ASX Announcement

Ansell

Ansell Limited FY24 Full Year Results

20 August 2024 – Ansell Limited (ASX:ANN), a global leader in personal protection safety solutions, today announces financial results for the full year ended 30 June 2024.

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

- **FY24 Adjusted EPS[1] of US105.5¢, within guidance range.**
- **Sales growth and significant margin expansion in the Industrial Segment.**
- **Improved Healthcare Segment sales and margin in H2 as effects of customer destocking faded.**
- **Accelerated Productivity Investment Program (APIP) on track, savings ahead of original target.**
- **Strong Cash Conversion[2] of 131% supported by significant working capital reduction.**
- **Acquisition of Kimberly-Clark Corporation's PPE business (renamed KBU) for $638.9m completed on 1 July 2024.**

($m, unless specified)	FY23	FY24	Growth %	CC Growth %[3]
Sales	1,655.1	1,619.3	(2.2%)	(2.9%)
EBIT[4]	206.3	195.5	(5.2%)	(1.3%)
EBIT Margin	*12.5%*	*12.1%*	*(40bps)*	*20bps*
Adjusted EPS (US¢)[1]	115.3	105.5	(8.5%)	(6.9%)
Statutory EPS (US¢)	117.5	59.4	(49.4%)	(46.3%)
Operating Cash Flow[5]	74.3	167.9		
DPS (US¢)	45.90	38.40	(16.3%)	

- **Sales** of $1,619.3m. Growth in the Industrial Segment offset by expected lower Healthcare Segment sales leading to an overall 2.9% decline on a constant currency-basis[3]. On a reported-basis, sales declined 2.2%.
    - Industrial Segment constant currency[3] sales growth was 3.3%, with growth in both Mechanical and Chemical.
    - Healthcare Segment sales declined 8.0% on a constant currency-basis[3], performance improved in the second half as the effects of customer destocking in Surgical and Life Sciences diminished.
- **EBIT[4]** of $195.5m.
    - Double-digit Industrial Segment constant currency[3] EBIT growth and significantly improved EBIT margin, benefiting from increased sales, net cost favourability, and APIP savings.
    - Healthcare Segment EBIT improved in H2 on higher sales, increased production and APIP savings.
- **Adjusted Earnings Per Share[1]** of US105.5¢, excluding Significant Items[6] and the effects of the KBU equity raising. Had the effects of the KBU equity raising been included, FY24 Adjusted EPS[1] would have been lower by US1.6¢.
- **Operating Cash Flow[5]** of $167.9m. Cash Conversion[2] of 131% included an inventory reduction of $68m and an overall working capital reduction of $105m, fully funding $44m APIP cash costs and $30m share buyback.
- **Final Dividend** of US21.90¢ taking full year dividend to US38.40¢ at a payout ratio of 40%, consistent with Ansell's dividend policy.

1. Before Significant Items and excludes new shares issued and interest income on cash proceeds from the KBU equity raising.
2. Cash Conversion is defined as the percentage of net receipts from operations, excluding Significant Items, to EBITDA.
3. CC (Constant Currency) compares FY24 to FY23 at Constant Currency.
4. Before Significant Items. Includes share of loss from Careplus JV (equity accounted) in FY23.
5. 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.
6. Significant Items in FY24 includes one-off costs associated with the Accelerated Productivity Investment Program and the KBU acquisition, and legal costs associated with the shareholder class action.

Commenting on Ansell's FY24 Full Year Results, Managing Director and CEO Neil Salmon said:

"I am pleased that we were able to achieve our key performance objectives in FY24. Sales and earnings improved throughout the year as healthcare end market conditions normalised, the contribution of new product innovation strengthened, and we exceeded the first year savings target of our Accelerated Productivity Investment Program. These achievements helped us deliver Adjusted EPS[1] within our original guidance range and strong cash flow which included the benefit of planned inventory reductions.

For the last two to three years we have been navigating pandemic-related headwinds in our Healthcare Segment, accentuated by customers drawing down excess inventory. These headwinds diminished through the second half as the effects of customer destocking reduced, helping aid a recovery in second half Healthcare Segment earnings. Our Industrial Segment maintained its growth trajectory despite mixed market conditions and ended the year with a significantly improved EBIT margin. Earnings in both segments were enhanced by our Accelerated Productivity Investment Program.

