



Australian
National
University

ANU Student Managed Fund

Sell Recommendation

Ansell Limited

ASX Code: ANN

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Notes:

All dollar amounts in this report are Australian dollars, unless specified otherwise.

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Glossary

AAE	– Active Australian Equities
ANN	– Ansell Limited
ANU	– The Australian National University
APIP	– Accelerated Productivity Investment Program
ASX	– Australian Securities Exchange
AUD	– Australian Dollar
CAGR	– Compound Annual Growth Rate
COGS	– Cost of Goods Sold
DCF	– Discounted Cash Flow
EBIT	– Earnings Before Interest and Tax
EBITA	– Earnings Before Interest, Tax and Amortisation
EBITDA	– Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	– Earnings Per Share
ERP	– Enterprise Resource Planning
ETF	– Exchange Traded Fund
EU GMP	– European Union Good Manufacturing Practice
FDA	– United States Food and Drug Administration
FX	– Foreign Exchange
GDP	– Gross Domestic Product
GICS	– Global Industry Classification Standard
IC	– Invested Capital
IOZ	– iShares Core S&P/ASX 200 ETF
KBU	– Kimberly-Clark's former protective equipment business
MoS	– Margin of Safety
NOPLAT	– Net Operating Profit Less Adjusted Taxes
R&D	– Research and Development
ROIC	– Return on Invested Capital
SG&A	– Selling, General and Administrative expenses
SMF	– ANU Student Managed Fund
USD	– United States Dollar
WACC	– Weighted Average Cost of Capital

Portfolio Recommendation

The AAE team recommends that the Student Managed Fund (SMF) sell its entire active position in Ansell Limited (ANN) within the Active Australian Equities portfolio, with the proceeds to be invested in the iShares Core S&P/ASX 200 ETF (IOZ).

Ansell develops personal protective equipment that supplies healthcare and industrial customers across over 100 countries. ANN currently represents 14.16% of the AAE portfolio, against an endorsed target weighting of 10%, leaving the position 4.16% overweight. In FY26, Healthcare accounted for 56% of group revenue, primarily across examination and single-use gloves, surgical gloves as well as cleanroom products. Industrial sales accounted for 44% of revenue, led by hand and body protection for mechanical and chemical environments. Across both segments, the majority of revenue is derived from specialised and branded products, as opposed to commoditised, and are used in applications where safety, performance and product qualification are critical. The resilience of this differentiated portfolio was central to the Fund's original investment thesis at the time of purchase in May 2023 at \$26.81 per share, when the team believed that the market had over-penalised Ansell for its post-COVID earnings correction and underappreciated said resilience. The original investment thesis has largely materialised, although the Fund experienced little capital appreciation for much of the holding period. As recently as 18 May 2026, Ansell traded below the Fund's \$26.81 purchase price, before recovering from a low of \$25.05 in May to \$45.14 by 9 October. Consequently, the majority of the Fund's 78.48% total holding-period return, including dividends, has been concentrated in the past five months. The re-rating accelerated following Ansell's August FY26 result, which delivered record sales of US\$2.14 billion and organic EPS growth of 18.5% (17.8% reported). Ansell's ability to pass through US tariffs and higher input costs more successfully than anticipated reinforced confidence in its underlying earnings resilience. The AAE team believes this recovery, which underpinned the original investment thesis, is now largely reflected in the share price. The team's valuation of \$38.65 implies a margin of safety of -14.39%, suggesting the market is pricing in a stronger earnings trajectory than the AAE team believes Ansell can deliver, leaving the Fund exposed to unnecessary idiosyncratic risk.

Ansell

AUSTRALIA

ASX code: ANN

Price (at 09/10/2026) \$45.14

Valuation \$38.65

Margin of safety (MoS) -14.39%

Dividend yield (2026F) 1.48%

GICS Health Care

52-week range \$25.05 - \$45.90

Recommendation SELL

Key assumptions

Cost of Equity 8.60%

WACC 8.19%

Carbon intensity

ANN 112.23

ASX200 175.21

Five-year share price history



While FY26 results reinforced the strength of the underlying business, as margins rose despite US tariffs and higher input costs, further upside requires the current drivers of profitability to prove durable long-term. This is challenging as the catalysts attributed to the FY26 boost were not entirely structural: underlying volumes have yet to demonstrate a stealthy recovery with recent growth being predominantly price-led, and competition is increasing in specialist categories. The AAE team therefore believes the current price reflects earnings expectations that are not supported by the current operating outlook. Further upside requires not only sustaining the recovery, but also continuing earnings growth and generating margins above levels Ansell has historically sustained. The current market price reflects stronger growth than the AAE team believes is likely without a meaningful fundamental reset. Hence, we recommend the Fund divests its entire active position in ANN and reinvest the proceeds into IOZ.

Investment Thesis

Original Investment Thesis

The original recommendation identified three drivers of long-term value:

- Long term earnings potential backed by a differentiated product portfolio that possesses high ROIC and sustainable margins.
- Extensive history of R&D and a vertically integrated business model, with a track record of innovative products and patents providing a platform for further innovation.
- Strong global presence with organic growth opportunities in emerging markets.

