ASX Announcement

Ansell Limited Announces F'19 Results

Successfully Completing Transformation with Strong Cash Flow and Increased Dividend

12 August, 2019 – Ansell Limited (ASX:ANN), a global leader in safety solutions, today announces full-year results for the period ending 30 June 2019.

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

FINANCIAL SUMMARY	F'18			F'19			YoY % Movement	
US$m unless otherwise specified	Total Group	Discontinued[4]	Continuing	Total Group	Discontinued[4]	Continuing	Continuing	Continuing CC[2]
Sales	1,547.5	57.7	1,489.8	1,499.0	-	1,499.0	0.6%	3.2%
Statutory EBIT	557.0	399.2	157.8	157.3	-	157.3	-0.3%	-2.1%
Total Adjustments[3]	(361.6)	(396.9)	35.3			45.5		
Adjusted EBIT[3]	195.4	2.3	193.1			202.8	5.0%	4.4%
Statutory Profit Attributable	484.3	345.5	138.8	111.7	-	111.7	-19.5%	-19.2%
Statutory EPS (US¢)	336.8¢	240.3¢	96.5¢	82.6¢	-	82.6¢	-14.4%	-14.2%
Adjusted Profit Attributable[3]			146.7			150.9	2.9%	4.7%
Adjusted EPS[3] (US¢)			**102.0¢**			**111.5¢**	**9.3%**	11.3%
	Total Group			Total Group			Total Group	
Adjusted Operating Cash Flow[5]			112.6			164.7	46.3%	
Dividend (US¢)			**45.50¢**			**46.75¢**	2.7%	

1. Organic growth compares F'19 to F'18 results at Constant Currency (see below) and excludes the effects of acquisitions, divestments and exits.
2. Constant Currency (CC) compares F'19 to F'18 results restated at F'19 average FX rates and excludes the value of FX gains or losses in both periods. See Slide 36 of F'19 Investor Presentation for additional information.
3. Adjusted EBIT, Profit Attributable and EPS in F'19 excludes transformation costs. Transformation costs represent costs for plant consolidation and organisational changes including CEO succession. Adjusted EBIT in F'18 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 Profit Attributable and EPS, excludes Total Adjustments. F'18 Adjusted Profit Attributable and EPS also excludes the deferred tax revaluation following corporation tax rate changes (primary impact in US). See Slide 22 of F'19 Investor Presentation for further details.
4. Discontinued operations include results of the Sexual Wellness business, and the gain of sale on divestment as of 1 September 2017
5. 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, net interest and cash tax paid; Adjusted Operating Cash Flow adds back transformation cash costs.
6. Cash conversion is calculated as Net Receipts plus transformation cash costs and then divided by EBITDA excluding transformation costs. See Slide 24 of F'19 Investor Presentation for further details.

- **Sales of $1,499m**
  - **Continuing operations up 0.6% while organic sales[1] up 1.9% in constant currency (CC)[2]**
  - **Healthcare organic sales growth 4.0%; Industrial (0.4%) due to Europe market softness**
- **Adjusted EBIT[3] of $202.8m up 5% YoY**
  - **This is before $45.5m transformation program costs; Statutory EBIT is $157.3m**
- **Adjusted Profit Attributable[3] of $150.9m up 2.9% YoY**
  - **This includes impact of higher effective tax rate from 17.8% to 19.5%; Statutory Profit Attributable is $111.7m**
- **Adjusted EPS[3] of US111.5¢ up 9.3%**
  - **Statutory Continuing EPS of US82.6¢, down YoY after expenses from transformation program as well as increasing effective tax rates**

- **Strong Adjusted Operating Cash Flow[5] of $164.7m up 46% YOY**
  - **Cash conversion[6] of 101.8% excluding Transformation cash costs**
- **Increased full year dividend of US46.75¢; final dividend up 4% to US26.0¢**

Comments by Ansell Chairman, Glenn Barnes

"The global markets in F'19 were tumultuous with periods of heightened uncertainties and increased trade tension. Against this backdrop, management has focused on delivering strong outcomes on factors within its control. The Board is pleased with the advancement of Ansell's strategic initiatives to continue to strengthen its position for long term growth and expansion. Ansell delivered EPS at the top end of guidance with tempered organic sales growth, higher raw material costs and rising effective tax rates. The transformation program is enabling operating margin expansion with higher than planned savings to enhance Ansell's competitive positioning. Investments in facilities in Sri Lanka, Vietnam, Thailand and the Malaysian centres of excellence will continue to drive Ansell's leadership in innovative, differentiated solutions.