In July we completed the acquisition of Kimberly-Clark Corporation's PPE business, now called KBU, a very exciting development for Ansell. The acquisition increases our presence in fast growing Scientific markets, including Life Sciences, where very specific customer requirements for products used in cleanroom manufacturing environments and laboratories creates room for meaningful differentiation. It also strengthens our business with its complementary geographic presence, leading Kimtech™ and KleenGuard™ brands and services including its industry leading RightCycle™ PPE recycling program. Our immediate focus is on effecting a clean integration of KBU in FY25 and beginning to realise the significant value achievable under Ansell ownership.

We exit FY24 with good momentum and with post-pandemic market disruptions largely behind us we look forward to returning the business to organic growth in FY25."

Segment Performance

Industrial Segment – 48% of Sales and 61% of Segment EBIT

FY24 sales were $785.1m, an increase of 3.3% on a constant currency-basis[2] and an increase of 4.6% on a reported-basis. Constant currency[2] growth was achieved in both Mechanical and Chemical.

Constant currency[2] growth in Mechanical was 2.7%, benefitting from faster growth in emerging markets, and strengthening contributions from new products including Ringers® impact protection solutions, and HyFlex® ultra-lightweight cut protection styles. Chemical grew 4.0% on a constant currency-basis[2], driven by growth in the higher margin range of high-end chemical hand and body protection solutions, and in the overall body protection category. Chemical sales included a one-off pricing benefit of $5m on products exited as part of the Accelerated Productivity Investment Program.

EBIT increased 27.8% on a constant currency-basis[2] and 24.4% on a reported-basis. Earnings growth was driven by increased sales, net cost favourability, improved Chemical plant performance and Accelerated Productivity Investment Program savings.

1. Before Significant Items and excludes new shares issued and interest income on cash proceeds from the KBU equity raising.
2. CC (Constant Currency) compares FY24 to FY23 at Constant Currency.

Healthcare Segment – 52% of Sales and 39% of Segment EBIT

FY24 sales were $834.2m, representing a decline of 8.0% on a constant currency-basis[1] and a decline of 7.7% on a reported-basis.

Exam/Single Use sales declined 5.9% on a constant currency-basis[1], with the decline largely due to the carry over impact of price reductions implemented in mid-FY23. Volumes improved versus FY23, driven by our more differentiated industrial single use products produced inhouse. Surgical sales declined 13.0% on a constant currency-basis[1] due to significant customer destocking in H1. The effects of customer destocking lessened in H2 but sales growth was constrained by Red Sea shipping disruptions. Life Sciences sales grew 0.2% on a constant currency-basis[1] despite significant H1 destocking, with double-digit growth in H2. Surgical and Life Sciences sales remain significantly higher than pre-COVID, growing at 3.4% and 4.9% respectively on a compound annual-basis[2] despite the effects of customer destocking in FY24.

EBIT declined 8.0% on a constant currency-basis[1]. On a reported-basis, EBIT contracted 7.7%. The reduction in EBIT was primarily in H1 during a period of lower sales in Surgical and Life Sciences and lower production as inventory was reduced. EBIT improved in H2 on higher sales, better operating leverage in manufacturing as production increased, and growing Accelerated Productivity Investment Program savings.

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.

The program targets FY26 annualised pre-tax cost savings of $50m, excluding longer-dated IT savings. $28m in savings were realised in FY24, including $21m in H2. This compares to our original FY24 savings target of $15-20m, which was upgraded to $27m at the half year results. Expected total program one-off pre-tax cash costs remain in the range of $85-90m as previously guided, with $44m incurred in FY24.

Changes to our organisational structure were 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 1,330 in FY24, with investments in manufacturing process automation and benefits from completed manufacturing ERP upgrades designed to maintain this improvement in productivity as production increases.

A decision was made to exit a range of less differentiated, low margin Chemical household gloves sold through retail channels, requiring a restructure of our manufacturing facility in Kedah, Malaysia. Accelerated depreciation was booked against related manufacturing assets in H1, with headcount reduced in H2 as manufacturing of the exited products was ceased.

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

Warehouse moves were completed in the USA and UAE in FY24 as we work to improve the efficiency of our internal supply chain. Two additional warehouse moves will be completed in FY25.

Work on commercial ERP upgrades in FY24 entailed business case development, scoping and preparation for initial implementations. 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. This work will also include the business systems integration for KBU.

KBU Acquisition and Integration Update

The acquisition of KBU from Kimberly-Clark Corporation for $638.9m was completed on 1 July 2024.

KBU designs and markets differentiated hand, body and eye protection products under well-known Kimtech™ and KleenGuard™ brands to customers in global Scientific (including Life Sciences) and Industrial segments. KBU is highly complementary to Ansell and enhances Ansell's global position in attractive and growing segments, including Scientific, where Ansell's differentiation is highly valued, while offering meaningful scale benefits from combined supply chain and organisational efficiency.