The key risks taken into consideration were:

- The repurposing by Asian competitors of their manufacturing facilities towards diversified products in reaction to substantial losses in the commoditised market.
- Inability to pass input cost pressures onto product prices.

Has the Original Thesis Held?

The original investment thesis has been tested by market conditions and has now largely materialised. Following the Fund's purchase, earnings remained under pressure through FY24 as post-COVID destocking and weaker Healthcare demand weighed on profitability. However, this weakness did not reflect a deterioration in Ansell's product portfolio. As demand normalised, specialist subsegments across mechanical, surgical and cleanroom supported earnings, led by Ansell's five largest brands: Hyflex, AlphaTec, MICROFLEX, GAMMEX and Kimtech. By FY26, these brands represented 58% of sales and generated gross margins 220bps above the group average. The portfolio has therefore sustained stronger margins and long-term earnings potential over more commoditised glove producers, mainly Malaysian and Chinese makers of standard disposable gloves competing largely on price, as the original thesis expected.

Ansell's ability to produce a small portfolio of best-in-class products due to continuous innovation has continued to support growth, although its contribution has narrowed to the Mechanical product range. Mechanical adjusted sales grew 6.7% in FY25 and 6.5% in FY26, supported by the new Ringers impact-protection, HyFlex ultra-lightweight and Precision Comfort cut-protection products, while Chemical sales grew only 0.5% in FY26. Vertical integration also progressed through the Exam/Single Use insourcing program, which reduced outsourced products from 36% of COGS in FY23 to 30% in FY24. This delivered real cost savings by filling Ansell's own factories, where improved manufacturing utilisation alongside APIP savings lifted EBIT margin by 200bps to 14.1% in FY25.

However, further benefits from these drivers are limited. Industrial organic growth slowed from 5.6% in FY25 to 3.3% in FY26 and became predominantly price-led, so continued product innovation has not seen significant volume uptake or lifted underlying growth across the segment. Kimberly-Clark's former protective equipment business (KBU) acquired in July 2024 partly reversed the aforementioned progress. The KBU portfolio of protective clothing for cleanrooms, laboratories and industrial workplaces is largely made by outside manufacturers. Its addition, therefore, lifted outsourced products back to 35% of COGS in FY25 from the earlier

improvement of 30% in FY24. While this did not undo Ansell's own insourcing efforts, it diluted its group-wide benefit after the acquisition. Ansell's FY26 strategy now places greater emphasis on commercial excellence and business simplification, with vertical integration pursued only "where appropriate". Therefore, the AAE team believes the main efficiency gains have been captured and FY26 write-downs of selected manufacturing lines points to surplus rather than constrained capacity.

A strong global presence with growth opportunities in emerging markets, has only partially played out. Ansell's global footprint has supported growth, but that growth has come primarily from the US rather than from emerging markets. Emerging-market sales, which account for ~25% of group revenue, were broadly flat in FY24. Growth accelerated to 7.2% in FY25, which management attributed partly to its reorganised customer units, but by FY26 growth had shifted to the US, where sales rose 10% while management noted weaker conditions elsewhere. Ansell's latest investment in the region, the Kovai surgical glove facility in India, will primarily supply the US and Europe. Emerging markets are therefore now more important to Ansell as a manufacturing base than as the source of growth the original thesis anticipated.

Neither of the two risks identified at purchase has materially impaired the business to date, but both remain intact. Ansell recovered US tariffs through refunds and Middle East-driven input cost inflation through price increases in FY26, but the net effect was moderately dilutive to gross margin. With nitrile prices rising more than 50% in a single quarter of FY26, any cost increase Ansell cannot fully recover would fall directly to earnings.

Competitor entry into differentiated products has not yet impacted Ansell's results. The cleanroom subsegment sales grew 10% in FY26, accelerating to around 17% in the second half, with roughly half of that growth coming from volume. Ansell was therefore able to raise cleanroom prices without sacrificing volume. The risk has, however, been delayed rather than eliminated, as is further outlined in our case for exit.

Given the original thesis has largely played out, we recommend that the fund exits its position in ANN and reallocates funds to IOZ, with the case for exit driven by:

- Predominantly price-led growth
- Limited scope for further margin expansion
- Rising competition in specialist gloves

Case for Exit

Predominantly Price-Led Growth

Ansell's FY26 revenue growth was primarily driven through price increases, as confirmed by management, with full-year sales volumes down relative to FY25. Prices were raised to offset US tariffs and higher input costs, such as nitrile, which increased in price by over 50% in Q4 FY26 following the Middle East conflict. Much of this pricing, therefore, was cost recovery rather than lasting levers. Should tariffs ease, the pricing can easily reverse and cost pass-ons only add to growth for 12 months. Furthermore, if nitrile prices increase further, Ansell's ability to raise prices will be reduced due to the rigid healthcare supply contracts which minimise dynamic pricing, high alternative supply available and the price fatigue affecting the market. The inability to sustain higher prices if input costs decline, coupled with the reduced ability to pass-through increased costs leaves Ansell's revenue growth heavily exposed to sales volume.

