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Half Year 2019 Ansell Ltd Earnings Call

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PRESENTATION

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Good morning. Greetings from Victoria Gardens in Melbourne, Australia. Welcome to Ansell's Half-year Fiscal 2019 Results. At this time, I'll hand the floor over to Mr. Magnus Nicolin, our Chief Executive Officer.

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Thank you, Jocelyn, and thank you for joining us. It's always great to be here, and I had the pleasure of benefiting from the fantastic Northern weather over the weekend. I want to start by thanking my colleagues around the Ansell world. This has been a half of heavy lifting on transformation. And as you will have noted, we have reduced a number of Ansell employees in the half by about 10%. We've maintained or increased production volumes and sales volumes. So a lot has happened in those terms, and I think it prepares Ansell well for the coming half and beyond.

So we're going to be covering our usual topics as part of the presentation. We'll start with an overview, and it, of course, starts with the Ansell safety company focus. We are a safety company. And as you all know, it's anchored in our own behaviors in our own plants. And we've had a strong year of progress when it comes to safety in our own plants. And we take that out to our customers and help them improve safety there as well through the Guardian program, and that's been expanded in the half with a new chemical offering.

And on top of that, we also welcome the increasing focus of the community related to working behaviors in ours and the industry plants and operations. And we, of course, intend to continue to lead the industry when it comes to safety, which, of course, includes, also, overtime and rest days, and practicing that well in all of the plants, and we intend to hold our suppliers to that standard as well. So that's important to us as we think about safety.

In terms of statutory, of course, it's -- covers some of the significant investment in our Transformation Program, and that's part of why we're seeing it translate through in the EBIT line. But nevertheless, I'm very pleased with the progress of our programs. And the summary page of key data here covers some of that.

We're a bit disappointed in the top line, but we also see that evolve quite well in the second quarter. So the challenge was, in the first quarter, in Industrial, and we'll come back and discuss that in some detail later. But we saw second quarter significantly improve and the run rate looking quite solid. We're quite pleased with the development of transformation and how that is translating through in increasing manufacturing efficiency. And you will see that also specifically pop up in the Industrial GBU profitability levels increasing in spite of negative raw material effects.

We're also quite pleased with the strong cash flow. And that cash flow, of course, is what allows us to maintain, for the 16th year in a row, the dividend increases. So it's an indication of strength in the company. And when it comes to the overall profitability, it is solid, taking into account all of the heavy investments that we have undertaken in the half. And then, of course, we have been busy buying back shares, and that's been moving along rather well.

When it comes to the summary results, clearly, we see a muted top line, although as I've said, improving significantly in quarter 2 and into the third quarter. We see EBIT is essentially flat, and we see EPS growing at a decent clip. And again, we expect that to continue as we'll comment on later.

When it comes to the environment we operate in, clearly, North America, it continues to run quite strong, slowing down a little bit in the last couple of months. But nevertheless, a generally good market environment. Europe is a little bit different however, with a significant slowdown especially in Germany, France, and U.K., Italy, just to name a few. And it's been quite notable in the automotive industry, especially in Germany, but across Europe. So quite a rapid slowdown, and you may have seen some of the more recent German data indicating close to recession-type level performance in Germany and same thing in Italy. So Europe is a bit of a challenge at this point in time.

When it comes to emerging markets, a bit of a mixed picture. Russia, quite weak; China, weakening rapidly; but India and Latin America looking generally quite good. So a mixed environment.

When it comes to our value-creation model, so we launched this chart and concept to summarize how we work as a company at the Capital Markets Day 1.5 years ago almost. And what we did this time is to demonstrate how we're deploying cash. And clearly, what we see here is a fairly high level of investment in the company, in our plants and so forth, $90 million. We see acquisitions now starting to play a bigger role, especially following the Ringers acquisition just announced.

Dividend growth continues to be an important way to feed back capital to our shareholders, and buybacks has been quite substantial. So when you sum it all up, we have now deployed a bit more than half of the Sexual Wellness proceeds, and intend to continue to deploy cash aggressively in all 4 of these avenues. So essentially, we're doing what we said we were going to do.

When it comes to our Transformation Program and how it impacts on our 8 points of differentiation, what we said is we were going to invest selectively in a number of these. In fact, we are investing in all of them. But key in this -- in the half have been, number one, on what we call customer intimacy, which is where we continue to invest in the Guardian capability and deliver better solutions to our customers. And of course, we continue to roll out the channel management program, and that's working really well, as we will demonstrate in a minute, and quite a bit of an investment going in to the digital platforms as well.

Product range continued to work with innovation, and that's running well, both on the H and IGBU side of the business. And of course, Ringers is a really good acquisition that will complement a weakness in the range, and we're very pleased with that acquisition. It's relatively small, but as we will demonstrate later, we have been able to use smaller acquisitions in the past to effectively turn them global in a relatively short period of time. And we think that the opportunity is there also for Ringers.

And then when it comes to regulatory, a very busy schedule right now for the company. There is a new regulatory requirement going into effect in Europe in April, and we needed to get all of our products essentially reapproved. And we've done that well. The team has done a Herculean task here in getting it done. And of course, we're also working on some risk mitigation relative to Brexit, including moving some registrations and those kinds of things to make sure that we can handle whatever the outcome of Brexit is going to be.

And then finally, we have been very busy on the Transformation Program, shutting down 3 plants in the half and moving essentially 130 styles from those plants to other plants, investing aggressively in those other plants to be ready to receive this incremental volume, and that's gone amazingly well so far. We're not quite out of the woods yet because we need to make sure that all of these new production locations deliver precisely the same product to customer and that they like what they see as the new products show up at their site, and that's beginning to happen right now. But so far, so good, and quite pleased with the progress.

And this chart really highlights what that has looked like. So first of all, the investments in the receiving facilities, the closures, the staff reductions. The third column here, SG&A, which was largely done before this half, with a significant reduction in SG&A cost. And also, a bit of a delayering of the company with fewer vice presidents. And then finally, on the supply chain, the heavy lifting is going on right now to simplify and improve processes, systems and capabilities such that we can reduce inventory and improve service at the same time. Good progress there, but the real payback on that one will come a little bit later.

