

Ansell Limited Provides FY23 Trading Update & FY24 Guidance

18 July 2023 – Ansell Limited (ASX:ANN), a global leader in personal protection safety solutions, provides a market update ahead of the release of its financial results for the full year ended 30 June 2023 (“FY23”).

FY23 Trading Update

Ansell announces that based on initial consolidation of its full year results it expects to deliver statutory FY23 EPS in the range of US117¢ to US118¢. After excluding the benefit of provision adjustments associated with the Russia exit in FY23, underlying EPS will be in the middle of the guidance range¹ provided at the half year results on 15 February 2023 and at the low end of the original FY23 guidance range² provided at the FY22 full year results on 23 August 2022. FY23 financials remain preliminary and unaudited and will be released on 14 August 2023.

Industrial GBU sales for FY23 were approximately \$750m. In the second half of the year, organic growth was achieved in both Mechanical and Chemical, as well as overall margin improvement versus H1. Healthcare GBU sales for FY23 were approximately \$900m. The effects of channel partners and end customers reducing high levels of inventory accumulated over the past two years continued to be experienced in the second half. For the Exam/SU business we saw the impact reduce over the course of the half and encouraging volume improvement versus H1 with stabilized pricing. For the Surgical and Life Sciences businesses, the impact became more pronounced, obscuring more favorable underlying end user demand.

FY24 Market Conditions & Business Trends

As we begin FY24 we anticipate continued growth in Industrial, albeit performance will be influenced by broader macroeconomic developments. In Healthcare we expect Exam/SU volumes to continue to recover, with the full year impact of price reductions taken during FY23 partially offsetting this revenue benefit. While underlying end user demand for our Surgical and Life Sciences products is expected to continue to grow, we anticipate that distributors will continue reducing their inventories, with orders expected to increase towards the end of the fiscal year.

As flagged in our half year results, the unfavorable impact of foreign exchange in FY23 was partially offset by our hedging program. Absent this benefit, we expect foreign exchange to be a moderate headwind in FY24. FY24 tax rate is still expected to be in the range of 22.5% to 24.5%, compared to approximately 21% in FY23.

Reversal of prior year accruals for long-term incentive plans and to a lesser extent low current year employee incentive realisation supported earnings in FY23 with this material benefit to FY23 earnings not expected to continue in FY24.

Accelerated Productivity Investment Program

In response to these headwinds and to position Ansell for its next phase of growth, in FY24 we will commence an investment program encompassing a series of productivity initiatives designed to drive EPS growth and improve returns on capital employed. This includes a decision to temporarily slow our production of finished goods to

1. FY23 EPS guidance provided at the half year FY23 results on 15 February 2023 was US110¢ to US120¢
2. FY23 EPS guidance provided at the full year FY22 results on 23 August 2022 was US115¢ to US135¢

ASX Announcement



normalise inventory holdings, which will improve cashflow in FY24 but temporarily lower EBIT due to reduced manufacturing overhead absorption.

The investment program aims to achieve the following objectives:

- Simplify and streamline our organisational structure, achieving clearer organisational alignment to customer and market-oriented growth strategies and reducing cost with less duplication of leadership responsibility.
- Reduce manufacturing employee numbers in order to provide a partial offset to the unfavorable impact of slowing production while investing in improving longer term manufacturing productivity through increasing automation, leveraging new operating systems and making limited changes to our manufacturing configuration where optimisation opportunities exist.

We expect the cash cost of the above initiatives to be \$40-50m, with the majority to be incurred in FY24. These investments are expected to deliver annualised pre-tax cost savings of \$45m by FY26. Initial program savings delivery in FY24 of \$15-20m will be offset within the year by the previously noted temporary unfavourable impact to manufacturing overhead absorption from the decrease in manufacturing output. The program will be fully cash funded from the associated working capital reduction.

In parallel to these initiatives, we will also accelerate our digitisation strategy, building on successes from recent investments in modern cloud-based supply chain planning and manufacturing ERP systems and broadening to include our commercial units as we move to consistent global ERP and decision support systems. We expect the cash cost of these IT investments to be in the range of \$30-35m, a small amount to be spent in FY24 with the majority in FY25 and FY26. These costs will be expensed as incurred following the cloud computing accounting change in 2021. We are confident based on our recent track record of successful systems upgrades that these investments will deliver further gains in productivity and in our ability to service our customers efficiently and we will update our overall benefit expectations after the initial blueprinting and business case development phase is complete.

FY24 Guidance

We expect FY24 Adjusted EPS, excluding the above investment program costs, to be in the range of US92¢ to US112¢. FY24 Statutory EPS, including investment program costs, is expected to be in the range of US57¢ to US77¢.

Key FY24 assumptions are as follows:

- Without the benefit of the hedge book gain in FY23, foreign exchange to reduce EBIT by \$9m.
- Normalisation of incentive costs to reduce EBIT by \$39m versus FY23.
- Book tax rate to be in the range of 22.5% to 24.5%.
- Interest cost to increase to ~\$29m on increased gross debt, higher average borrowing cost and incremental leasehold interest expense.
- Capex to be in the range of \$60-80m as we near the end of a period of elevated investment in additional manufacturing capacity.

ASX Announcement



- One off pre-tax investment program costs of \$55-60m, including IT investments, which are excluded from Adjusted EPS.

Conference Call

Neil Salmon (Managing Director and Chief Executive Officer) and Zubair Javeed (Chief Financial Officer) will host a webcast this morning at 9:30am (Australian Eastern Standard Time) to discuss this announcement. Please click on this [link](#) to register and join the call.

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

ENDS

For further information:

Investors & Analysts

Australia	Michael Evans, Investor Relations	Tel: +61 481 008 490	michael.evans@ansell.com
Belgium	Zubair Javeed, CFO	Tel: +32 2528 7585	zubair.javeed@ansell.com

Media

Australia	Nicholas Owens, Sefiani Communications Group	Tel: +61 421 977 062	nowens@sefiani.com.au
-----------	---	----------------------	--

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 15,000 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**

HyFlex® **GAMMEX**® **AlphaTec**® **MICROFLEX**®

Ansell® and™ are trademarks owned by Ansell Limited or one of its affiliates. © 2023 Ansell Limited. All Rights Reserved