# ASX Announcement

## Ansell Limited Announces 2018 Half Year Results

## A Half of Significant Positive Change

**12 February, 2018 –** Ansell Limited (ASX:ANN), a global leader in protection solutions, today announces half-year results for the period ending 31 December 2017.

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

- **Sales from continuing operations $722.2m, up 8.8% YOY**
- **Organic[1] sales growth of 4.5% in constant currency (CC)[2]**
- **EBIT from Continuing Operations of $63.7m. Adjusted EBIT[3] of $84.3m, up 3.1% YOY**
- **EPS from Continuing Operations of US46.0¢, up 26% on last year**
- **Total Group Sales lower on divestment of Sexual Wellness ("SW")**
- **Total Group EBIT of $477.7m and EPS 295.6¢ significantly higher including pre-tax gain of $411m on sale of SW**
- **Strong balance sheet in net cash position of $33m**
- **Increased half year dividend to US20.50¢**

| Financial Summary | F'17 H1 | | | F'18 H1 | | | % Movement YOY | |
|---|---|---|---|---|---|---|---|---|
| US$M unless stated | Total Group | Discontinued | Continuing | Total Group | Discontinued | Continuing | Continuing | Continuing CC[2] |
| Sales | **775.8** | **111.8** | **664.0** | **766.4** | **44.2** | **722.2** | **8.8%** | **6.4%** |
| EBIT | 104.6 | 22.8 | 81.8 | 477.7 | 414.0 | 63.7 | -22.1% | -25.2% |
| Total Adjustments[3] | | | 0.0 | | | 20.6 | | |
| Adjusted EBIT[3] | | | **81.8** | | | **84.3** | 3.1% | -2.1% |
| Profit Attributable | 69.8 | 16.0 | 53.8 | 428.2 | 361.6 | 66.6 | 23.8% | 13.0% |
| Earnings Per Share | 47.4¢ | 10.9¢ | 36.5¢ | 295.6¢ | 249.6¢ | 46.0¢ | 26.0% | 15.0% |
| Adjusted Earnings Per Share[3] | | | **36.5¢** | | | **43.4¢** | **18.9%** | **8.7%** |
| | | | Total Group | | | Total Group | | Total Group |
| Operating Cash Flow ($M)[4] | | | 43.6 | | | 27.2 | | -37.6% |
| Dividend | | | **20.25¢** | | | **20.50¢** | | **1.2%** |

1. Organic growth compares F'18 to F'17 results at Constant Currency (see below) and excludes the effects of acquisitions, divestments and exits.
2. Constant Currency (CC) compares F'18 H1 to F'17 H1 results restated at F'18 H1 average FX rates and excludes the value of FX gains or losses in both periods. See Slide 36 of F'18 H1 Presentation for additional information.
3. Adjusted EBIT excludes a.) transformation costs and b.) impact of change of estimating useful life on product and technology development costs to generally expense as incurred. Together, these are Total Adjustments. Adjusted Earnings Per Share, excludes Total Adjustments and the deferred tax revaluation following corporation tax rate changes (primary impact in US).
4. Operating Cash Flow means net cash provided by operating activities per the Consolidated Statement of Cash Flows adjusted for net expenditure on property, plant, equipment, intangible assets and net interest.

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### Comments by Ansell Chairman, Glenn Barnes

"This was a pivotal period for Ansell. During the half, Ansell completed the Sexual Wellness divestment, restructured to our two core Global Business Units, and made substantial progress in executing our transformation programme to accelerate growth in these businesses. The Company is now focused on growing its core, market leading, industrial and healthcare businesses.

Ansell's first ever Capital Markets Day road show highlighted the Company's growth aspirations, the depth of its executive leadership team and full details of its shareholder value creation model.

The Directors are pleased with the further progress made on implementing the Company's strategy. We have once again been in a position to increase the dividend to shareholders and note the strength of our balance sheet (with no gearing and excellent liquidity) which positions us well for value adding capital management and acquisition activities."

### Business Review – Comments by Ansell CEO and Managing Director, Magnus Nicolin

"Ansell has intensified its focus on delivering against our organic growth strategy over the period. We have strengthened our leading position in the growing global personal protection sector. We are deepening our distributor partnerships, we are deriving progressively more of our sales from our highly innovative growth brands and we are building greater exposure to fast growing emerging markets.