When it comes to transformation. Specifically, we announced that that's a $100 million program. We still intend to spend the total $100 million. And there's been some changes here, a little bit more P&L spending. But also, meaningfully, more benefit or what we're going to take to the bottom line. And we're upping the forecast for that, from a total of $30 million to $35 million, and we're quite pleased with how that has progressed. And to be able to take up the numbers at this point is feeling quite good. So we think that this is going to generate lots of benefits for the company for many years to come.

Then when it comes to some of the key growth indicators, we put on the top left a summary perspective on our organic development. And while, as you can see there, the organic growth in the first half this year is down on what we've seen in the last several halves. We do expect that the second half will be a bit stronger, and hence, bring us in line with the last 3 years of organic development. And of course, it's in line with -- it would then be in line with what we have said that we're targeting the 3% to 5% organic growth.

When it comes to the underlying elements of this, we continue to see pretty good core brand growth, and you see it in the bottom left, where we're now getting cleaner and cleaner when it comes to the percentage of sales under a key brand that is well known by the end user. We see the emerging markets numbers come down a bit. We think that, that is temporary, that we're going to see a little bit stronger numbers in the second half. And we continue to see very nice developments in our channel partnership programs with good growth, generally speaking. So all in all, a pretty decent progress, a couple of things to do some work on.

When it comes to the GBUs. Starting with the Healthcare GBU, as you can see, a pretty solid development on the topline in the Healthcare GBU, 3.8%. And we're particularly pleased with the strong growth in new products. As you'll recall, new product growth in Healthcare had been a little bit muted, a bit behind, if you will, the innovation push on the Industrial side. We're seeing some catch up taking place now.

The other thing that we like is the growth in some of the segments within Healthcare GBU, especially the Industrial applications, the Life Science part of the business, as well as the return to growth of the surgical business. And especially, of course, the synthetic side of surgical, where we grew 18%. Again, as you recall, that's been sort of the growth rate in past years and we're now back to what that should be. So all in all, some nice developments in the Healthcare GBU.

Profitability wise, obviously, not good, and the reason is entirely in raw materials. This part of the business is heavily impacted by nitrile, especially. And as you know, nitrile spiked up, and we sort of carried that through the half. It has since muted a bit, and we're going to see the benefit come back in the second half. But we have also taken price increases, so you're getting both effects kicking in towards the end of this second half, which is going to bode well for profitability in the Healthcare GBU.

We have added in the presentation this time a chart on acquisitions specifically for each of the GBUs. And if we focus on the healthcare one, we have made 3: Nitritex, gammaSUPPLIES and Digitcare. And all 3 were quite specific. They brought a capability of core technology to the company. And we have -- but typically, that capability was regional. So we've taken that and globalized it. And that's sort of the formal end that we have now deployed on multiple applications with tremendous amount of success.

Nitritex, we're seeing good growth, especially in North America where Nitritex was weak before Ansell stepped in, 20%-plus growth. And we think that, that will continue. When it comes to gammaSUPPLIES, that was a tiny acquisition, but it brought some capability that we didn't have. And again, we're seeing that capability being leveraged.

And finally, Digitcare is more recent, it was really buying our #1 competitor in that particular narrowly defined space, and you see the illustration on the product at the lower right, the BLACK & WHITE. So it's designed for EMS, ambulances and so forth, with specific protection levels for them. And so we're quite excited about that and the market share that we now have in the U.S. in this particular space. So again, it's a pretty solid story of execution once we get our hands on an acquisition and incorporate it into the Ansell network.

Turning to Industrial. We see here the major shortfall on the organic growth of the company. And as I said, most of it took place in the first quarter, the July to October quarter, and then it picked up in the second quarter quite nicely. We see a mix within the business here. The most differentiated cut ranges continue to grow nicely. HyFlex continued to grow. And we saw some weakness in a couple of less-differentiated areas. But generally, an acceleration through the half.

Chemical, we saw some very nice growth on the clothing side, and we're still working on the renewal, if you will, of the chemical glove side. But a number of new products have launched there, and we expect to see that move into positive territory in the coming 6 and 12 months.

The real strong story here, of course, is the profitability. And the main driver of profitability is a little bit of price increase, offsetting the negative impact of nitrile, which is also big for Industrial GBU. And secondly, horizon transformation effects, consolidation of plants, but also a number of initiatives that we're running across the organization to streamline and simplify our production processes, so we see that translate through. And we expect that, that will continue in the second half as the raw material effect goes away, price increases take full effect, and, the perfect trifecta here, with the transformation savings getting bigger and bigger every month. So this is going to be, we think, a very strong story for the year and for the future.

On the Industrial, we also have a very interesting acquisition story. Microgard, we acquired a number of years ago, again, as a U.K.-based, mostly European-focused business that we then set out to globalize, and that globalization has worked really well. We've seen Microgard now grow in the half, 28% year-on-year. And it's a good illustration of the fact that as we get into full gear on our globalization plan, then we are able to deliver some pretty amazing results, and that, of course, will continue.

We have also taken the opportunity to increase manufacturing capacity by adding an additional manufacturing location for Microgard, which is now sold mostly under the AlphaTec brand. And we think that, that will make sure that we can supply the organization as sales continue to grow.

And Ringers, of course, is similar to that in a way. It's a heavily U.S.-focused business, with a little bit of Middle East sales, and we expect that we can move that into the Ansell network. It is one of the sub-segments within the Industrial space where the Ansell global market share was the weakest, and this acquisition will double our share in that space. But above all, equip us to have these kinds of solutions, not only for oil and gas, but for mining and construction and various other applications as well. So we are very pleased about that, and we think that it's way more significant to Ansell than the current sales would indicate.

And specifically, on Ringers, we have a summary slide to talk about what it is and what it does and the strategic rationale. It's a business that will help shape the Ansell go-to-market quite a bit. And we also like the design language with the Ringers platforms, and much of that will be incorporated into other Ansell platforms as well. I think we have quite a bit to learn, actually, from the Ringers organization when it comes to design. But generally, very pleased with how this came about. And obviously, a very aggressive integration plan in play at this point in time. I had the chance to visit the team in Houston a couple of weeks ago. And it's a great team, tremendous talent that we are excited to bring in to the Ansell fold.