Whilst sales volume improved in H2 FY26, this was largely due to Healthcare customers increasing inventory ahead of forecast price increases and is therefore unlikely to repeat. As pricing unwinds, sustaining Ansell's earnings will depend on a durable recovery in underlying volumes that the FY26 result has not yet demonstrated. Furthermore, management has announced plans to prioritise expansion in strategic markets like the US with the most profitable growth potential. While this may increase margins, consolidating brands and product portfolio will come at the cost of volume loss. Focusing on price-led growth at the cost of volume, risks increasing Ansell's exposure to volatile prices, putting long-term profitability at risk.

Limited Scope for Further Margin Expansion

FY26 margin recovery was supported by cost savings benefits that have limited long-term potential. The Accelerated Productivity Investment Program (APIP), a cost reduction program across Ansell's operations, which delivered its target of reducing annual costs by US\$50m during FY26. However, US\$47m worth of these savings had already been realised in FY25, resulting in APIP only adding ~US\$3m in FY26, with the 90bps rise in adjusted EBIT margin to 15% driven largely by a higher-margin product-mix and KBU synergies. APIP has reached its ceiling as its organisational and manufacturing workstreams were completed in FY24-25, leaving only the Enterprise Resource Planning (ERP) upgrade, the savings from which remain unquantified.

The second contributor is a one-off benefit from raising prices before higher tariff and raw material costs had fully flowed through cost of sales. Ansell raised prices to recover ~US\$80m of annualised US tariff costs and again in May-June 2026 after the Middle East crisis drove up input costs, with the resulting timing gain forming part of a US3.30 cents non-recurring EPS benefit, equal to roughly a third of this year's margin improvement. Management has confirmed that this benefit will not recur, indicating that the FY26 margins overstate the sustainable base and aren't reflected in normalised earnings. Management has also committed to passing cost changes through in both directions, meaning Ansell's ability to raise prices can be reversed in FY27 if input prices decline, potentially forcing Ansell to sell higher-cost inventory at lower pricing and reducing its margins.

The remaining identified sources of cost improvement are limited. KBU synergies provide some incremental support; however, Ansell realised only US\$12m of net pre-tax cost synergies in FY26 against its FY27 annualised target of US\$15m. With integration completed, transitional arrangements exited in FY25, and the target already upgraded once from US\$10m, the remaining ~US\$3m reflects final supply chain savings rather than an ongoing source of growth. The next opportunity is the upgrade of Ansell's ERP systems, the software running ordering, pricing, inventory and logistics, which Ansell is consolidating from 16 separate systems into a single cloud-based platform. Management has not quantified the savings expected and guides them to be realised fully only once the platform is live globally. Moreover, this consolidation was delayed while Ansell prioritised its response to the Middle East crisis, which constrained supply and sharply raised the cost of key inputs, requiring repeated price adjustments and drawing management's focus away from the program. Implementation also begins in North America, Ansell's largest market at 43% of sales, so any disruptions such as delayed orders, invoicing errors or shipment hold-ups, which Ansell itself lists as a material risk of the upgrade, would affect group sales significantly. Whilst diverse, these factors result in a reduction in Ansell's ability to generate organic growth, and limit further expansion opportunities.

Rising Competition in Specialist Gloves

Seeking to replicate Ansell's higher-margin returns, competitors have begun manufacturing for and entering the specialist glove market. This threat is most relevant in the US, Ansell's largest market, and in the cleanroom subsegment of the Healthcare portfolio, where sales grew 10% in FY26. Ansell's industry utilisation, the percent of total potential production capacity currently being used, remains between 70 – 80% and competing Chinese manufacturers, such as INTOCO, are increasing their own capacity. This drives downwards supply pressure reducing profitability in the standard gloves market and encouraging established Malaysian producers to move into higher-value categories such as sterile gloves. Kossan, one such competitor, plans to expand cleanroom capacity and acquire a Singaporean distributor, improving access to customers in a category where distribution and qualification have historically constrained new entrants. The planned expansion is increasingly relevant to Ansell due to the cleanroom products comprising 16% of total revenue. Regulation related to cross-contamination, sterile production conditions and chemical safety does create high barriers to entry but doesn't prevent it entirely. Due to the high-buyer power stemming from large contracts offered by hospitals and big businesses, a qualified new entrant does not need to acquire significant market share before undercutting prices and forcing Ansell to reduce prices, compressing margins. This creates a growing

challenge to sustaining specialist pricing and margins over the period in which Ansell would need profitability to remain elevated.

Challenges to the case to exit

Sustained Pricing Power

Ansell's ability to sustain the recent price increase poses a risk that FY26 profitability may prove more durable than the AAE team expects. Ansell successfully raised prices to recover US tariffs and higher input costs without losing a major share of demand, suggesting that customers have been willing to absorb the higher costs.

