ASX Announcement

Ansell Limited Announces Half Year FY22 Results

Surical, Life Sciences and Mechanical Delivering Growth
Weakened Demand and Margins in Exam/SU

15 February 2022 – Ansell Limited (ASX:ANN), a global leader in personal protection safety solutions, today announced financial results for the half year ended 31 December 2021.

FY22 H1 Results Highlights *(Please note all amounts in this release are reported in US dollars)*

- **Sales** of $1,009.2m; 7.6% reported growth and 7.5% organic growth[1]
  - Healthcare GBU organic growth of 14.8%. Surgical and Life Sciences continued to perform well. Exam/SU volumes and pricing reduced, although prices remained above prior comparable year
  - Industrial GBU organic sales declined 2.9%. Positive performance from Mechanical was more than offset by lower sales from Chemical Protective Clothing due to reversal of COVID-19 related benefits
- **EBIT[2]** of $111.0m, reduced 24.3% on a reported basis and 30.6% on a constant currency basis[3]. EBIT margin declined by 460bps to 11.0%
  - Although SG&A spend was lower, GPADE[4] margin was negatively impacted by some transitory factors. These included having to sell high cost Exam/SU inventory from outsourced suppliers at lower prices, COVID-19 related manufacturing disruptions and higher freight costs
- **Earnings Per Share** of 60.6¢ down 26.5% on a reported basis and 32.8% on a constant currency basis
- **Operating Cash Flow[5]** of -$22.1m, temporarily weaker due to reduced profitability, payment of variable employee costs for FY21 and working capital increase driven by lower payables
- **Net Debt[6]** of $382.1m and Net Debt/EBITDA of 1.0x, maintaining strong balance sheet
- **Interim Dividend** of US24.25¢ resulting in payout ratio of 40% and consistent with Ansell's dividend policy

Commenting on Ansell's FY22 H1 Results, Managing Director and CEO. Neil Salmon said:
"Ansell's FY22 first half results were delivered in a challenging external environment. Given this, I am pleased we achieved respectable organic sales growth of 7.5%.

Sales growth was encouraging across most of our portfolio as we successfully executed on our long-term strategic plans. Surgical and Life Sciences grew above market rates showing the benefit of some important new business wins. Mechanical achieved respectable growth in a mixed industrial demand environment, delivering very strong results in emerging markets and success with new products.

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1. Organic growth compares FY22 H1 to FY21 H1 revenue at Constant Currency (see below) and excludes the effects of acquisitions and divestments.
2. FY22 H1 EBIT includes $2.7m share of loss from Careplus JV (equity accounted).
3. Constant currency (CC) compares FY22 H1 to FY21 H1 restated results translated using FY22 H1 average FX rates. FY21 H1 results have been restated to retrospectively apply FY21 accounting policy change upon adoption of the April 2021 IFRIC Agenda Decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)
4. GPADE is Gross Profit After Distribution Expenses
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. Net Debt includes lease liabilities

Our manufacturing operations in South East Asia were impacted by intermittent COVID-19 driven shutdowns early in the half. At the time, we expected these would be short term in nature which would allow us to make up for this lost production in subsequent months, however achieving this was hampered by limited availability of labour and continued logistical delays, contributing to increased backorders for key product styles.

Industrial GBU maintained EBIT margins at almost 15% assisted by lower SG&A. The business implemented price increases across most product ranges to help offset inflation pressures and cost increases.

EBIT margins declined in Healthcare GBU by 820 bps to 10.1% which was more than anticipated at the start of the year. Price declines across the Exam/SU portfolio were largely as expected and in-line with market trends. The reason for the steeper margin decline was demand softened faster than anticipated, which made it more challenging for our supply chain to adjust and resulted in delays before we could sell through high-cost inventory bought from outsourced suppliers in earlier months.

Even in this challenging and complex operating environment we have made significant progress against the most important longer-term drivers of value creation. We are seeing strong interest in new products that address important unmet safety needs, we are winning new customers for our more differentiated product lines and we are seeing continued strong growth in emerging markets. We have also significantly stepped up our efforts to lead our industry on sustainability measures, whether this be the environmental footprint of our own operations or developing products based on new more sustainable raw materials. We have also increased resource and focus on ESG compliance across our supply chain. It will require consistent focus by all stakeholders to ensure all in our industry are held to the same standard and that the rights of workers are protected and we are encouraged by the increased pace of change seen over the last year.”

Global Business Unit Segment Performance

Healthcare GBU – 63% of revenue and 53% of GBU EBIT

FY22 H1 sales were $632.1m, representing 15.0% reported growth and 14.8% organic growth. The business saw positive organic growth from all SBUs.

Exam/SU delivered organic growth of 18.3%. Prices reduced from the peak levels experienced towards end of FY21 but remained higher compared with FY21 H1. Our internally manufactured products saw volume growth, supported by recent capacity investments. However, outsourced products sales volume declined due to increased industry supply and our distributors and end users delaying or reducing orders as they apparently seek to reduce inventory levels with an expectation of further falls in market prices. Surgical & HSS organic growth was 6.5% with strong demand maintained. We saw strong performance in emerging markets and growth for higher margin synthetic products in developed markets, supported by our capacity expansions in Sri Lanka and Malaysia. Life Sciences continued to deliver strong organic growth of 13.6%. There was a shift towards higher value and greater protection styles. We are continuing to add in-house capacity for clean room packaging, sterilisation and production of the gloves and clothing.