So in summary, strategy is progressing well. What we said we were going to do at The Capital Markets Day is being done. Yes, we did miss on organic growth in the half, but we will address that. Adjusted EBIT, of course, is reflecting the big impact on raw materials and transportation cost, and we're offsetting that as we speak. We're pleased with the impact of price increases, and we expect to close the year with some solid numbers on this.

Cash flow is robust. And we're deploying cash in a very effective way across the company. Underlying performance elements are progressing quite well also. So all in all, it's a half of heavy lifting and transformation, delivering some really good momentum across the company at this point in time. And we, of course, had to bring the year home, but that's where the team is focusing at this point in time.

So with that, I will turn it over to Neil.

Neil I. Salmon ***Ansell Limited - CFO***

Thank you, Magnus. So I'll start with some clarification of the reporting basis of our results, both this half and the prior half.

Last year, as you will remember, we had results under the discontinued column, that comprises both the profit on sale of the Sexual Wellness business that was completed just over a year ago, and then the stub period of earnings for both Sexual Wellness and our joint venture with JK Ansell, we closed on the demerger and separation from the joint venture at the end of last fiscal year.

That -- so excluding discontinued operations last year, takes us to continuing, and then we further made some adjustments to get to our adjusted results, including transformation and a couple of major noncash items, as I will remind you of in a moment.

A little simpler in F '19, so no more in the discontinued column, with all matters related to Sexual Wellness now behind us. But we're continuing to make one adjustment, which is to exclude the costs of the Transformation Program as we indicated we would when we started the year and consistent with our earnings guidance.

So showing this a different way and with a little bit more detail. The F '18, there's the gain on sale and the stub period results, I showed this to you last year as well, and the onetime items that were specific to the half and that we excluded as they were significant in nature and also noncash in nature.

And this year, just the transformation adjustment, $26.9 million being the P&L expense in the half. $11.3 million of that was actual cash spend, the balance being some fixed asset write-offs as we have completed the plant closures, as Magnus mentioned, and then the balance being provisions against future cash expense. But generally, transformation as expected in the half.

So now comparing the adjusted to adjusted columns and the constant currency comparison year-on-year. So total constant currency sales up 2.3%, 2.1% being the organic growth contribution and then the benefit of the Digitcare acquisition being the difference. And as Magnus has covered, solid growth in IGBU. Good growth also in IGBU in every region, with the exception of EMEA, which was the reason why overall IGBU was below where we hoped it would be for the half.

If I look at the ratios at the bottom of the page for a minute. GPADE margin, very important metric, slightly down in the half. But that was as anticipated, given the raw material headwinds that we encountered. And we expect that to improve going into the second half for the reasons that Magnus has already outlined, transformation and price increase being the 2 most important.

SG&A to sales ratio coming down nicely, a clear evidence there of transformation benefits more than offsetting inflation. Those benefits largely complete by activities in the last fiscal period. Dropping down to -- and the lower SG&A sales is the main reason why we see a nice improvement in our EBIT margin, and that's prior to the main transformation benefit coming through in IGBU in the second half.

A higher effective tax rate, again, as expected. We had some onetime benefits within tax that I remind you of there. This year, the rate's in line with the range. But as I look ahead to the full year, I now anticipate our tax rate being at the lower end of that 20% to 22% range.

Going back up to interest, slightly higher -- slightly lower interest expense than the prior year. We received the cash on the Sexual Wellness sale partway through the last year time period. And this year, we've had increasing cash outflows as we have completed the share buyback program. As we go forward into the next half, I would expect a somewhat higher interest cost in the second half, perhaps $1 million to $2 million higher than the first half, reflecting that buyback expenditure and then also the Ringers acquisition that was completed at the end of January.

So overall, profit attributable slightly lower at 2% on a constant currency basis, but EPS slightly higher once we include the benefit of the lower share count.

Raw material costs, clearly, a key feature of the half. As we said when we started the year, we were concerned that we might see a period of very high natural raw materials. That did turn out to a downside scenario. And then in the last month or so, we've seen a moderation.

It's still higher year-on-year, but down from the very high levels that we saw earlier in the half.

So a more reasonable raw material outlook going forward, but still one that we need to respond to in price increases as we have done so. Also important to notice that the mix of raw materials continues to move in our favor. Nitrile and natural rubber latex, as you're very aware, are the most volatile categories, but those are also steadily becoming less important in the total mix of raw materials.

Turning to cash flow. Generally improved cash flow performance across almost all measures. If you look at the net receipts line, that's a $10 million improvement year-on-year, and that's all coming from working capital reduction. Even though within working capital, we saw about a $15 million investment in inventory to smooth the Transformation Program and the transfer of production from Mexico and Korea to Vietnam and Sri Lanka.

As we go through the second half, we would expect to start working away that additional transformation inventory. And then beyond that, into F '20, we would expect to see the original benefits forecast of the Transformation Program benefiting inventory. So pleasing to see an improving cash flow even before we started to see the inventory benefits.

Below net receipts, CapEx, pretty are much in line with last year. Interest and tax cash flow, quite a bit below last year, but that's more a feature of timing than any fundamental changes in those lines.

And then the major spend in the half on buyback program. Here, we show a higher number. $5 million of the number shown here was actually buying shares to convert into performance share rights, as the long-term incentive plan vested and was paid out in this half, and then the balance being the buyback that we've talked about.

And so to the balance sheet, and particularly pleasing to see a continued improvement in the return on capital employed ratio, an area of significant focus for us. So up slightly on the year-end situation, but it brought up significantly on the comparative number from the prior year.

Also, if you haven't already noticed, about a week ago, Moody's upgraded our investment grade rating from Baa3 to Baa2, and that was a pleasing vote of confidence in Ansell's balance sheet and cash flow generation. And that's supported, of course, by our current leverage ratio, which, at 0.5x net debt-to-EBITDA, is well below our targeted leverage ratio of 1.5x to 2x. But even if we move back to that targeted range through continued capital deployment, remains consistent with the revised Moody's rating.

And now back to Magnus.

