

# CHIEF EXECUTIVE OFFICER'S REVIEW



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Neil Salmon – Managing Director and Chief Executive Officer

## Safety – Our Number 1 Priority

At Ansell, our mission can be summed up as Ansell Protects – and that starts with ensuring the safety of all who work at Ansell.

Our safety strategy is built on:

- 5 points Safety Charter, which defines the responsibilities and accountabilities of all Ansell employees towards safety; and
- a framework of global standards covering High Risk Tasks and core operating procedures dealing with general safety requirements.

The safety strategy comprises three core elements:



The impact of our safety commitment was demonstrated this year, with Ansell recording its lowest total recordable injury frequency rate (LTI + MTI per 100 employees) in 10 years of 0.161. We also recorded a 15% improvement in our LTI rate to 0.051. Gratingly, our teams around the world contributed a staggering 10,511 improvement ideas to mitigate near misses, unsafe conditions and unsafe acts, setting a new trend and exceeding last year almost by 50%.

Though we have a very impressive record compared to companies in our sector, we are committed to improving our safety performance further in FY23.

During the year COVID-19 posed a continuing challenge with heightened transmissibility of the Omicron wave. We continued with screening, wearing masks, sanitation measures and maintaining social distancing across our sites. We also made vaccines accessible to all Ansell manufacturing employees worldwide as a priority.

## Performance in FY22 – Overview

	FY21	FY22	FY22 vs FY21	FY22 H1	FY22 H2	FY22 H2 vs FY22 H1
<b>Sales</b>	<b>\$2,026.9m</b>	<b>\$1,952.1m</b>	<b>(3.7%)</b>	<b>\$1,009.2m</b>	<b>\$942.9m</b>	<b>(6.6%)</b>
GPAD <sup>1</sup>	\$723.6m	<b>\$564.2m</b>	(22.0%)	\$275.5m	\$288.7m	4.8%
Margin	35.7%	<b>28.9%</b>	(680bps)	27.3%	30.6%	330bps
<b>Adjusted EBIT<sup>1</sup></b>	<b>\$338.0m</b>	<b>\$245.1m</b>	<b>(27.5%)</b>	<b>\$111.0m</b>	<b>\$134.1m</b>	<b>20.8%</b>
Margin	16.7%	<b>12.6%</b>	(410bps)	11.0%	14.2%	320bps
<b>Adjusted EPS<sup>1</sup></b>	<b>192.2¢</b>	<b>138.6¢</b>	<b>(27.9%)</b>	<b>60.6¢</b>	<b>78.0¢</b>	<b>28.7%</b>
<b>Statutory EPS</b>	<b>192.2¢</b>	<b>125.2¢</b>	<b>(34.9%)</b>	<b>60.6¢</b>	<b>64.6¢</b>	<b>6.6%</b>
<b>DPS</b>	<b>76.80¢</b>	<b>55.45¢</b>	<b>(27.8%)</b>	<b>24.25¢</b>	<b>31.20¢</b>	<b>28.7%</b>
<b>Cash Conversion<sup>2</sup></b>	<b>60.9%</b>	<b>90.0%</b>	<b>29.2%</b>	<b>59.7%</b>	<b>137.0%</b>	<b>129.4%</b>

1. These non-IFRS measures have been defined on page 18.

2. Cash conversion is defined as a ratio expressed as a percentage of net receipts from operations (as reported in the Group's Consolidated Statement of Cash Flows) to EBITDA. EBITDA – defined as Earnings Before Interest, Tax, Depreciation and Amortisation. Excludes share of profit/(loss) from Careplus joint venture.

The external environment was challenging for Ansell over FY22. The forces that created phenomenal demand for many of our products at the onset of the pandemic were always going to moderate as markets responded and our customers adjusted. As we started FY22 we expected pricing and demand to decline for pandemic related products. However, demand declined more sharply than we anticipated. In addition, COVID-19 impacts on our supply chains and intermittent labour shortages continued to wash through our own operations and those of our suppliers, impacting product supply and logistics as uncertain conditions continued through most of the year.