Positive outcomes in product innovation, brand focus, emerging market expansion and strengthening channel partnerships feature during the period. These continuing strengths, together with generally positive external market conditions, have delivered two consecutive fiscal halves with good organic sales growth of 6.0% in F'17 H2 and 4.5% in F'18 H1, at the upper end of our target range.

The success of our innovation strategy can be seen in impressive results for Ansell technologies such as Hyflex® Intercept™ and Fortix™ delivering YoY growth of 48% and 36%, respectively. Our new multi-layer high protection single use glove range is also achieving strong results. Meanwhile our ability to realise global growth from acquired product ranges is in evidence with solid progress in expanding the Microflex® range globally and strong growth of our Microgard® chemical suits range in the US & other markets. Emerging Markets sales growth of 12%, was achieved in key markets such as Brazil, China and Mexico where our increased market share is building on emerging safety awareness and more demanding regulatory compliance.

Ansell's channel strategy, with a primary focus on deepening our distributor partnerships, continues to expand in terms of the number of new agreements signed globally. The growth rate achieved through partner agreements dipped somewhat, measured against a prior period that already included significant benefit from earlier agreements, while recent agreements are expected to contribute more strongly in the second half of this fiscal year.

As expected, F'18 H1 margins were negatively affected by the flow through of raw materials acquired at last year's peak prices. With the 3-4 month production cycle, the higher commodities costs seen at the end of F'17 were expensed during this half. Current raw material conditions have stabilised at higher prices than the levels of 18 months ago, but below the peak levels seen during F'17 H2.

We have offset the impact of ongoing higher prices through limited price increases in competitive market conditions and ongoing productivity and cost reduction initiatives in our manufacturing facilities.

Our Industrial business achieved strong organic revenue growth of 4.6%, benefiting from robust Growth Brand expansion, further advancement of its distributor channel strategy coupled with strong market conditions across the globe.

Our Healthcare business also delivered solid organic growth of 4.4%. Improved performance of Exam / Single Use, particularly to industrial and medical non-acute applications, offset somewhat slower growth rate in Surgical and Safety Solutions tempered due to distributor destocking in the US market. This compares to the prior period in which distributors were restoring normal safety stock levels. Life Science also delivered strong growth at 6.1%. We continued to build our presence in Life Science by acquiring gammaSUPPLIES during the half.

We successfully completed the divestment of Sexual Wellness and made strong progress in executing our transformation programme. These complex change management activities have been executed very well. The transformation programme plans have been further refined and we are on track to meet or exceed our savings targets of at least $30m by F'20 with approximately $9m of savings forecast for the current financial year.

We remain very active in evaluating M&A opportunities while also remaining disciplined against both strategic fit and value creation criteria. M&A market conditions are competitive, however I believe there are still opportunities available that meet our requirements.

Finally, I would like to thank those investors and analysts who attended our first ever Capital Markets Day in Sydney, the Sri Lanka plant tour, or our follow up presentations in Europe and in the Americas. We were delighted with the interest shown and the quality of interaction between Ansell's leadership team and our key investors. I look forward to keeping you apprised of progress against the strategy and goals we set out in those presentations."

## Global Business Unit Performance

**Healthcare GBU – 51.6% of revenue and 57.6% of Segment EBIT**

Sales grew 8.4% in constant currency including the benefit of the Nitritex acquisition in F'17 H2 and the completion of a small acquisition, gammaSUPPLIES in F'18 H1. Organic revenue growth excluding acquisition benefits of 4.4% was attributable to an 8% increase in Growth Brand sales along with 11% growth in new product sales and 12% growth in sales to emerging markets.

Exam /single use sales increased 4.0% on growth in industrial and medical non-acute applications. Life Science sales were up 38% including the benefit of the Nitritex acquisition. Surgical and safety solutions growth moderated to 2.8% on distributor destocking in the US market in comparison to the prior period in which distributors were restoring normal safety stock levels.

Adjusted EBIT[3] before corporate costs in constant currency was 2.0% lower on prior year, due to the impact of higher raw material costs plus the impact of Single Use / Exam price reductions implemented earlier in the calendar year. On a reported basis, sales were up 10.3%, with Adjusted EBIT[3] up 2.6%.