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Thank you, Neil. So when it comes to guidance, we're essentially taking up our guidance from the $1 to $1.12 to $1.06 to $1.12. And on top of that, the message you should take away from this is that we have seen a significant mitigation of risk that we worried about as the year started related to trade wars, Brexit, raw materials inflation and all of those things. We've been able to offset those and manage our exposure to them, such that we have quite a bit of confidence going into the second half, that we see much less risk there, and hence, also the opportunity to narrow the range.

We continue to target a 3% to 5% organic growth, and of course, push pretty hard to get back into that range for the total company.

And when it comes to the heavy lifting in the half on transformation, it has been largely accomplished, and we are very pleased with that outcome and expect the EBIT benefit to flow through in the second half as planned, but with less risk now associated with it because all of the good work by the team has been executed with very little disruption, and we have the inventory necessary to make sure that customers get what they want when they want it.

The revised guidance range, of course, includes a $0.04 uptick from buyback and a $0.01 hurt or hit from a short-term effects of the Ringers acquisition, primarily related to transaction costs and integration costs. And of course, as we guided for when we made the acquisition, we expect that to turn into a 1% uptick going into next year and beyond. So high level of confidence at this point in our second half and that we can deliver a solid year for our shareholders.

And I think that provides the core elements of our guidance. So takeaway message, of course, is a bit of a setback on IGBU. We are getting after it, and we think that, that will correct itself as we go through the year. We continue to see very strong performance in IGBU in all regions except Europe. And in Europe, it has stabilized a little bit of late.

HGBU looking very strong across the world, and transformation continues to run well and should deliver on what we said or better, and hence, we took the savings target for expected savings up $5 million. And of course, there's a strong level of commitment across the management team to deliver on our plan and on the 4 ways we can deploy cash for the benefit of our shareholders.

So all in all, I feel good about where we are, a couple things to work on. But generally, the business is performing well. Thank you.

So let's turn to questions, and let's start in the room. I want to give you some benefit for making the trek out here. So let's start here.

QUESTIONS AND ANSWERS

David A. Low ***JP Morgan Chase & Co, Research Division - Research Analyst***

I'm David Low from JPMorgan. Magnus, Neil, perhaps if we could start with the pricing versus raw materials question. So what I hear is you've put prices up or you've communicated prices, you roughly know where raw materials are going to be for the half now given the lead time. So where are we, are we dead offset? Or are you going to benefit in the second half?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

We're -- I would describe it by using your words, dead offset. So the team has executed on price increases better than I've seen in all my years here, so that's really good. There's been some tough discussions with some of our bigger customers, but we do expect to get full offset. There is a -- one factor that we are still working through and making sure we understand, and that's transportation cost. As you know, container rates are going up worldwide. We see trucking costs in the U.S. are going up rather dramatically with new tracking rest time legislation going into effect and those kinds of things. So that's still something we're addressing. But we're actually quite pleased with the price increases.

David A. Low ***JP Morgan Chase & Co, Research Division - Research Analyst***

Can I pin you down a little bit more on that answer then. So effectively, by the end of the year, will FY '19 numbers still suffer because of raw material prices relative to '18?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Yes, they will. Because we only get, on average, 6 months of price increase effect against 12 months. Yes, muting towards the second half, but is still higher than a year ago. So the best way to answer it, I think the second half is going to be fully covered, but the first half wasn't and isn't going to be ever, so to speak. So...

David A. Low ***JP Morgan Chase & Co, Research Division - Research Analyst***

Okay. And -- but the next question I had is from the transformation benefits. So I see from Slide 11 -- 13, excuse me, there's a $3 million benefit coming through this year, presumably to operating profit. Was there a benefit in the first half as well?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Very small, because the -- less than $1 million. And the reason is the big plant shutdowns and elimination of big chunks of cost happened late November, early December.

David A. Low ***JP Morgan Chase & Co, Research Division - Research Analyst***

I guess, where I'm taking all that is to try and understand what's in the guidance. Because frankly, we're seeing midpoint of guidance go up by $0.03. Buybacks, $0.04 of that. Call the acquisition and the tax rate a bit of an offset, but roughly, I think, give or take, at the -- toward the lower end of the tax range. It seems to me that you haven't really upgraded the guidance very much. It's all about the buyback. But frankly, it sounds like the Transformation Program's coming through more [core] the benefits bigger than you thought. To be frank, the first half looks a little better than we expected given all the headwinds you've got. Sort of not quite sure what's holding you back from pushing the top end up.

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Yes. Do you want to comment on that?

Neil I. Salmon ***Ansell Limited - CFO***

I think the -- so 2 aspects. We were clear in August that we saw a downside risk to our guidance range. And most of that, but not all of that, did come through, so in the form of tariffs at the lower rates and high raw material costs. So that's where we're wearing through the half that was at the downside set of our assumptions as we began the year, and we're offsetting that by maintaining the operational guidance. And yes, I would agree with you that operational performance of the business is largely unchanged in this guidance range at the midpoint anyway. And then the second thing that we're addressing and offsetting fully is this downturn in EMEA, which we didn't fully foresee at the beginning of the year and has been much sharper and steeper than we anticipated, and I think most of the people foresaw. So we're maintaining operational guidance despite a more difficult external environment than we anticipated at the beginning of the year.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you, David. At this time, we will shift gears and go to those on the line. (Operator Instructions)

First on the docket, we have Mr. Craig Wong-Pan from Deutsche Bank.

Craig Wong-Pan ***Deutsche Bank AG, Research Division - Research Analyst***

I just wanted to understand your comment about your second quarter revenues improved compared to your first quarter. Could you give a feel for what your exit run rate growth was, by group or by segment, would be great?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Well, the simple answer is -- was well within our 3% to 5% guidance range for the company and more towards the higher end of that, so that's why we felt good about second quarter and the momentum going into the third quarter.

Craig Wong-Pan ***Deutsche Bank AG, Research Division - Research Analyst***

And just to clarify, is that across both GBUs?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

It's across the company. And yes, it would have been the case in both GBUs.

Craig Wong-Pan ***Deutsche Bank AG, Research Division - Research Analyst***

Okay. And then second question, just on the CapEx, the Transformation Program, you've called out $45 million of CapEx-related spend. Could you, I guess, indicate if how -- if much has been spent already or the timing of that spend to come through?

