Chief Executive Officer's Review

With stability returning to our end markets, we are focused on returning the business to organic growth, sustaining benefits from productivity investments and beginning to realise value from the KBU acquisition.

Neil I Salmon
Managing Director and Chief Executive Officer

Dear Shareholder,

Twelve months ago, at the beginning of our FY24, Ansell was facing a unique set of challenges and opportunities. We were continuing to deal with lingering pandemic-related customer destocking in key healthcare end markets, but expected these effects to diminish throughout the year, and we could see opportunities to get the company back on a growth track by the end of FY24. To position the company optimally for this return to growth, we determined the time was right to make changes to our organisational structure and manufacturing configuration, with the productivity gains intended to support increased sales and drive good returns to shareholders as we emerged from this post-pandemic period. This was the genesis of our Accelerated Productivity Investment Program (APIP) which we announced in July 2023. We also saw an opportunity to reduce our investment in inventory, which we could do so confidently without compromising service levels because of improvements made in our demand and supply planning processes.

Our goals were to finish the year having delivered a step change in organisational effectiveness and productivity through initial APIP initiatives while seeing improved performance in our Healthcare Segment as the effects of customer destocking lessened. We also aimed to fund APIP costs out of inventory reductions and return the company to top and bottom-line growth in the second half.

I am very pleased to say that we delivered on these goals, with Adjusted Earnings Per Share within our original guidance range and excellent Cash Conversion.

Overview of Financial Performance

Group sales of $1.6 billion for FY24 were down 2.9% versus the prior year on a Constant Currency basis, as growth in our Industrial Segment was offset as anticipated by a decline in our Healthcare Segment due to customer destocking in Surgical and Life Sciences and the carry over impact of FY23 price reductions in Exam/Single Use. As expected, Healthcare sales improved in the second half as the effects of destocking lessened.

Our Industrial Segment maintained its trajectory of top line growth with expansion in both Mechanical and Chemical. Our Mechanical business has been a consistent performer over recent years and FY24 was no exception, aided by continued success with new products in particular HyFlex® ultra-lightweight cut protection and Ringers® impact protection styles. Chemical growth was driven by our higher margin range of high-end chemical hand and body protection solutions.

Our Healthcare segment has been navigating end market disruptions over the last few years as customers have sought to unwind large inventory positions built through the pandemic period. These effects continued to play out in FY24 which affected sales in our Surgical and Life Sciences businesses, but pleasingly we saw improved sales in the second half and are now confident we are largely past this period of inventory correction. We also achieved volume growth in our Exam/Single Use business across the year, led by the differentiated industrial single use products we produce inhouse.

Our FY24 Earnings Before Interest and Tax (EBIT) were $195.5m before Significant Items. Growth in Industrial EBIT outpaced sales, helped by net cost favourability and improved Chemical manufacturing performance. Healthcare EBIT contracted, reducing significantly as expected in the first half during a period of lower sales in Surgical and Life Sciences and slower production as we reduced inventory, but improving in the second half as these temporary headwinds began to reverse. Savings from our APIP began to accumulate more meaningfully in the second half, enhancing earnings in both segments as the year progressed.

With sales and earnings trends largely as expected, we delivered Adjusted EPS of 105.5 cents, which was within the guidance range provided at the beginning of the financial year. Adjusted EPS excluded one-off costs including those associated with our APIP, and also the effects of the equity raise completed ahead of the acquisition of Kimberly-Clark's Personal Protective Equipment business (renamed KBU). We were also successful in reducing inventory by $68m, which fully funded our APIP costs and contributed to very strong Cash Conversion of 131%.

$195.5m
EBIT

105.5¢
Adjusted Earnings Per Share

Accelerated Productivity Investment Program (APIP)

This program encompasses a series of initiatives that aim to accelerate work already commenced to optimise the productivity of our manufacturing resources and supply chain, improve demand and supply planning, unify our ERP systems and reposition our organisation for growth.

Key to this was the decision to move to a simpler, more customer-centric and lower cost organisational structure, led by a new streamlined executive leadership team. Changes were implemented in the first half of the year, and I am very pleased with how our teams have responded with clearer accountabilities enabling improved decision making.

To achieve our manufacturing and supply chain productivity objectives, we initiated automation-enabled headcount reductions, completed key warehouse moves and exited manufacturing of less differentiated, low margin household gloves sold through retail channels, which required a restructure of a key manufacturing facility in Malaysia.

We also commenced initial preparations for commercial ERP upgrades which will begin in FY26.

The progress we made through the first half of the year in early-stage implementation alongside inclusion of additional manufacturing productivity initiatives in the program scope enabled us to increase the size of the total expected annualised FY26 pre-tax savings from our original goal of $45m to $50m, with additional savings from IT investments expected to be realised post-FY26 once systems upgrades are completed. We also over-delivered against our savings target in FY24.

Progress on Sustainability Commitments

We continued to make good progress in FY24 against our sustainability objectives, summarised in our Sustainability Action Plan.

Ansell's aim is to be recognised as a leader for safe, respectful and inclusive workplaces in our industry and for protecting the rights of our employees and workers in our supply chain. It was therefore very satisfying to receive recent independent recognition of our efforts in this space from two of the most respected sustainability rating agencies in the form of a Gold Medal from EcoVadis and inclusion in Morningstar Sustainalytics' ESG Top-Rated Companies list. In both cases these assessments put us in the top decile of all companies rated.

Within our manufacturing operations, focus has continued on our risk and control assessment processes, encompassing our entire on-site workforce, both direct employees and those employed through third parties such as for security or canteen services. We continue to focus on early detection and mitigation of any potential labour risks and the focus on service organisations is another example of how we fulfil our responsibility to go well beyond our direct employment relationships in ensuring adequate standards across our supply chain.

