

15 February 2022

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Ansell Limited

Healthcare

HOLD

ANN A\$25.76

TARGET PRICE A\$28.25

Ansell (ANN) is a leading supplier of protective gloves for use in industrial and healthcare settings, earning approximately 55% of revenue and 65% of operating profit from the healthcare segment. The company holds a large number of patents and the majority of sales come from its key branded product ranges. Ansell has a global manufacturing and distribution footprint and distributes via key partners as well as directly across more than 100 countries.

Company Data

Number of shares	127.8M
Market Capitalisation	\$3,291.7M
Free float (%)	98.9
12-month high/low	\$43.51/25.76
Average Daily Turnover (\$m)	136.699276
% S&P/ASX200	0.154
DDM Ranking	275
% All Ordinaries	0.133
GICS Industry Group	Healthcare

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2022F	2023F	2024F	2025F
Revenue (\$M)	2,841.4	2,829.5	2,927.9	2,958.1
EBITDA (\$M)	512.7	509.2	520.5	497.2
Reported NPAT (\$M)	300.8	299.5	310.0	296.9
Adjusted NPAT (\$M)	302.2	298.9	311.4	315.6
Adjusted EPS (¢ - FD)	233.6	231.2	238.6	231.7
Adjusted EPS growth (%)	-9.2	-1.0	3.1	-2.8
Adjusted P/E (x)	10.5	10.6	10.3	10.6
Dividend (¢/sh)	102.1	104.8	107.0	102.3
Gross yield (%)	4.9	5.0	5.1	4.9
Net yield (%)	4.0	4.1	4.2	4.0
ROIC (%)	11.9	11.4	11.4	10.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Half Year Results - Announcement

On 15th February 2022, Ansell Limited (ANN) announced its Half Year FY22 Results with the following highlights:

FY22 H1 Results Highlight:

- **Sales** of US\$1,009.2m; 7.6% reported growth and 7.5% organic growth
 - Healthcare GBU organic growth of 14.8%. Surgical and Life Sciences continued to perform well. Exam/SU volumes and pricing reduced, although prices remained above prior comparable year;
 - Industrial GBU organic sales declined 2.9%. Positive performance from Mechanical was more than offset by lower sales from Chemical Protective Clothing due to reversal of COVID-19 related benefits;
- **EBIT** of US\$111.0m, reduced 24.3% on a reported basis and 30.6% on a constant currency basis;
- **EBIT margin** declined by 460bps to 11.0%:
 - Although SG&A spend was lower, GPADE4 margin was negatively impacted by some transitory factors;
 - These included having to sell high cost Exam/SU inventory from outsourced suppliers at lower prices, COVID-19 related manufacturing disruptions and higher freight costs;
- **Earnings Per Share** of 60.6¢ down 26.5% on a reported basis and 32.8% on a constant currency basis;
- **Operating Cash Flow** of -\$22.1m, temporarily weaker due to reduced profitability, payment of variable employee costs for FY21 and working capital increase driven by lower payables;
- **Net Debt** of US\$382.1m and Net Debt/EBITDA of 1.0x, maintaining strong balance sheet; and
- **Interim Dividend** of US\$24.25¢ resulting in payout ratio of 40% and consistent with Ansell's dividend policy.

MD and CEO, Neil Salmon said:

"Ansell's FY22 first half results were delivered in a challenging external environment. Given this, I am pleased we achieved respectable organic sales growth of 7.5%.

Sales growth was encouraging across most of our portfolio as we successfully executed on our long-term strategic plans. Surgical and Life Sciences grew above market rates showing the benefit of some important new business wins.

Mechanical achieved respectable growth in a mixed industrial demand environment, delivering very strong results in emerging markets and success with new products."

Earnings changes

ANN has reported Earnings of US\$60.6 cps for 1H22 which compares to market expectations of US\$62.0 cps for 1H22. Hence, we do expect negative earnings revisions of 2-3% for FY22 and future periods.

Valuation

We are updating our 12-month target price from \$31.09 to \$28.25 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

Conflicts of Interest

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	36.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(0.0% of stocks with recommendations are Barclay Pearce clients)