Neil I. Salmon ***Ansell Limited - CFO***

Around $15 million of that has been spent to date, and the rest would come -- and there's a -- the dividing lines between transformation and growth, they are not crystal clear, so some of that future investment is more about future growth. The CapEx necessary for the specific cost reduction is already complete and actually came in somewhat lower than we had originally anticipated. And then the balance is about strengthening our capacity for other aspects of the portfolio where we see increased growth, including the single use range going to industrial markets, that's one of the strongest performers within the portfolio.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Excellent. Thank you. Next on the docket, we have Sean Laaman from Morgan Stanley.

Sean M. Laaman ***Morgan Stanley, Research Division - Australian Healthcare Analyst***

Just on the transformation benefit. So you got the benefit there, are you able to sort of give a bit more detail behind that and where we might see forward variance?

Neil I. Salmon ***Ansell Limited - CFO***

It's primarily in the manufacturing program where we included a fair degree of conservatism as there is always uncertainty with a complex change program like that. As Magnus was clear to mention, we're not yet through all the risk associated with a manufacturing transfer. And in particular, we don't yet have enough experience of the products from new locations in the market yet to declare a success on customer reaction, but early indications are positive. So that's the one piece that we don't know, but a lot of the other areas that we're initially uncertain, we've now got firmer estimates on. And that's the primary reason for the improvement, although other aspects of the program we also see moderate improvement on as well. So it's pretty much across the board that we're at or above our original targets, with manufacturing being the biggest contributor.

Sean M. Laaman ***Morgan Stanley, Research Division - Australian Healthcare Analyst***

And could I just follow up please on tax and interest? So just remind us what the tax rate could be for next year or even over the longer term? And just is there any benefit from -- or what's the benefit from the Moody's upgrade?

Neil I. Salmon ***Ansell Limited - CFO***

Yes. So tax rate will increase next year. We are at the end of some of our long-lasting tax incentives that we've had, particularly in Sri Lanka. I think that was a 20-year program that's now coming to an end. So for next year, I anticipate the rate moving up to the 23% to 24% level, and that's consistent with what I've said previously. On interest, I already made some comments on this year with a higher expected second half spend around $1 million to $2 million. If you then annualize that full year figure, the trajectory from there depends on cash investment. To give you a guide, our marginal rate of interest on debt is around 3% or a little higher. The -- if we're in a cash position, obviously, the interest rate on the cash is lower than that. So it's difficult to project interest without giving you a projection of acquisitions and buyback activity. On the Moody's upgrade, it does give us some opportunity to refinance going forward. It's not going to be huge dollars, but it's -- yes, so that should be a little bit of help to the interest line, but it's also a nice recognition, I think, for the strength and stability of the company's balance sheet and cash flow generation over the long term.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you, Sean. Next on the docket, we have Tom Godfrey from UBS.

Thomas Godfrey ***UBS Investment Bank, Research Division - Analyst***

I just wanted to start with the emerging markets results. Looked like Russia and Latin America were both down 17% versus previously speaking here. Can you characterize what you're seeing in those markets? And what your outlook is for second half?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Yes. So starting in Russia, we have seen -- I mean, essentially, what we reported a drop-down in activity level in Russia, that has now stabilized. And we expect a more solid second half for Russia. Same thing actually with Latin America, where most of the negative development came from what we call OLAC, which is essentially South America minus Brazil, and we've seen a meaningful acceleration in that subregion and expect that subregion to be back to growth in the second half. So all in all, I would expect the second half to be meaningfully better for the emerging markets countries as a group because you will have very few, if any negatives hitting the total emerging markets growth line.

Thomas Godfrey ***UBS Investment Bank, Research Division - Analyst***

Okay. And then maybe just one follow-up. Just on the health care margin, if you sort of put raw material and pricings to the side, you're calling out adverse mix shift within that segment of the business. Just on -- if you can help me with I'm sort of missing because you list the breakout out single use, it ran at around a 20% divisional EBIT margin, so I would have thought mix shift toward single use would have been a tailwind to margin. But am I missing something there?

Neil I. Salmon ***Ansell Limited - CFO***

Well, it's at the gross margin product level that's still lower than the surgical business, and so that's the unfavorable mix element. It's good growth, so it's still -- it's not that we're unhappy to have strong growth of single use, but it does come at a lower gross margin than surgical. Within surgical, margins did improve for surgical on a low organic growth rate, as you would expect, as that product portfolio continues to shift to the more differentiated segments, so we're very pleased with the return to growth of the synthetic portfolio, which is the highest margin part of the surgical business, but there was quite a sizable offset in the half from a decline in the older powdered product range, but that's working its way through the numbers now and will be less of a headwind going forward. So that's the primary reason for the mix effect within Healthcare.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Excellent. Thank you. Next on the docket, we have Andrew Goodsall with MST Marquee. Andrew, you're up. Next, we have Andrew Goodsall with MST Marquee.

Andrew Goodsall ***MST Marquee - Healthcare analyst***

Yes, I'm here. Yes. Sorry. Just a question for Neil quickly on FX. You've given us your rates and you've called out in your guidance that you got headwinds into the second half. Just wondering if you could be more granular just coming back to sort of David's questions around sort of the impact to guidance on cents per share of that FX headwind?

Neil I. Salmon ***Ansell Limited - CFO***

I don't have the figure for you and the delta to our original guidance expectations, but yes, it is a moderate headwind, but offset by the hedging program. And we have -- we've given you both the first half gain on sale -- gain on the hedged book and then our projected second half gain which -- and if you add those together, that's about a $7 million gain in the year, which is mostly mitigating the headwinds from a weaker euro, that's the primary negative driver. We've also seen other revenue currencies weaker as well against the dollar. So the effect is muted into this year. But of course, next year, with no other change in rates, then we won't see that continued hedge gain into next year, so we will need to and will offset that through operational improvement as we expect going into next year.