Accordingly, we updated shareholders in January detailing these circumstances, revising our earnings estimates downwards and adjusting our forecasts. As the second half proceeded business performance stayed in-line with our revised forecasts and on some important measures appreciably improved. Most importantly we saw underlying EBIT margins increase 320bps between first half to second half and cash conversion improve from 59.7% in the first half to achieve 90.0% overall for FY22.

## Performance in 2022 – Business Highlights

### Operations

#### COVID-19 Impacts

- Intermittent shutdowns were experienced at our manufacturing facilities in South East Asia during the early months of FY22 and then again in January.
- Labour shortages especially impacted packaging operations, particularly in Malaysia.
- Widespread delays to shipping lead times and significant freight inflation continued into the second half as global shipping continued to experience pandemic impacts.

#### Geopolitical Developments

- Significant geopolitical challenges emerged with Russia's invasion of Ukraine. We started a review of our operations in Russia as war broke out and ceased taking new orders. This led to reduced sales in the second half. We have now concluded that Ansell's operations in Russia are no longer viable and we have begun a formal exit process. Our operations in Russia contributed ~2% to Ansell's sales in FY21.

- Our manufacturing operations have continued to operate amidst the economic crisis in Sri Lanka, with limited disruption so far thanks to the outstanding efforts of our local leadership team. Our focus is on the safety and well-being of our workforce in Sri Lanka and we have provided monetary and non-monetary support to our workers and their families as they deal with extreme challenges to daily life. We expect to continue this through the coming year.

### Sales Performance

- Healthcare GBU organic growth declined 2.4%. Surgical and Life Sciences continued to deliver strong results, but this was more than offset by Exam/Single Use which saw lower pricing and volumes compared with the prior year which benefited from COVID-19 related demand. The decline in demand for Exam/Single Use early in FY22 was very quick and quite pronounced. Inventory levels built up rapidly ahead of us in the supply chain with new market supply coming on at the same time as demand in the healthcare system started to normalise. Accordingly, our ability to sell through higher priced externally sourced inventory took much longer than expected and in the newly declining price environment our margins weakened.
- Industrial GBU organic growth declined 1.9%. Positive performance from Mechanical was more than offset by lower sales from Chemical Protective Clothing in comparison to the prior year that benefited from COVID-19 related demand.
- If we strip out COVID-19 demand impacts, the SBUs which did not benefit from COVID-19, i.e. Mechanical, Surgical, and Life Sciences, continued to deliver strong growth. Within Exam/Single Use and Chemical we continued to see good growth in our more differentiated inhouse Single Use styles and in our higher end chemical protective gloves and suits.
- FY22 emerging market performance was strong, driven by Latin American and India. Organic sales grew by 6.8%, boosting the emerging markets proportion of total sales from 20.8% to 23.1%.

# CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

## Areas of Significant Progress

### Investment Projects

- Progress was made towards completion of our two large investment projects: the Single Use expansion in Thailand and the greenfield site in India, primarily focused on Surgical products.
- The additional lines added in Thailand supported growth in our in-house manufactured TouchNTuff® Single Use technology where demand remained strong, in contrast to trends seen for less differentiated Exam/Single Use products.
- We have completed the first phase of our India greenfield investment and commenced packaging of Surgical gloves in July 2022. We recently received regulatory approval to commence the construction of the second phase of building manufacturing lines, which is expected to be completed in FY24.