Disciplined strategic capital deployment to enhance profitability and shareholder value saw $75.5m invested in M&A and $43.5m in capital investments this year to drive growth and productivity. Further, the $62.1m return to shareholders marks the 16th year of increased dividends and further demonstrates the very strong and sustained cash flow generation of Ansell's business even during this period of transformation. Finally, the F'19 buyback program resulted in $176.0m of share repurchases and further shareholder returns."

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

"In an environment of challenging macro conditions and slowdown in certain economies, Ansell successfully navigated a series of external headwinds in F'19. Challenges included higher raw material costs, a weakened European economy, Brexit, heightened US rhetoric with import tariffs, and some indications of a potential slowdown in the American industrial sector. Even so, Ansell maintained its pursuit of market growth opportunities and expansion, its quest for strategic pricing and enhanced margin improvements as well as continued investments in strengthening our capabilities. We are disappointed with the overall organic growth rate at 1.9%. It was driven by weak Industrial performance of (0.4%) in contrast to the solid Healthcare expansion of 4.0% across all its markets. There are, however, many performance elements that we are proud of, including:

- Strong margin growth delivered by Industrial during a difficult period of economic pressure while executing transformational change to Ansell's footprint and infrastructure
- The commendable Healthcare organic sales growth with improved Surgical growth and Life Science continuing to impress at double digit expansion
- The excellent execution of a complex transformation program with the transfer of considerable volumes without significant customer disruption
- Continued rigour around strategic M&A investments and the close of two strategically important deals in F'19
- SG&A transformation savings with costs reduced while still investing in new capabilities
- Robust cash-flow generation with 101.8% cash conversion[6] and with adjusted Operating Cash Flow of $164.7m up 46% on the already strong cash generation last year

Our Industrial division had overall soft top line performance, but encouraging growth in EBIT. Organic growth was affected by the weakened European economy and continued pressures experienced in the automotive sector. To a lesser extent, North America also slowed down towards the end of F'19 H2, yet other key markets delivered strong growth. We are pleased with the execution of the transformation program and the benefits delivered. This was a complex transition, executed with limited disturbance and focus has now shifted to ensure customers are well served from the optimised manufacturing footprint. Transformation benefits and favourable product mix contributed to a strong improvement in Industrial [EBIT] margins of 190bps vs prior year.

Our Healthcare division achieved 4% organic growth across its portfolio with solid growth experienced in Surgical at 3.4%, Exam/Single Use at 3.4% inclusive of single use product to industrial markets which increased by 5.2% and finally Life Sciences expanded by 11.1%. This division was challenged by the high raw material costs from F'19 H1 and with lingering margin impact in F'19 H2. EBIT margins improved sequentially in the fourth quarter and this division is well positioned to drive enhanced profitability in F'20. We are pleased with the Healthcare growth, strengthening of our market position, expanded portfolio offering and success of new innovative products.

We are close to concluding on our transformation program and now turn our attention to the $30m Thailand capacity expansion underway in Ansell's differentiated single use chemical resistance technology, originally announced during the F'18 year end communications. In addition, significant further investment is going into Sri Lanka, Malaysia and Vietnam. Transformation program benefits are running ahead of original expectations and we reaffirm the increased annual savings target to $35m by F'20, up from the original target of $30m.

Our recent two M&A investments, Digitcare and Ringers, are being integrated as envisaged with synergy plans advancing to achieve accelerated global growth in the specific product segments enhanced though these acquisitions.

Overall, I am very pleased with the progress achieved. We positioned the business to deliver sustainable financial growth, margin expansion through transformation while optimising our footprint and investing in our capabilities while also closing on important M&A transactions. I'd like to express my gratitude to all the Ansell employees who contributed to strengthening Ansell as an organization."

Global Business Unit Performance

Healthcare GBU – 53.1% of revenue and 56.9% of Segment EBIT

Sales grew 4.8% in constant currency including the contribution of the Digitcare acquisition. Organic revenue growth was 4.0% excluding acquisition benefits arising from 8.6% growth in new product sales and 6.8% growth in sales to emerging markets.