Andrew Goodsall ***MST Marquee - Healthcare analyst***

Terrific. And perhaps one for Magnus. Just when we are looking at some of these results from the U.S. Industrial supplies in the second quarter, we could see there is a bit of stockpiling, I guess, ahead of tariffs and so on. Just wondering whether you sort of got a bit of tailwind from any of those activities. And then just more broadly, how your deals with some of the companies are going like Fastenal and selling with them?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

So we're very pleased with the development of those partnerships. And Grainger continues to grow nicely. Fastenal has been growing very, very rapidly, well ahead of Fastenal total growth rates. MSC has grown well ahead of their growth rates. And Valin has grown well ahead of their growth rate. So essentially, with all of the top players, we're growing faster than they are in total, meaning we're gaining share with all of them, so we're very pleased about that. When it comes to the year-end, first of all, we get relatively little product out of China, so we would not have been all that impacted by any move to accelerate before tariff or anything like that. But other players were and tried pretty hard to get more product in and so forth, so it might have had an indirect impact on certain customers, but I don't see that being a big factor for any result component here.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Excellent. Next, we have John Deakin-Bell with Citibank.

John Deakin-Bell ***Citigroup Inc, Research Division - Director & Head of Healthcare in Australia and New Zealand***

I was just hoping to get a little bit more clarity on the glove side, on the -- particularly the surgeon's gloves. It looks like it's the second half in a row where surgeon's gloves has grown at kind of 2%-ish this level which is a bit below your longer-term forecast. I mean, is there anything fundamental? Or can you just give us a bit more color around whether we should expect that just to be the new norm going forward? Is that market now just going to be a 2% market or -- because obviously, there's an enormous swing in the EBITDA as a result of the higher example of sales?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Let me start, and Neil can add in. We have had a fairly turbulent development in our surgical business over the last 3 years. Some of it goes back to the issues we had in Melaka, and that's stabilized. And we've seen some up and downs related to customers stocking up more initially to be sure that they had enough product. And then when our service levels come back to par and even better than we have had before, they started to pull down stock levels. So it translated through to a meaningful variability up and down in volumes. That's now all settled, and we're sort of in steady-state activity level with customers around the world. And the focus is now shifting back to the upgrading of customers from latex to synthetics, and we're seeing a more and more focus on that. As you recall, the North America market is a 60%, 70% synthetic market, and we're seeing Europe now starting to copy that with the northern part of Europe looking more and more like the United States in terms of the impact of synthetics, but that is now shifting into Germany and France with more and more synthetics coming into play. So translating that then through to what should we expect, we do expect to see surgical total growth increase a bit from the 2%. I certainly expect it to get into our 3% to 5% range over the coming year or years. And it's going to be driven by synthetic conversion and growth in emerging markets primarily. And we're also seeing more success recently in the U.S. in our ability to take share by working closely with a variety of partners in the marketplace, so we see that market shift in how it does business a bit. And I think we've been quite good at picking the right horses, so I expect that to flow through in the coming year or years. Anything you want to add to that, Neil?

Neil I. Salmon ***Ansell Limited - CFO***

I think those are the key points. And yes, 2% growth sounds more of the same versus last year. But if you dig under and look at the contributors, then they're coming much more in the areas we would want to, and so the contributors are much more positive than the contributors to that same growth rate last year. I mean, the market growth rate is not far off the 2%, but we think we have upside potential, both through continued development of new products and then also we're quite excited about the emerging market opportunity within surgical. So the most important of those metrics within the 2% growth rate of the synthetic growth that Magnus has mentioned and then an improved result in North America where we have made a number of changes with regards to our go-to-market approach. It's still early days, and we hope there's more to come, but we're positive with the progress that we've made to date on that.

John Deakin-Bell ***Citigroup Inc, Research Division - Director & Head of Healthcare in Australia and New Zealand***

Brilliant. Just very briefly, on that Ringers acquisition, just a couple things on that slide that you're saying it's 10x earnings, I imagine that's 10x paying, even that you've paid, what are the cost synergies roughly, and what types of things are they? And also this -- considering it excludes the tax benefit of asset deal, just remind me what that is with respect to the acquisition price?

Neil I. Salmon ***Ansell Limited - CFO***

Yes. So let me cover a couple of the financial aspects, and then I'll let Magnus comment on it more broadly. So in the U.S., depending on how it's structured -- an acquisition is structured, you can get the benefits of an asset acquisition, which we did, which creates an accelerated tax benefit, and that's we paid for in a higher purchase price. But to normalize against acquisitions on a global basis, you should really exclude that as that's a cash return that we'll get. So that's the adjustments that we've made. It's about 10% or so of the purchase price to get to the normalized EBITDA multiple that we're commenting on. The synergies -- I think just beyond the level of specific detail that we expect to give, they are meaningful and they provide a nice boost to current earnings, but it's not -- that's not the primary reason why we're buying the business. It's the organic growth potential that we're excited by, and it's a market that's growing at above average rates. And we think with -- continuing the strategy we've successfully deployed on other acquisitions, we can grow that range of impact gloves in the high single to low double-digit range over several years, and that's -- if we're successful with that, that's where the real value creation will come from this acquisition.

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Yes. And building on that, there are 2 or 3 key drivers of revenue synergy. One is innovation and the design language in Ringers that we like, and we think we can deploy on a variety of Ansell platforms. One is related to specific technologies going into the product, so it's impact protection, so the bumper technology is actually quite interesting, and how we do that and how we deploy that is going to be quite interesting, and we'll talk more about that in coming periods. And then, it's getting into certain verticals where Ansell traditionally has not been all that strong, oil and gas is one of them, but even mining is quite important. If you look at the mining segment, we have mostly competed with a HyFlex-type platforms with no impact protection. A little bit of ActivArmr, but it's been a rounding area in the scheme of things, and this now, with Ringers, opens the door to a much more impactful range of products going into mining and steel and construction verticals where we haven't had a strong focus as a company historically. So that's where you're going to see some synergies. And then the other one is, this is a great little company, but it's a relatively small company, so they did not have global coverage. Ansell does. So essentially, taking this great range of products and feeding it into our 400 industrial salespeople is going to be quite impactful, and so we have high expectations and aggressive plans to drive synergies in both directions, and that's well underway now. And I think we're at meeting 42-or-something like that to identify and capture all of the opportunities.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you, John. Next on the docket, we have Ms. Gretel Janu from Crédit Suisse.

Gretel Janu ***Crédit Suisse AG, Research Division - Research Analyst***

Just firstly, on the organic sales growth forecast of roughly 3% to 4% in FY '19. Can you give us the splits between volume, mix shift and price increases? What are the components of that 3% to 4% guidance?

