commenced in the second half of FY24 and in FY25.

Scoping work and business case development associated with our planned IT investments was completed in H1. Commercial ERP upgrades will be completed over a period of three years, with savings from business process standardisation and automation expected to accrue from FY27. The cost of these investments is expected to be approximately $35m, which is included in our total Accelerated Productivity Investment Program cash cost estimate.

With good progress made in the initial implementation of the organisation and manufacturing program phases, in addition to the broadening of the scope of the manufacturing program to include additional footprint optimisation initiatives, we have increased the size of the total expected annualised FY26 pre-tax savings to $50m, with additional savings from IT investments expected to be realised post-FY26. Total program one-off pre-tax cash costs will commensurately increase to $85-90m.

1. Organic CC (Constant Currency) CAGR compares FY24 H1 to FY19 H1 at Constant Currency and excludes the effects of acquisitions, divestments and business exits including Russia in FY22.
2. CC (Constant Currency) compares FY24 H1 to FY23 H1 at Constant Currency.

Currency, Cash Flow and Balance Sheet

The impact of currency movements in FY24 H1 was favourable to sales by $13.9m and unfavourable to EBIT by $7.5m. The unfavourable impact of FX to EBIT included a net foreign exchange loss on hedge contracts of $5.7m, the equivalent number in FY23 H1 was a gain of $7.2m. Excluding the movement on hedge contracts, the underlying impact of currency was favourable to EBIT by $5.4m.

FY24 H1 operating cash flow was $57.9m with adjusted cash conversion of 158.4%, improving significantly from 64.9% in FY23 H1. Net working capital decreased by $59.6m, with inventory reducing by $36.1m as production was slowed, and trade payables increasing by $20.0m having been lower than normal at the end of FY23 when purchases were aligned to reduced FY24 H1 production requirements. Strong cash generation helped fund first half Accelerated Productivity Investment Program costs, supported capex of $38.1m including continued construction of our greenfield Surgical plant in India, as well as $30.0m in share repurchases.

Our balance sheet remains strong and conservatively geared. Net debt was broadly in line with June 2023, with net debt/EBITDA increasing modestly to 1.3x.

Dividend

An interim dividend of US16.50¢ per share has been declared. The dividend will be unfranked and represents a 40% payout ratio which is consistent with Ansell's dividend policy. The record date will be 27 February 2024 and the payment date will be 14 March 2024. 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 28 February 2024. The pricing period will be based on the trading days commencing 1 March 2024 and ceasing on 7 March 2024. No discount will be available.

FY24 Outlook

The Industrial GBU grew sales on a constant currency-basis[1] in H1, and we believe that economic conditions will support continued constant currency[1] growth in this business in H2.

Sales in our Healthcare GBU are expected to improve in H2, with volume improvement in Surgical and Life Sciences as channel and end user inventory levels normalise. Healthcare GBU earnings are also expected to improve on higher sales and increased production.

Accelerated Productivity Investment Program savings, which totalled $7m in H1, are expected to increase to approximately $20m in H2. One-off P&L pre-tax costs associated with the program are expected to be approximately $60m for the full year.

Based on the above, we are narrowing the guidance range for FY24 Adjusted EPS[2] to US94¢ to US110¢, excluding one-off costs. FY24 Statutory EPS is now expected to be in the range of US54¢ to US70¢.

1. CC (Constant Currency) compares FY24 H1 to FY23 H1 at Constant Currency.
2. Excludes one-off costs associated with the Accelerated Productivity Investment Program and legal costs associated with the shareholder class action.

Other key FY24 assumptions are as follows:

- Limited impact from foreign exchange in H2.
- Net interest cost ~$23m, lower than original guidance on decreased gross debt assumption.
- Book tax rate in the range of 22.5% to 24.5%, excluding one-off costs.
- Capex of $60-80m as we near the end of a period of elevated investment in additional manufacturing capacity.
- On-market share buyback of up to $50m, with $30m having been completed in H1.

FY24 Half Year 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 20 February 2024 (equivalent to 10:00pm Central European Time 19 February 2024 and 4:00pm Eastern Standard Time 19 February 2024) to discuss the results.

To watch the webcast, please visit our Investor Relations website. Alternatively, please click on the following link.

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

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About Ansell

Ansell (ASX: ANN) is a global leader in safety solutions and an integrated manufacturer of personal protection equipment for healthcare and industrial workplaces. Each day, over 10 million workers in more than 100 countries trust their safety to Ansell brands such as HyFlex, Ringers, MICROFLEX, TouchNTuff, GAMMEX, and AlphaTec. Driven by a vision to lead the world to a safer future, the company continuously pursues new product and service innovations that predict, prevent, and protect against workplace risk while promoting sustainable sourcing and manufacturing.

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