Some structural factors suggest it is plausible to retain this pricing power. Gloves are a small share of a customer's total costs compared to the cost of failure through injury, contamination, or infection- resulting in reliability being favoured over minimal price savings. CWS, a cleanroom operator, estimates that a shutdown can cost anywhere from €68,000 to €228,000 per day in lost production, discarded batches, and requalification. Sales are also shifting towards these specialist categories, driven by structural demand from the expansion of US pharmaceutical, biotechnological and semiconductor manufacturing which require contamination-controlled environment. Furthermore, operating cash flow rose 62.4% to US\$388.6 million in FY26, net debt fell to 1.3x adjusted EBITDA, and the company currently holds US\$752 million in cash and undrawn facilities. Such balance sheet flexibility provides room for Ansell to continue funding buybacks and innovation and to defend market share if competitors respond. Lastly, Ansell has recovered tariff costs on its plants outside of China through price increases, whereas Chinese suppliers now face a 100% duty on medical gloves entering the US. This narrows the price gap that Ansell faces against cheaper competitors, and limits how far it needs to cut prices. If Ansell retains these price increases as input costs normalise, the resulting margin benefit would improve sustainable earnings.

Resilience of Specialist Product Leadership

Ansell's competitive position in specialist products may prove more resilient to new competition than anticipated. While commoditised glove manufacturers are expanding into higher-value categories such as cleanroom, competing in these markets requires more than additional production capacity. Cleanroom business customers must qualify and validate products and suppliers before adoption, making switching more difficult and extending the time required for new entrants to win business. For instance, pharmaceutical manufacturers typically test three production lots of a new glove before validating it, involving their production, contamination-control, validation and quality teams, and must then update cleanroom operating procedures. Additionally, pharmaceutical and sterile manufacturing is governed by contamination-control rules (for example, EU GMP Annex 1 and FDA expectations). Further, in many facilities, standard operating procedures, cleaning and sterilisation validation, and approved supplier lists name specific products. Even an equivalent glove from a new entrant would need to pass this additional layer of approval, slowing adoption. Gloves are part of a validated contamination-control strategy, so a change can trigger documentation, risk assessment and sometimes revalidation. Lastly, a glove shortage can halt a production line, so buyers value suppliers with dependable supply and multi-site manufacturing. Ansell's global footprint, of 55 distribution hubs, R&D centres and manufacturing facilities spread across five continents and 12 countries, supports this.

Few customers, therefore, will take on these risks to save on glove costs as previously outlined and Ansell could defend specialist market share and margins for longer than anticipated.

Model Summary

Revenue

A 5-year explicit revenue forecast, in line with the original model, was used for the two primary operating segments; Healthcare and Industrial. However, direct revenue forecast by geography

was removed. Instead, geographical considerations were blended into growth rate for the healthcare segment. These considerations were removed from the industrial segment, in line with the AAE team's view that manufacturing volumes are more global and cyclical in nature and variation by geography is insignificant.

The healthcare projections are based on weighted healthcare demand by geography with an overlay for FX effect to account for the broad range of currencies in which revenue is earned. The segment growth is projected to normalise to 3% by the end of the forecasting period from 6.4% in FY27- the FY26 margin recovery drivers assumed to sustain in the near term, continuing to lift revenue, with medium-term growth constrained to reflect the limited scope for margin expansion and structural drivers declining. These projections are broadly in line with the original model's 5-year explicit forecast.

The Industrial segment projections are based on external industrial demand which is projected to be broadly in line with expected GDP growth along with an overlay for FX effects. Growth is modelled to normalise to 2.35% from 3.6% in FY27, slightly lower than the original DCF's projection of 3-4.5%. Combining the two based on respective weightings, yields a growth forecast of 3-5% over the forecast period- similar to the original model forecast of 3-4%.

Costs

Cost modelling remains largely unchanged from the original recommendation, with costs broken down into COGS, SG&A, and distribution costs. COGS are further broken down into each product's composite materials and labour costs. COGS growth was forecast at 4.99% decreasing over the five-year forecast to 2.98%, as growth in the global healthcare sector subsides. In line with FY26 results, adjusted SG&A was forecast at 20.5% of revenue in FY27, rising gradually to 21.2% by FY31, with the team identifying no planned cost-saving initiatives. Distribution expenses, a major factor in Ansell's cost base, are projected to decline 11.5% in FY27 before increasing by 5.6% – 6.7% per annum in the four years following. The major FY27 decline can be attributed to lower freight cost inflation, modelled through consideration of East Asia – US West Coast shipping futures.

WACC

Ansell's cost of capital was estimated using the Equity Risk Bucket method. Falling under the Healthcare Equipment and Services, Ansell is classified as a low-risk business and is assigned an 8.60% cost of equity- benchmarked against SMF's target return of 9.60%. Pre-tax cost of debt used is 6.03%, calculated from the 10-year treasury bond average yield and debt risk premium. Using a marginal tax rate of 24%, as operations are spread out globally, the after-tax cost of debt was evaluated at 4.58%. Finally, a debt-to-equity ratio of 11.50% produces a WACC of 8.19%.

Scenario Analysis

Scenario analysis was conducted to quantify the impact of changes in pricing power, volumes, cost pass-through and execution on Ansell's intrinsic valuation.