Neil I. Salmon ***Ansell Limited - CFO***

Yes. It's actually -- there is a lot of noise when you consolidate volume and price up to the group level, so it's not as straightforward of an answer as you would expect. So yes, there's a favorable benefit from pricing there. It's well less than half of that, so it's not a huge contributor because remember, at the same time, we're also giving some price incentives as part of our channel strategy. And those are independent and related to the channel strategy. They in turn are getting a good return, so we're still generating good gross margin dollar growth from those channel programs, but giving up a little bit of price to create a win-win scenario for those customers.

Gretel Janu ***Crédit Suisse AG, Research Division - Research Analyst***

Okay. So then it's still roughly half of that would be volume as well, right?

Neil I. Salmon ***Ansell Limited - CFO***

Much -- well, more than half is volume. Price is a contributor, but smaller -- much smaller than the volume contribution.

Gretel Janu ***Crédit Suisse AG, Research Division - Research Analyst***

And in first half, what was the volume contribution?

Neil I. Salmon ***Ansell Limited - CFO***

So in fact, volume overall was flat in the half, but that's really a misleading figure. It's a mix effect. If you look down more at the product level by product level, volume and price were pretty -- were matched. So the difference between price and volume is mix in the half. Price increase was not a significant contribution to the half's organic growth. So apologies that it's a lot confusing the different components, but hopefully, you can take what you need from that answer.

Gretel Janu ***Crédit Suisse AG, Research Division - Research Analyst***

Yes, helpful. And then just on the raw material prices. So what was the headwind in first half at the EBIT line? And where do you expect that to be for second half '19?

Neil I. Salmon ***Ansell Limited - CFO***

Yes. So it's around the 10 -- impact to nitrile is around $10 million in the half and then another $1 million or $2 million from the other raw materials that have also increased. So we've got a range of outcomes in the second half. I'm not going to give you a specific number. Nitrile has come down, but from here, it probably starts to move up again moderately. And we'd also expect that of natural rubber latex, these are the normal seasonal trends as for natural rubber latex, we go into the wintering season and generally, after Chinese New Year with demand returning, you see some pick up in nitrile prices. So we've got a range of outcomes in the second half, although within a month or 2, any impact in market price changes will be a next year effect rather than a current year effect, a much reduced year-over-year effect, as -- and probably favorable in the second half year-over-year as we'll start -- on nitrile, we're starting to lap the beginnings of the rapid increase as we go through the second half.

Gretel Janu ***Crédit Suisse AG, Research Division - Research Analyst***

So you do actually expect it to be a favorable -- a tailwind in the second half?

Neil I. Salmon ***Ansell Limited - CFO***

On a year-over-year basis, yes, I mean, moderate, but it's not a significant number, but a big difference to that first half headwind, yes.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you, Gretel. Next, we have Mr. David Bailey with Macquarie.

David Bailey ***Macquarie Research - Research Analyst***

Just firstly, just on the contribution of growth brands to total sales in the first half jumped up to 73% from 69%. Just wondering, is that just a function of the growth brands growing nicely? Or is it some product rationalization that went on in the first half '19 as well?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

It's mostly the growth. There's a little bit rationalization that we work on steadily. For example, we are, in the chemical space, gradually rebranding a whole host of chemical product into AlphaTec, so there will be a small impact from those moves. And there's also a little bit of work going on in HyFlex. What we usually do is we show the effect from rebranding as distinct from pure organic, if you will. But when you look at that bar chart showing the 69% to 73%, it will include both effects.

Neil I. Salmon ***Ansell Limited - CFO***

And the only thing I would add, if you look at the IGBU organic growth bar chart, you'll notice a phenomenon we haven't seen for a while, which is the growth from growth brands being almost offset by declines in the maintain and other category. That was a big problem 2 or 3 years ago, and that should largely been addressed over the last couple of years. I would say not to worry that it appears to be a feature again of the half. Those were largely temporary effects, so the Russia decline is largely in the older brands, for example. And then we talked to some destocking effects that we saw in the chemical portfolio, particularly our household gloves sold under brands like Vileda and that's going to normalize in the second half. So there is some specific causes to that, that also influenced the growth brands as a total -- as a percent of the total, but we think they're short-term in nature, and we already see signs of them normalizing as we go into the second half, and that should mean that, that negative headwind from other is back to where it has been the last couple of years, and of course, that's very important to the overall growth formula for IGBU.

David Bailey ***Macquarie Research - Research Analyst***

Got it. That's very helpful. And then just secondly, just on the M&A side of things, is there anything you're seeing in terms of opportunities? Any particular segments where you're seeing more opportunities? Or is there any area of specific focus you might have over the next year or 2?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Yes. There is actually quite a bit going on in the M&A marketplace right now, and we follow all of that. As we said to you in the past, we say no to most of the stuff coming in the door as either not interesting or too expensive or whatever the case may be. But having said that, we're actively working on 4 or 5 different things at this point in time. And there's no specific -- we certainly are looking both at HGBU and IGBU, so that's one observation. And we will have the same kind of thinking as you would have seen in the past, meaning if there is a future Ringers out there, meaning a -- an offering that would complement our range, that would be high on the list. If there is a player in a geography where we want to grow, that will be high on the list. And if there is an opportunity to just scale up and where we would not incur a lot of negative synergies, that would be interesting as well.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you. Next on the docket, we have Mr. David Stanton from CLSA.

David Andrew Stanton ***CLSA Limited, Research Division - Research Analyst***

Just to follow up on David's previous question, can you sort of identify what your acquisition firepower is at the moment as you see it?

Neil I. Salmon ***Ansell Limited - CFO***

I think comfortably within our targeted EBIT -- EBITDA to net debt range. We're looking at mid hundreds of millions as the firepower. The exact number depending on the multiple that we acquire at, of course. But for the right acquisition, we would go above that range temporarily if we were confident that we had the ability to get back down within a short period of time, and we could do that without threatening the Moody's ratings that we talked to. So in sum, I think we have all the firepower that we're likely to need based on the scale of opportunities that we see over the next year or 2. So we're in a good situation to be able to pursue the opportunities we want to, but we don't feel we have to do something, so we will continue to walk away if value criteria or strategic criteria are not strong enough to meet our -- the parameters that we look at.