Our Supplier Management Framework continues to mature with raised standards for finished goods suppliers and improvements seen in the ratings of raw material and packaging suppliers in industries which to date have faced less scrutiny over labour rights issues.

Chief Executive Officer's Review continued

After a steady reduction in recordable accidents over the past ten years, we saw an increase in the Total Recordable Injury Frequency Rate from the record low achieved in FY23. Whilst this was partly due to the inclusion of the newly acquired Careplus facility (Ansell Seremban) in our reporting statistics, our management team is committed to maintaining the most rigorous of safety standards to ensure our safety performance remains best in class and we are determined to improve on this outcome in FY25.

Our journey towards a zero-carbon future remains on track as we continue to transition away from fossil fuels. Emissions were lower than FY23 excluding the recently acquired Careplus facility, assisted by lower production. We advanced work on powering our high-pressure hot water generators from renewable energy sources including further investment in biomass technology, progressed construction of one of Sri Lanka's largest privately owned rooftop solar power facility and improved the overall energy efficiency in our manufacturing operations with three additional plants in Thailand, Malaysia and Portugal now certified to the ISO 5001 standard.

We remain committed to reducing the amount of water used in our manufacturing processes. Our original target was a reduction of 35% by 2025 versus the 2020 baseline, and while we are making progress the journey is not straightforward with challenges in recycled water quality and usage requiring further work on our reverse osmosis processes. For this reason, we have extended the target date to 2027.

Finally, waste reduction initiatives continue to yield strong results. Excluding new sites, all our plants are certified Zero Waste to Landfill, and over 99% of waste from these sites was diverted from landfill in FY24. We continue to drive meaningful reductions in the amount of paper and plastic used in product packaging, and, through a lengthy period of advocacy, influenced the EU decision to remove the reference to paper instructions for use from PPE regulation guidelines, paving the way for digital alternatives which will lead to further significant paper savings.

KBU Acquisition

In April we announced the acquisition of Kimberly-Clark's Personal Protective Equipment business (KBU) for $640m, which was completed in early July and has now been renamed as KBU within Ansell.

I have long believed that Ansell's presence and expertise in KBU's key markets, our customer relationships, global supply chain and operating footprint best position us to maximise the potential of the KBU business. Equally, the quality of the KBU business and the compelling benefits it offers to Ansell have long made it one of our most attractive acquisition opportunities.

The acquisition of KBU enhances our position in fast growing Scientific markets, including Life Science industries such as the manufacturing of pharmaceuticals and medical devices. In these markets, customers have very specific and demanding requirements for the PPE used in their cleanroom manufacturing environments and associated laboratories, creating room for meaningful differentiation. This has been a priority area for investment for many years and a major focus of recent M&A efforts.

It is highly complementary to our existing businesses, strengthening our cleanroom and chemical protective clothing businesses in North America, providing highly regarded Kimtech™ and KleenGuard™ brands and enhancing customer intimacy through compliance and post sales services including the industry leading RightCycle™ PPE post-use recycling program.

Lastly, its growth and margin profile are accretive to Ansell, further enhanced by the significant scale benefits available across our combined organisations and supply chains where we expect to deliver $10m in net run-rate cost synergies by FY27.

Near Term Strategic Priorities

Throughout the challenging period of post-pandemic disruptions in our end markets, we have continued to invest in the key areas required to improve our overall differentiation and position the business for sustainable growth. These include sales strategies focused on engagement with end user customers, advances in product innovation, improvements in our services offering, sustaining growth in emerging markets and investments in additional manufacturing capacity. With stability returning to healthcare markets, benefits from these investments should become clearer in FY25.

We made significant progress in our APIP in FY24, completing the organisation phase of the program and advancing key manufacturing changes while exceeding our initial savings targets. Our FY25 focus is on delivering savings from ongoing manufacturing initiatives while commencing the IT phase of the program entailing preparation for commercial ERP system upgrades.

Although we have completed the acquisition of KBU, the business will be supported by transitional services from Kimberly-Clark during FY25, allowing us to manage the transition of customers and suppliers to Ansell over the next 12 months. Our key focus will be on maintaining business continuity through this transitional period and setting up the combined organisation for accelerated growth and synergy capture from FY26.

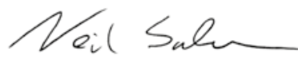
FY25 Outlook

With stability returning to our end markets, we are focused on returning the business to organic growth, sustaining benefits from productivity investments and beginning to realise value from the KBU acquisition. We expect to deliver Organic Constant Currency[1] sales growth in both our Industrial and Healthcare Segments in FY25, with muted demand growth in some of our more cyclical verticals.

KBU performance is expected to be in line with original expectations, with our aim being to minimise any reduction in sales as the business is being transitioned to Ansell.

We expect EBIT to grow on increased sales and accelerating APIP savings. It will also include incremental earnings from KBU.

I am extremely grateful for the hard work and dedication of our more than 15,000[2] employees over the past year. Thanks this year are particularly heartfelt given the significant work undertaken to transform our organisation and complete the KBU acquisition while delivering on our performance commitments. I would also like to welcome our new KBU colleagues and thank them for their considerable efforts in preparing the business for a smooth transition to Ansell ownership. I now look forward with confidence to delivering on our growth objectives in FY25.



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Managing Director and Chief Executive Officer

1. Represents Constant Currency excluding the effects of acquisitions, divestments and business exits.
2. Headcount inclusive of Ansell Seremban, formerly known as Careplus, for the first time.