The bear case assumes the pressures set out in the Case for Exit intensify further. Healthcare volumes slow as second-half FY26 momentum fades, while rising competition in specialist gloves forces price reductions in both segments, weighted towards Healthcare. Industrial orders are delayed by trade uncertainty in FY27 and FY28, only half of which is recovered later. Ansell also recovers a declining share of input cost inflation (falling from 90% to 75%) while passing cost declines back to customers in full, and additional SG&A costs persist before rolling off by FY31. Revenue CAGR to FY31 falls to 3.0% and adjusted EBIT margin settles at 12.7% by FY31, just below Ansell's pre-pandemic level, resulting in a valuation of \$29.82 and a margin of safety of -33.93%.

The bull case assumes the second-half FY26 volume recovery proves durable, and Ansell continues to realise price increases. Healthcare volumes grow ahead of the base case as cleanroom and exam and single-use demand strengthens. Pricing adds to growth in both

segments without volume loss, and KBU synergies are projected to deliver further savings of up to US\$5m a year. Further, revenue CAGR to FY31 rises to 5.3%, and adjusted EBIT margin reaches 18.0% by FY31, above Ansell's FY21 peak of 16.7%. This results in a valuation of \$49.33 implying a margin of safety of 9.28%.

A full breakdown of scenario assumptions and valuation methodology is available in the Appendix B.

Conclusion and Recommendation

Ansell has delivered a total return of 78.48% including dividends since the Fund's purchase in May 2023, with most of the gains realised in the last 5 months. The materialisation of the original value drivers is now fully reflected in the share price. At \$45.14, Ansell trades above the AAE team's intrinsic valuation of \$38.65, implying a margin of safety of -14.39%. That gap is unlikely to close, as much of Ansell's FY26 revenue growth was driven by price increases that are expected to partially reverse as input costs ease, while the cost savings and one-off pricing gain that lifted FY26 margins leave little room for further expansion. Competition is also building in specialist gloves, where commoditised producers are beginning to target the categories that have driven Ansell's growth. With the bull case offering only a 9.28% margin of safety and the bear case implying -33.93%, Ansell's idiosyncratic pricing and competitive risks leave the Fund at a risk of asymmetric losses against minimal upside potential. The AAE team therefore recommends that the Fund sell its entire active position in Ansell Limited (ANN) and reinvest the proceeds in the iShares Core S&P/ASX 200 ETF (IOZ).

Appendix

Appendix A: Portfolio Fit

Correlation of Ansell Limited Returns against Asset Allocation Portfolio: (as of 9th October 2026)

Correlation: ANN vs.					
IOZ	IEM	VGB	VGAD	VGS	AAA
43.75%	15.92%	35.48%	44.96%	44.25%	-8.56%

Correlation of Ansell Limited Returns against Active Australian Equities Portfolio: (as of 9th October 2026)

Correlation: ANN vs.			
LLC	RWC	SUN	WOR
42.09%	43.65%	19.63%	7.59%

Correlations are based on 5-year monthly returns.

Appendix B: Scenario Analysis

Bull Case: Volume Recovery and Retained Pricing

The bull case assumes the second-half FY26 recovery in volumes proves durable and Ansell retains its recent price increases. Healthcare volumes grow ahead of the base case as cleanroom and exam and single-use demand continues to strengthen, while price increases hold in both segments without volume loss. Having delivered the US\$15m KBU synergy target, Ansell is also assumed to realise further SG&A savings of up to US\$5m a year. Together, these assumptions lift adjusted EBIT margin to approximately 18% by FY31, above Ansell's FY21 peak of 16.7%, yet the resulting valuation of \$49.33 implies a margin of safety of only 9.28%.

Model Changes Impact

- Healthcare volume growth: +1.5% in FY27 and +1.25% in FY28, fading to nil by FY31 (from nil)
- Healthcare pricing: +1.5% in FY27, fading to +0.45% by FY31 (from nil)
- Industrial pricing: +1.0% in FY27, fading to +0.4% by FY31 (from nil)
- SG&A synergies: US\$3m in FY27, rising to US\$5m by FY29 (from nil)
- FY26 to FY31 revenue CAGR: 5.3% (from 4.0%); FY31 adjusted EBIT margin: 18.0% (from 15.2%)

Bear Case: Volumes Disappoint and Pricing Reverses

The bear case assumes the pressures set out in the Case for Exit intensify together. Healthcare volumes slow as second-half FY26 momentum fades, while rising competition in specialist gloves forces price reductions in both segments, weighted towards Healthcare. Ansell recovers a declining share of input cost inflation but returns cost declines to customers in full, and trade uncertainty delays Industrial orders in FY27 and FY28. Productivity gains fall short and integration costs persist before rolling off by FY31. Adjusted EBIT margin settles at 12.7% by FY31, just below Ansell's pre-pandemic level, so the scenario represents the loss of the FY26

recovery rather than a collapse. The resulting valuation of \$29.82 implies a margin of safety of -33.93%.