David Andrew Stanton ***CLSA Limited, Research Division - Research Analyst***

Understood. And second, on market growth in Industrial, in particular in the EU. I'd be interested in what your thoughts are in terms of market growth in Industrial in EU? And also, the lower-than-expected result in EU that you called out. Is it all macro related? Is there effects of competition there? How do you -- and if so, how do you offset that increasing competition, please?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

It is primarily macro related. And it's heavily driven off the automotive industry. As you know, automotive is our biggest vertical. So when automotive is down, we will see the impact of that quickly, and we saw it early in Germany. Germany's biggest export market being China, and a throttling back of car buying in China had a big impact on BMW and Mercedes and Audi, so that translated through fairly quickly. On top of that, they had a couple of self-inflicted wounds in Germany related to the dieselgate issues, so a number of the diesel engine plants were standing still while they secured approvals for their new emission control mechanisms, so that also took some business off the market for a while. And then it sort of spread throughout Europe through the half. And we've seen slowdown in France and in the U.K., in Italy and so forth. So I think we're at a point where the European market is slowing down very quickly. We saw Germany take down their GDP growth numbers from north of 2% to 1.5% or something of that effect. There were some reports indicating 1.1% growth. And -- so it's been quite rapid. And then beyond that, of course, we have the Russia situation that adds insult to injury in the EMEA -- on the EMEA platform, if you will.

David Andrew Stanton ***CLSA Limited, Research Division - Research Analyst***

Kind of to trouble you. It's been -- what do you think market growth rate is then in Industrial in Europe?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

It's probably going to be in that 1% to 2% range depending on the vertical. And of course, what we're doing, as automotive is under more pressure, we redirect the team to focus on other verticals where we see more opportunity. It can be wind power or food or life science or some of those different market segments where we're going to see a continued and better growth opportunities. So that's where the attention is.

Neil I. Salmon ***Ansell Limited - CFO***

So that would be more of the go forward view. And I think we're pretty confident that not only us, but others also saw a decline in demand in the first half.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you, David. And next on the docket, we have Steve Wheen with Evans & Partner.

Steven David Wheen ***Evans & Partners Pty. Ltd., Research Division - Senior Research Analyst***

I just wanted to clarify something that Magnus was talking to with regard to nitrile. I got the impression that based on your comments that the price increases that your team has been able to secure some of the best you've seen, was that specific to Industrial -- or -- nitrile in Industrial, or was it just a general comment?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

It was a general comment, but with perhaps bigger or more immediate effect on the Industrial. And the reason why I say that is, on Healthcare, and especially acute care hospitals, you typically have very little room to take price increases because you're working with 3-year tenders and that kind of stuff, so it takes longer to get the reaction, but -- so my comment was more on where we can act, where we can take action and take price increases. The team did it faster and better than I've seen it done before.

Steven David Wheen ***Evans & Partners Pty. Ltd., Research Division - Senior Research Analyst***

Yes. Okay, that's great. I was -- that's where I was going because it did sound like it was you are able to get it in Industrial, but not in Healthcare, that explains it. Second question I had was, on Slide 14, you're talking to your organic growth on there of 3% to 4% and yet your commentary is saying 3% to 5%. Is there a downgrade to what your original expectations for organic growth is?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

No. And what we're saying is 3% to 5% is our long-term guidance range over several cycles, if you will. Within the 3% to 5%, you're going to see certain years being more like 3% and certain years being more like 5%. And what we've provided you with is an indication of what we expect for the second half of this year.

Steven David Wheen ***Evans & Partners Pty. Ltd., Research Division - Senior Research Analyst***

Okay, great. And on just again, I guess, with regards to guidance, you previously gave some indication around the tariff effect being $0.05 to $0.06 per share. Are you able to sort of update that as to what the guidance currently shows in terms of tariff expectations for the remainder of the year?

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

I mean, we had said that -- when we started the year, we saw a significant risk. It was a big unknown. If you go back to August, we did not know exactly how this was going to play out, whether the 10% was going to be a 25%, whether the 10% or 25% was going to play on a subset of all products or all products. So there was a lot of uncertainty and that's what we guided for. We essentially said, we don't know where this is going to land. It could be a $0.05 impact. We have, first of all, seen the duty impact be less than we thought or feared it might be. And secondly, we've been able to take action to move certain products out of China into Vietnam, into Sri Lanka and so forth, and that is allowing us to control our destiny a little bit better. So the combination of those 2 effects is now saying that we don't see the risk being as big anymore, barring, of course, a total blow up here in the next few weeks and tariffs going to 25% March 1. But even if that happens, it is not a disaster by any means for Ansell because we have very few products coming out of China anyway. And it's going to be a far bigger challenge for most of our competitors than it's going to be for us. So I don't see it being a huge issue anyway.

Steven David Wheen ***Evans & Partners Pty. Ltd., Research Division - Senior Research Analyst***

Okay. That's great. Last one from me. Just with regards to your buyback, I don't think I've seen such a concerted effort on the buyback front from you guys before. And I just wonder what drove that decision to so aggressively buyback in the half.

Magnus R. Nicolin ***Ansell Limited - MD, CEO & Executive Director***

Well, a couple of points. First of all, we did have excess cash to the degree that we haven't in a long, long time. And second, we, obviously, buyback based on an assessment of intrinsic value and so forth. And we do our analysis on discounted cash flow and various other methodologies to come up with what we think is the right level to be active at. And then if you take those factors in combination and also the fact that we had an approved buyback, that was then refreshed, renewed, if you will, with an approval from our shareholders at the AGM, we felt that this was a good time to be active in the marketplace. And hence, we have deployed quite a bit of cash in buyback, obviously, buying, using the best methodologies on when to buy and when not to buy, what days to buy and what days not to buy and so forth. So generally, quite happy with how that program has been executed.

Jocelyn Petersen ***Ansell Limited - VP of Global FP&A, Treasury and IR***

Thank you, Steve. And that actually concludes all the calls that we had on the line. On behalf of Ansell, I would like to certainly welcome you, if you have any questions, please reach out to me, Jocelyn Petersen. On behalf of the team, thank you for your participation and continued interest and support for Ansell Limited. Thank you.