### Net Zero and Environmental Leadership

- In July 2022, we announced that Ansell has committed to science-based reduction targets for Scope 1 and Scope 2 carbon emissions that would see the Company achieve Net Zero by 2040 for its own operations, supported by a mid-term target of a 42% reduction in Scope 1 and Scope 2 emissions by 2030, from a FY20 baseline. Our focus is on long-term decarbonisation within our own operations (Scope 1 and 2), with the limited use of credible offsets to address any residual emissions (less than 10%).
- We also announced Ansell is replacing its water intensity reduction targets with new Water Stewardship commitments to reduce absolute water withdrawals by 35% by the end of FY25, from a FY20 baseline.
- We introduced a number of sustainable solutions for customers including Microflex® 31-103, our first fully compostable glove which is made from a bio-based polymer formulated with natural, renewable materials such as plant-based sugars; and HyFlex® 11-842, with the glove liner being made from 90% recycled nylon, resulting in a recycled content of 30% in the final product and enclosed by plastic-free packaging. We did significant work building an innovation pipeline working with new more sustainable raw materials. We also exceeded our year 1 goals against our new sustainable packaging commitment launched last year.
- We believe it is essential that we take a clear environmental leadership position within our industry and that this will help make Ansell the first choice to form partnerships with end-users, customers and suppliers.

### E-commerce and Digitising Business Processes

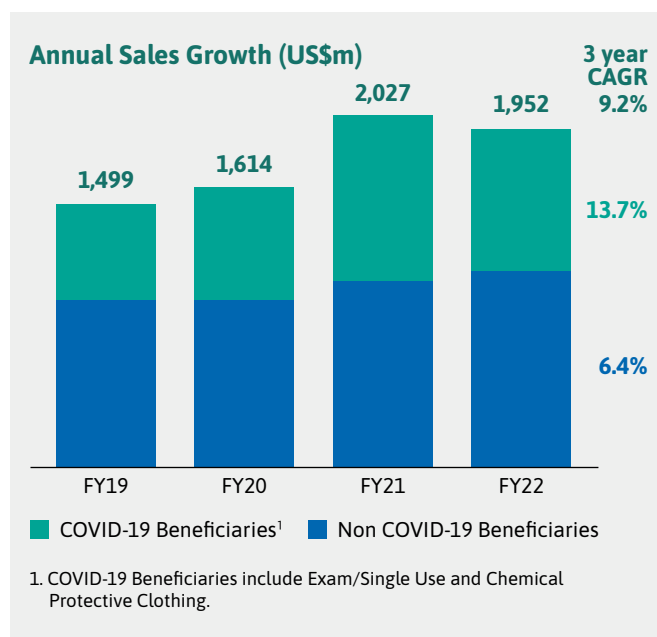
- In 2022 Ansell made broad progress in internal process automation and digitisation of customer interaction, together with enhancing sales and operations planning and introducing new processes to provide total end-to-end supply chain visibility.
- In addition, e-commerce goals achieved included the enhancement of Ansell's website to create a core online marketplace, the support of partner online distribution stores, and success growing our sales through specialist 3rd party e-commerce marketplaces.

## Smart Product Innovation

- Among other material and product innovations, Ansell moved ahead to develop connected PPE during the year. Ansell's Inteliforz™ line will bring together wearable technology and our safety expertise to provide real time data on workplace risks – identifying the right glove for the right task and monitoring and reducing workplace ergonomic and other injury risks. We saw significant benefits realised in pilots with major worldwide customers and we are now focused on commercialising the technology in co-operation with our technology partners.

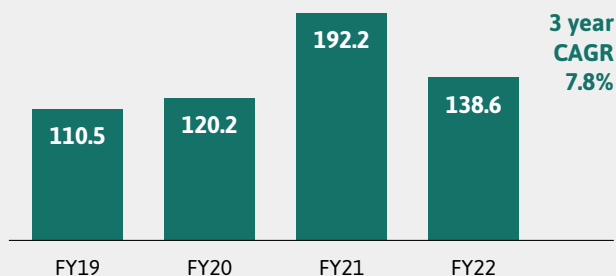
## Ansell's Underlying Trajectory

It is useful to cast back to the period before the pandemic in order to sharpen the focus on the Company's underlying trajectory. At the Capital Markets Day in October 2020 we set our annual sales growth target at between 3% to 5%. From FY19 to FY22 Ansell achieved a compound annual growth rate (CAGR) of sales of 9.2%. Even after excluding the SBUs that benefited from COVID-19 protection demand, Exam/Single Use and Chemical Protective Clothing, the Company achieved an impressive CAGR of 6.4% outperforming the upper end of our previous growth target. It is also important to note that although EPS in FY22 was below the prior year, over 3 years we have grown Adjusted EPS at an average annual growth rate of 7.8%.