Ansell has entered into a transitional services agreement with Kimberly-Clark Corporation, who will help transition customers, suppliers and employees to Ansell and provide various business support services for a period of up to 12 months. Once these transitional arrangements have concluded, realisation of cost synergies will commence. The major focus in FY25 will be on maintaining business continuity through the transition period and setting up the combined organisation for accelerated growth and synergy capture from FY26.

As previously guided, Ansell expects a small reduction in KBU sales in FY25, principally from less differentiated Industrial Safety products currently supported by the Kimberly-Clark Professional sales force that will not transition to Ansell. There will also be a temporary increase in operating costs in FY25 as the business incurs costs associated with transitional service arrangements.

Cash Flow, Balance Sheet and Currency

FY24 Operating Cash Flow[1] was $167.9m with Cash Conversion[2] of 131%, improving significantly from 80% in FY23. Net working capital decreased by $104.5m, including an inventory reduction of $68.2m and an increase in trade payables which were abnormally low at the end of FY23 when purchases were aligned to reduced FY24 H1 production requirements. Strong cash generation helped fund $43.8m Accelerated Productivity Investment Program costs, supported net capex of $62.5m including continued construction of our greenfield Surgical facility in India, as well as $30.0m in share repurchases.

Pro Forma Net Debt/EBITDA[3] at 30 June 2024 was 1.8x. Our target when we announced the KBU acquisition was to reduce this metric below 2.0x within 12 months of completion. The progress already made towards achieving this objective was due to strong H2 cash generation and the incremental $49.6m in equity raised under the Share Purchase Plan in connection with the KBU acquisition.

The impact of currency movements in FY24, excluding the movement on hedge contracts, was favourable to sales by $12.2m and favourable to EBIT by $11.4m. A net foreign exchange loss of $10.8m was recorded on hedge contracts in FY24, the equivalent number in FY23 was a gain of $8.7m. Including the year on year movement on

1. 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.
2. Cash Conversion is defined as the percentage of net receipts from operations, excluding Significant Items, to EBITDA.
3. Pro Forma Net Debt/EBITDA adjusts Net Debt to account for the purchase price, related taxes and transaction costs paid for the KBU acquisition, and includes LTM KBU EBITDA.

hedge contracts, the impact of currency in FY24 was unfavourable to EBIT by $8.1m.

Dividend

A final dividend of US21.90¢ per share has been declared, taking total dividends for the full year to US38.40¢. 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 August 2024 and the payment date will be 12 September 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 August 2024. The pricing period will be based on the trading days commencing 30 August 2024 and ceasing on 5 September 2024. No discount will be available.

FY25 Outlook

FY25 Adjusted EPS[1] is expected to be in the range of US107¢ to US127¢.

End market conditions are anticipated to be broadly neutral in FY25, with demand growth in more cyclical verticals muted by some macroeconomic weakness. We expect the reduction of destocking effects and success with new products to support organic constant currency[2] sales growth in both Industrial and Healthcare Segments.

As discussed above, KBU performance is expected to be in line with original expectations, including a small reduction in sales as the business is being transitioned and temporarily higher operating expenses while transitional services are being provided.

EBIT is expected to improve from increased sales, higher savings from the Accelerated Productivity Investment Program and the incremental contribution from KBU.

Other key FY25 assumptions are as follows:

- Small earnings headwind from higher raw material and freight costs.
- Incremental APIP savings of ~$17m versus FY24, total ~$45m.
- FY24 one-off pricing benefit on exited retail household gloves to be unfavourable to EBIT by ~$5m.
- Foreign exchange to be favourable to EBIT by ~$6m versus FY24.
- Book tax rate in the range of 23% to 24%.
- Net interest cost to increase to ~$45m on increased debt from the KBU acquisition.
- Capex of $60-70m, including completion of construction of our India Surgical manufacturing facility.
- One-off pre-tax costs of ~$45m, including Accelerated Productivity Investment Program costs and costs associated with the KBU acquisition and integration, which are excluded from Adjusted EPS[1].

1. Before Significant Items.
2. Organic CC (Constant Currency) compares FY25 to FY24 at Constant Currency and excludes the effects of acquisitions, divestments and business exits including incremental sales from the KBU acquisition and ~$30m lower sales from retail household gloves exited in FY24.

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FY24 Full 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 August 2024 to discuss the results.

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

FY24 AGM

Ansell advises that its Annual General Meeting will be held on Tuesday 29 October 2024. In accordance with the Company's constitution the closing date for the receipt of nominations for the election of directors will be 9 September 2024.

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**