**Industrial GBU – 48.4% of revenue and 42.4% of Segment EBIT**

Sales increased 4.4% in constant currency whilst organic growth was up 4.6% with continued momentum from Growth Brands, new product sales, emerging market expansion and further advancement on focused channel strategies and distributor partnerships. Ansell technologies continue to gain traction across global markets with strong performance in HyFlex® Fortix™ and Intercept™.

Mechanical sales growth of 5.3% benefited from strong growth of new products across both gloves and sleeves. Chemical growth of 1.5% was reduced by significant destocking at one major customer. The chemical clothing range continued to see good growth with the recently acquired Microgard® product range expanding globally.

Adjusted EBIT[3] before corporate costs was impacted by higher input costs not yet fully offset by pricing actions. On a reported basis, sales were up 7.2%, with Adjusted EBIT[3] down 2.0%.

**Discontinued Operations and Adjustments to Continuing Operations EBIT**

Adjusted EBIT and EPS exclude the following items to aid underlying comparisons to the prior reporting period: costs associated with the transformation programme announced in July 2017 ($9.4m pre-tax), the gain associated with the revaluation of deferred tax balances following corporation tax rate changes (primary impact in US) ($18.6m tax benefit), and the impact of change to estimating useful life on product and development costs to generally expense as incurred ($11.2m pre-tax).

Recognising the increasing complexity and difficulty in reliably estimating the useful life of product and technology development costs, the Company has determined that expensing development costs as incurred will generally be more appropriate. Consistent with this determination, previously capitalised costs have also now been expensed.

Discontinued operations include the results of the Sexual Wellness business prior to divestment and the gain on sale of the business of $411.5m pre-tax, $359.9m after tax. The gain on sale remains subject to customary completion adjustments expected to be finalised in the second half.

**Currency, Cash Flow, Taxation and Financing**

The impact of currency was favorable to US$ revenues by $15m, primarily on a strengthening Euro vs USD. The benefit to EBIT was marginal as the benefit of stronger revenue currencies was partly offset by strengthening cost currencies, a moderate net loss on currency hedging and timing effects on when currency changes work through to favorable COGS.

Operating cash flow generation of $27.2m was lower than last year's $43.6m due to the sale of Sexual Wellness and loss of cash flow generation by this business, higher short-term incentive payments and transformation cash expenditure of $9.4m.

Liquidity is very strong after the receipt of the Sexual Wellness sale proceeds with the Company in a net cash position with no gearing.

The current share buyback programme was active in purchasing ~4.2m shares at a cost of $72.5m during F'18 H1. Total purchases to date under the programme are ~4.5m at an average price of A$21.96 per share and a cost of $76.4m.

The F'18 H1 adjusted effective tax rate (excluding the revaluation of deferred tax balances) benefitted from a restructuring of a portion of our US holding Company structure, to improve our funding flexibility following the SW divestment.

The restructuring gave rise to a capital loss which was partially used to offset the capital gain on the SW divestment (and included in the estimate given of the after-tax gain on sale) with the balance, $4.9m tax effected, available to carry back against previously recorded capital gains. As such, this restructuring resulted in a reduction to continuing operations taxation in the F'18 H1 results.

**Dividend**

An Interim Dividend of US20.50¢ (US20.25¢ F'17 H1) per share. The Interim Dividend will be franked at A6.18¢ per share totaling A$8,848,227, with the exchange rate to convert this amount to US$ to be determined on the Record Date and be as published by the Reserve Bank of Australia at its 4pm fixing (Franking Credits). The availability of franking credits is a one-time benefit arising from Australian tax paid on the SW capital gain. The Record Date will be the 19th February, 2018 and the payment date the 8th of March, 2018. 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 shareholders with an election cut-off date of 20th February, 2018. No discount will be available.

**F'18 H2 Outlook**

F'18 EPS for Ansell's continuing businesses is now expected in the range of 96¢ -106¢. This compares to the Company's original guidance range of 91¢ -101¢, with the increase relating to the Company's share buyback to date (2.0¢), along with lower tax expense expected from US tax reform and the benefit to tax of the restructuring noted above. The underlying business is performing in line with original guidance.

The new guidance range continues to exclude 1.) the gain on sale of SW plus the results of that business for the period prior to divestment, 2.) any additional benefit from further share buy-backs in the second half and 3.) the items excluded from F'18 H1 adjusted EBIT and EPS.

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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 13,000 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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