Model Changes Impact

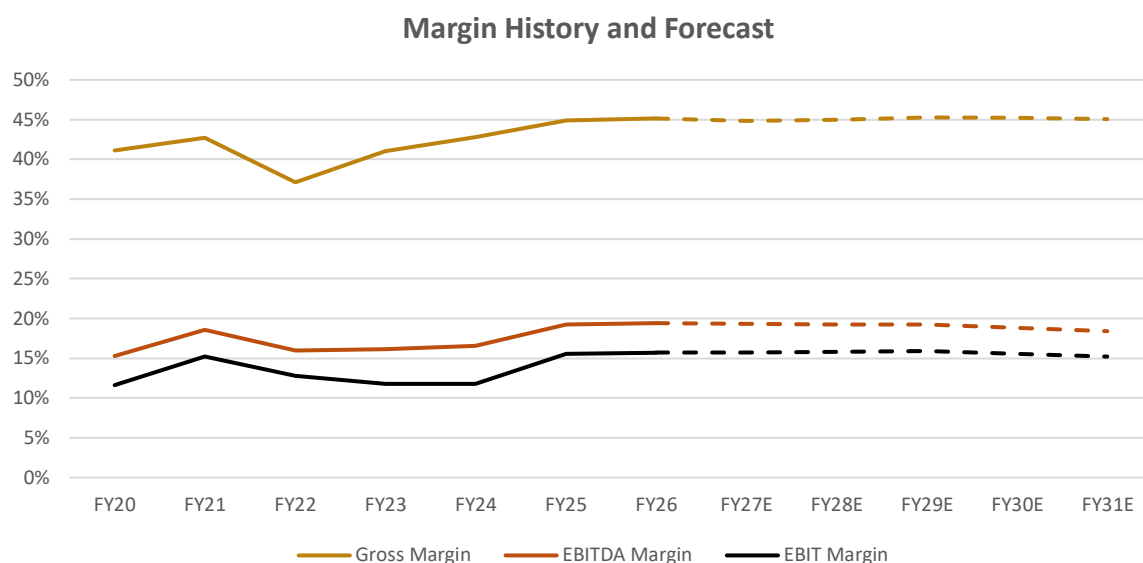
- Healthcare volume growth: reduced by 1.5% in FY27 and 1.0% in FY29 (from nil)
- Healthcare pricing: -0.5% in FY27, -1.0% in FY28 and FY29, easing to -0.5% in FY31 (from nil)
- Industrial pricing: -0.75% in FY27 and FY28, easing to nil by FY31 (from nil)
- Industrial order delays: growth reduced by 2.0% in FY27 and 1.0% in FY28, with half the lost volume recovered across FY29 and FY30 (from nil)
- Cost pass-through: inflation recovery falls from 90% in FY27 to 82.5% in FY28 and 75% from FY29, while cost declines are returned in full (from 100% in both directions)
- Productivity shortfall: 0.25% of COGS in FY27, recovered at 0.08% a year across FY28 to FY30 (from nil)
- Integration costs: US\$8m in FY27 and US\$10m in FY28, then US\$6.7m in FY29 and US\$3.3m in FY30 added to SG&A, rolling off by FY31 (from nil)
- FY26 to FY31 revenue CAGR: 3.0% (from 4.0%); FY31 adjusted EBIT margin: 12.7% (from 15.2%)

Scenario	Valuation	MoS
Bear Case	\$29.82	-33.93%
Base Case	\$38.65	-14.39%
Bull Case	\$49.33	9.28%

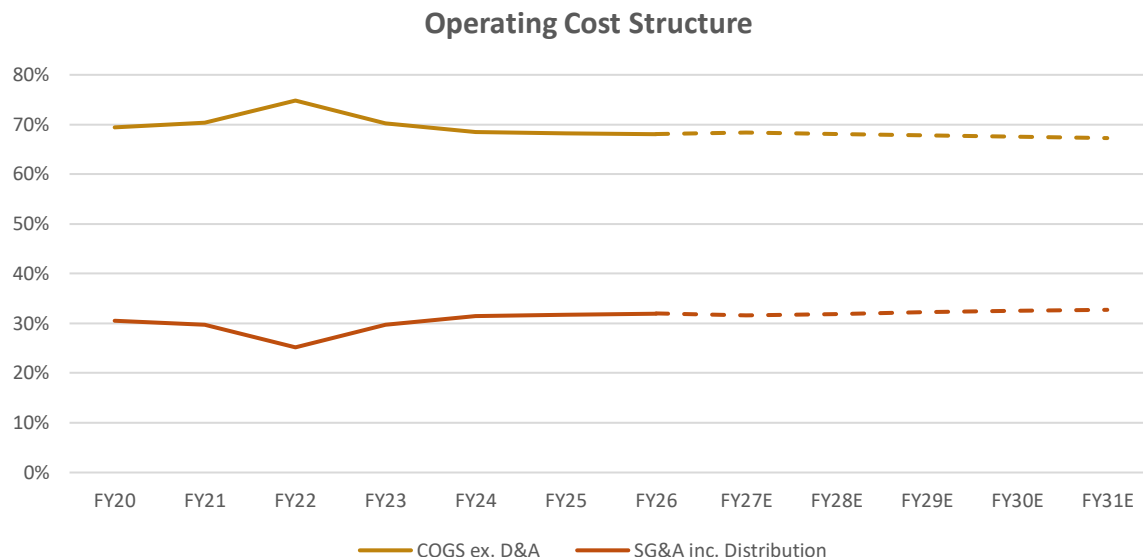
Appendix C: Key Financial Summary (\$ USD)