A number of factors have contributed to the growth of Ansell over the period. They include the breadth of Ansell's portfolio, the diversity of our end markets and geographic presence, our strong brands and understanding of customer needs, and our manufacturing capabilities ensuring continuity of supply.

## Adjusted EPS<sup>1</sup> (US cents)



1. FY19-FY20 EPS adjusted retrospectively to apply the 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)'. FY22 EPS adjusted to exclude Russia Business Disruption and Exit.

A systematic focus on emerging markets has been an important contributor to Ansell's underlying growth. Emerging markets accounted for 21.0% of sales in FY19, and 23.1% in FY22, with sales growing at a CAGR of 13%. Behind these numbers is Ansell's commitment to growing local sales presence, local regulatory expertise, and strategic customer engagement in emerging markets, underpinned by the offer of a wide portfolio of premium and mid-range products.

Ansell's growth also has been underwritten by significant investment in plant expansions and product innovation. In addition to the major projects mentioned earlier we have also pursued a variety of smaller manufacturing, R&D and commercial innovation investments that have increased capacity of our most differentiated technologies and generated future growth potential from innovation success. These strategic priorities and our investment focus were in place prior to the onset of the pandemic and we made the decision to stay focused on these longer-term priorities rather than make significant changes in pursuit of shorter-term gains.

## Our Leadership

Ansell is a diversified global leader in hand and body protection solutions for industrial and healthcare settings. We are global specialists in our chosen markets where we can leverage our market leadership and sector know-how for competitive advantage.

Ansell's leadership is derived from its degree of integration: we don't just sell gloves – we manufacture them; we don't just sell, manufacture and design gloves or body suits – we design and manufacture the complex materials that go into them. We also market our products, giving us direct engagement with customers.

Ansell comprehensively spans its global niche, and this delivers a stream of exciting opportunities. When customers tell us what they want, Ansell's response is to innovate and create exactly what they need. If they're not sure what they want, we bring our technical knowhow and market experience to bear, our customer success stories on pages 6 and 7 give just a few examples of this in practice.

## For Ansell, leadership is about:

- The expertise to keep those who wear our products safe and productive
- Presence in diverse and growing markets and geographies
- Trusted, market leading brands attached to quality products
- A broad product portfolio with exposure to balanced and sustainable end markets
- In-house manufacturing and innovation capability
- Respecting and protecting the environment, human rights and the communities we operate in

## Sharpening Our Strategy – Sustainable Value Creation

As this report shows, Ansell has maintained a high degree of consistency in our strategic focus, looking through the volatility in demand and pricing for parts of our product portfolio and continuing to advance strategies focused on our longer-term success. As we commence FY23 we will continue with this mindset while we position our business to navigate elevated inflation in raw material costs and wages, an unfavourable shift in foreign exchange rates relative to our US Dollar earnings, and the potential of recessionary conditions taking hold for a period in world economies.

My time with Ansell employees and with customers since becoming CEO has confirmed for me that Ansell's core strategic strengths and sources of differentiation are highly appreciated as sources of value to our global customer base noting in particular our integrated operations, our expertise in developing optimal safety solutions, our leadership in sustainability, and our consistent focus on innovation. Our diverse, passionate and highly engaged global workforce are key to achieving this as is our consistent adherence to financial discipline and a strong balance sheet.

For FY23 I have three main priorities for our business: continued investment and delivery against our longer-term strategies, improved operational effectiveness to create enhanced value from these strategies, and ensuring we are positioned effectively to navigate the shorter-term uncertainties across world markets. These are further detailed in the Strategic Priorities section on pages 16 and 17. As our talented employees continue to create significant value for customers against a consistent strategic focus, I believe we have an excellent foundation to ensure long-term value creation for shareholders.

**Neil Salmon**  
Managing Director and Chief Executive Officer