EBIT on a reported basis declined 36.6% and margins reduced 820bps to 10.1%. Selling high cost inventory from outsourced suppliers at lower margins was the key driver for this. Margins were also negatively impacted by COVID-19 related manufacturing disruptions, higher freight costs and share of loss from Careplus JV (equity accounted). These were partly offset by lower SG&A spend.

Industrial GBU – 37% of revenue and 47% of GBU EBIT

FY22 H1 sales were $377.1m, a decline of 2.8% on a reported basis and 2.9% on an organic basis. Positive organic growth from Mechanical was more than offset by decline from Chemical.

Mechanical saw positive organic growth of 3.2% which was supported by prior investments in differentiated platforms. We also had some wins setting this business up well for future growth including in high growth verticals such as electrical vehicle manufacturing. Performance was mixed from North America and Europe due to chip shortages and logistic delays but contribution was strong from emerging markets, particularly LAC. Chemical saw organic growth decline 10.9%. This was driven by Protective Clothing which saw a negative organic growth following reversal of last year's COVID-19 related increase. Chemical Glove sales were relatively flat as COVID-19 shut-downs and continued logistic constraints limited our ability to fulfil additional demand. Continued focus on the importance of chemical hazard protection in industrial workplaces is leading to significant customer engagement, a strong pipeline of potential opportunities and good results with new products targeted at high end chemical protection.

EBIT on a reported basis decreased 2.8% over the prior year and margins were maintained at 14.9%. Savings from lower SG&A were offset by negative impact of COVID-19 driven related manufacturing disruptions and higher freight costs.

Currency, Cash Flow and Balance Sheet

There was limited impact of currency movement during the period to revenue, but it was favourable to EBIT by $13.6m. EBIT favorability was due to strengthening of USD against key cost currencies such as MYR and THB combined with benefit of declining EUR vs USD on unrealized profit on stock. FY22 H1 net foreign exchange loss was $0.9m compared to FY21 H1 net foreign exchange loss of $3.7m.

Ansell delivered negative operating cash flows of $22.1m and cash conversion of 59.7% after adjusting for short term incentives and insurance which were paid in H1 but relate to the full year. Operating cash flow was temporarily weaker due to payment of variable employee costs pertaining to FY21. Working capital increased driven by lower payables as a result of timing and lower pricing from outsourced suppliers.

Ansell continues to maintain a strong balance sheet position with conservative gearing profile (net debt/EBITDA of 1.0x). On 19 November 2021, we successfully refinanced our syndicated borrowing facility that was due to mature in June 2023. The new facility provides the business with greater tenor and increased liquidity.

Dividend

An interim dividend of US24.25¢ (US33.20¢ FY21 H1) per share has been declared. This represents ~40% payout ratio and is consistent with Ansell's dividend policy. The record date will be 22 February 2022 and the payment date will be 9 March 2022. 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 23 February 2022. The pricing period will be based on the trading days commencing 25 February 2022 and ceasing on 3 March 2022. No discount will be available.

FY22 Outlook

Our updated EPS guidance of 125¢ - 145¢ provided on 31 January 2022, which we maintain today, assumes the following:

- Sales growth H2 vs H1 in Industrial and for Surgical and Life Sciences businesses within HGBU due to higher production output and greater sales in H2 due to seasonality;
- Exam/SU prices expected to continue declining leading to lower sales expectation in H2 vs H1. But prices at end of H2 should remain above pre COVID-19 levels. Outsourced supplier costs also anticipated to continue to reduce. These factors combined with reduced impact from selling higher cost inventory from outsourced suppliers is expected to result in Exam/SU gross profit dollars to be flat or marginally higher in H2;
- Cessation of imports to the US from one of our top 5 outsourced Exam/SU suppliers as a consequence of a Withhold Release Order by U.S. Customs and Border Protection issued on 27 January 2022 on products manufactured by this supplier; and
- Continued disruption in H2 to our manufacturing output due to COVID-19 including the shutdown of one of our facilities in Malaysia for around one week beginning 28 January 2022. Overall, however, we anticipate the adverse impact to costs in H2 from this will be less than the $10m impact seen in H1. We are not assuming any further significant loss of manufacturing output in H2 beyond the effects known to date.

FY22 H1 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 Tuesday, 15 February 2022 (equivalent to 10:00pm Central European Time and 4:00pm Eastern Standard Time on 14 February 2022) to discuss the results.

To listen to the webcast, please visit Ansell's Investor Relations (http://www.ansell.com/au/en/about-us/investor-center). Alternatively, please click on the following link (https://onlinexperiences.com/scripts/Server.nxp?LASCmd=AI:4;F:QS!10100&ShowUUID=3CE2E1FE-9B5A-4FCC-B3A7-4EA6346F20B2&LangLocaleID=1033).

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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