Financial year (\$ million USD)	2024(A)	2025(A)	2026(A)	2027(E)	2028(E)	2029(E)
Total Revenue	1,619	2,003	2,140	2,234	2,345	2,452
Revenue Growth	-2.2%	23.7%	6.8%	4.4%	5.0%	4.6%
Adjusted EBITA	196	316	340	362	381	402
Adjusted EBITA Margin	12.1%	15.7%	15.9%	16.2%	16.3%	16.4%
NOPLAT	158	265	269	278	293	309
NOPLAT Margin	9.8%	13.2%	12.6%	12.5%	12.5%	12.6%
Invested Capital (inc. Goodwill)	1,970	2,694	2,691	2,681	2,705	2,727
Invested Capital (ex. Goodwill)	845	963	958	948	971	994
ROIC (inc. Goodwill)	7.7%	13.5%	10.0%	10.3%	10.9%	11.4%
ROIC (ex. Goodwill)	16.9%	31.4%	28.0%	29.1%	30.9%	31.8%
Free Cash Flow	250	-459	272	289	270	286
IC Turnover (inc. Goodwill)	0.79x	1.02x	0.79x	0.83x	0.87x	0.91x
Financial year (\$ million USD)	2030(E)	2031(E)	2032(E)	2033(E)	2034(E)	2035(E)
Total Revenue	2,531	2,602	2,676	2,756	2,836	2,915
Revenue Growth	3.2%	2.8%	2.8%	3.0%	2.9%	2.8%
Adjusted EBITA	406	407	419	431	444	456
Adjusted EBITA Margin	16.0%	15.7%	15.7%	15.7%	15.7%	15.7%
NOPLAT	313	314	320	330	340	349
NOPLAT Margin	12.3%	12.1%	12.0%	12.0%	12.0%	12.0%
Invested Capital (inc. Goodwill)	2,751	2,772	2,801	2,833	2,865	2,897
Invested Capital (ex. Goodwill)	1,017	1,038	1,067	1,099	1,131	1,163
ROIC (inc. Goodwill)	11.5%	11.4%	11.6%	11.8%	12.0%	12.2%
ROIC (ex. Goodwill)	31.4%	30.8%	30.9%	30.9%	30.9%	30.9%
Free Cash Flow	289	293	291	298	308	317
IC Turnover (inc. Goodwill)	0.93x	0.95x	0.97x	0.98x	1.00x	1.02x

Appendix D: Margin and Cost structure

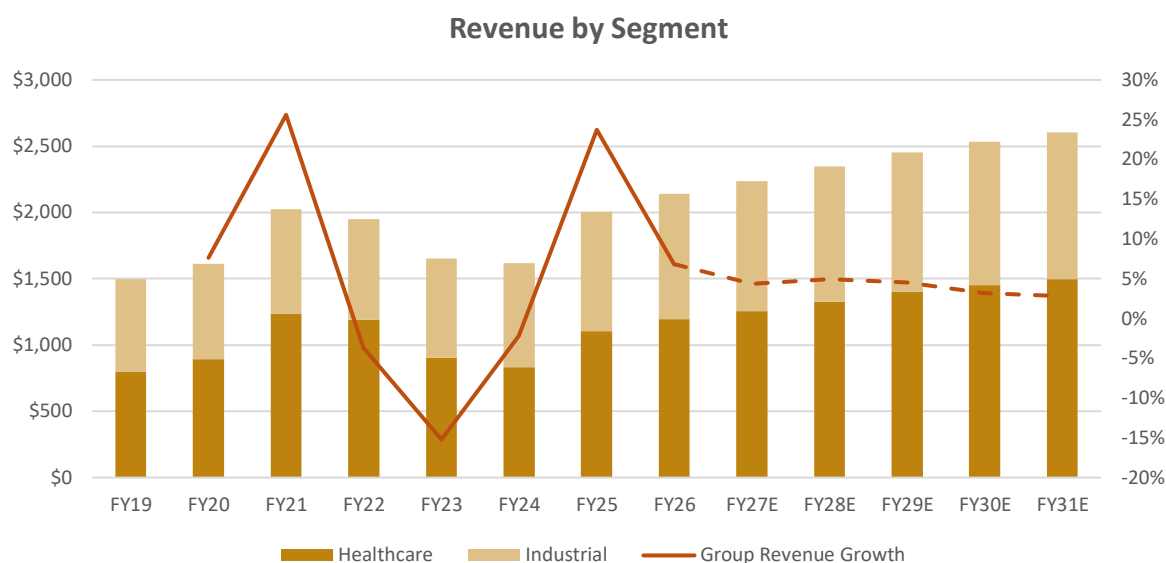


Ansell's EBIT margin held at around 13% before the pandemic and then peaked at 16.7% in FY21 as COVID-19 demand spread fixed costs across a much larger sales base. Customer destocking and elevated raw material and freight costs pushed margin down to around 12% by FY24, before productivity savings, lower freight costs and pricing lifted it back to 15.0% in FY26. The AAE team forecasts margin peaking at 15.9% in FY29 before easing to 15.2% by FY31, remaining below the FY21 peak as the drivers of the recovery have largely been realised.