Exam/Single Use sales increased 3.4% on growth in industrial and medical non acute applications. Life Science sales were up 11.1%. Surgical and Safety Solutions growth of 3.4% is inclusive of 16.9% growth in our Synthetic Surgical portfolio offsetting a decrease in lower margin powdered surgical gloves.

Adjusted EBIT[3] in constant currency was (2.4%) lower on prior year, due to the impact of higher raw material costs mainly in F'19 H1 and still lingering in F'19 H2. As expected, we experienced margin improvement in F'19 H2 due to mix, lower raw material costs and price increases. On a reported basis, sales were up 2.7%, with Adjusted EBIT[3] down (4.0%).

Industrial GBU – 46.9% of revenue and 48.6% of Segment EBIT

Sales increased 1.5% in constant currency including the contribution of the Ringers acquisition. Organic revenue was down (0.4%) excluding acquisition benefits. This lower growth rate was due to the continued deceleration of European market demand, arising, in part, from challenges in the automobile sector. Emerging markets grew 4.3% in F'19 H2 with strong results in China and Brazil and a recovery in Russia after the F'19 H1 destocking in this market. Ansell innovative technologies continue to provide differentiated solutions for customers across global markets as seen in continued strong growth in HyFlex® Intercept™.

Mechanical sales decline of (0.3%) was impacted by the factors mentioned above, with European deceleration being the main driver. Chemical sales decline of (1.0%) was due to reduced sales of lower end chemical gloves and significant customer destocking effects on household gloves sold to retail. The chemical clothing range continued to see robust Microgard® growth as this product range expands globally.

Adjusted EBIT[3] benefited from strong product mix, transformation cost benefits and pricing actions offsetting higher raw material costs. On a reported basis, sales were down (1.6%), with Adjusted EBIT[3] up 13.6%.

Adjustments to EBIT

Adjusted EBIT and EPS for F'19 exclude Ansell's investment in costs associated with the transformation program announced in July 2017 ($45.5m pre-tax). This is consistent with prior reporting and EPS guidance. Adjusted EBIT and EPS for F'18 also exclude the costs associated with the transformation program and in addition exclude two major non-cash non-recurring items as detailed on Slide 22 of the F'19 Investor Presentation.

Currency, Cash Flow, Capital Expenditure and Financing

The impact of currency was unfavourable to revenues by $37.5m, primarily on a weakening Euro vs USD. FX was moderately favourable to EBIT at $1.4m as the hedging program neutralised the currency impacts.

Operating cash flow generation of $164.7m was higher than last year by 46%. This was due to higher net receipts on improved accounts receivable, working capital movements as well as lower taxes and interest costs. This 46% improvement is after transformation cash expenditure of $31.4m.

In F'19, the Company deployed $43.5m in net capital expenditure to enable continued growth and competitiveness. In F'20, we estimate the spend will reach $65m to $75m as we advance the Thailand plant expansion and other strategic investments to drive our market leadership.

The Company's net debt: EBITDA ratio of 0.6x, remains well below targeted leverage ratio levels. Strong liquidity allows a continuation of share buybacks, accelerated capital investment and value accretive M&A.

The current share buyback program was active in purchasing ~10.1m shares at a cost of $176m during F'19.

Dividend

A final dividend of US26.0¢ (unfranked, US25.0¢ F'18) per share has been declared. The record date will be the 19th August 2019 and the payment date the 5th September 2019. This takes dividends for the full year to US46.75¢, an increase on the total dividend of US45.5¢ in F'18. 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 20th August 2019. No discount will be available.

F'20 Outlook

Although external market conditions continue to deteriorate and prolonged uncertainty around trade exacerbates the drag on economic performance, the business environment remains supportive to growth across some markets. From a sales perspective, we believe we can return sales growth in F'20 to our 3-5% organic growth range with the many initiatives already underway. Our growth expectation assumes minimal disruption from the potential impact of any new tariffs and/or Brexit implications. We foresee continued transformation program benefits, pricing, lower raw material costs and better product mix actions to drive EBIT growth. Offsetting this, a higher effective tax rate in the range of 22.5%-23.5% is estimated to be unfavourable to F'20 EPS by approx. US5¢ vs F'19. Overall, we expect EPS to be in the range of US112¢ to 122¢.

Continued success in our capital deployment strategy through acquisitions or share buybacks will support the achievement of EPS at the higher end of the guidance range.

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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 more than 12,000 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**