SG&A, including distribution costs, has comprised between 21% and 28% of Ansell's revenue over the past decade. The lower ratios in FY21 and FY22 (24% and 21%) were temporary: in FY21 pandemic sales growth of 26% outpaced SG&A growth of 18%, and in FY22 SG&A fell by 16%, but the ratio has since returned to 25 - 26% rather than reflecting lasting efficiency. Across FY25 and FY26, it held steady at 26%, with revenue growing by close to 7% in FY26 - suggesting costs have risen in line with sales. The AAE team forecasts SG&A including distribution rising from 25.5% of revenue in FY27 to 26.7% by FY31, as adjusted SG&A fades up from 20.5% to 21.2% of revenue, while distribution costs, forecast separately, fall to 5.0% of revenue in FY27 on lower freight rates before rising to 5.5%.

Appendix E: Revenue Forecast



Ansell's revenue has been shaped by two major step-changes over the past decade. Pandemic demand lifted group revenue by around 26% in FY21, before post-pandemic destocking reversed that gain, with revenue falling 15% in FY23 and returning to its FY20 level by FY24. In FY25, the acquisition of Kimberly-Clark's personal protective equipment business (KBU) lifted revenue by around 24%. The AAE team forecasts group revenue to grow at around 4% a year to FY31, with Healthcare growing faster than Industrial driven by higher global healthcare demand than industrial and rising health standards, and growth easing over the forecast period as the FY26 volume recovery normalises and healthcare demand growth slows.

Figures Behind the Graph

- FY21: +25.6% (US\$1,614m to US\$2,027m)
- FY23: -15.2%
- FY25: +23.7%, with Healthcare up 32%. The KBU acquisition completed at the start of FY25.
- FY26 to FY31 CAGR: about 4.0% (US\$2,140m to US\$2,602m)
- FY27 growth: Healthcare 6.4%, Industrial 3.6% (Management guidance)

Appendix F: Sensitivity Analysis

WACC Sensitivity

WACC	Valuation	MoS
6.19%	\$54.60	20.96%
6.69%	\$49.68	10.06%
7.19%	\$45.47	0.73%
7.69%	\$41.83	-7.34%
8.19%	\$38.65	-14.39%
8.69%	\$35.85	-20.59%
9.19%	\$33.36	-26.09%
9.69%	\$31.15	-30.99%
10.19%	\$29.16	-35.39%

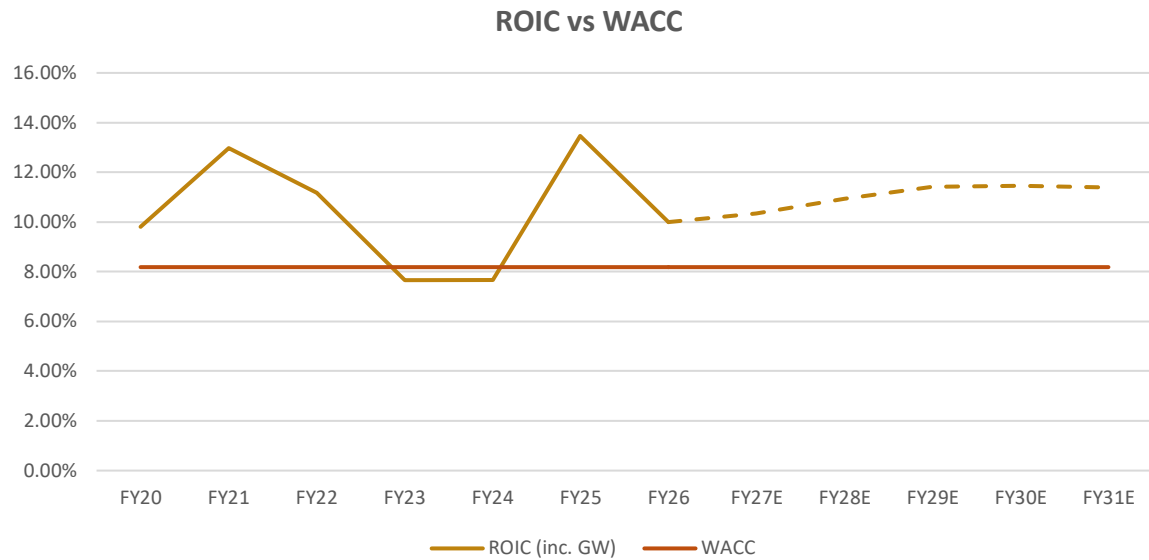
USD/AUD Sensitivity

USD/AUD	Valuation	MoS
1.14	\$30.92	-31.51%
1.22	\$32.85	-27.23%
1.29	\$34.78	-22.95%
1.36	\$36.71	-18.67%
1.43	\$38.65	-14.39%
1.50	\$40.58	-10.11%
1.57	\$42.51	-5.82%
1.65	\$44.44	-1.54%
1.72	\$46.38	2.74%

Cost Pass-Through Sensitivity

Pass-Through	Valuation	MoS
60.00%	\$37.15	-17.69%
65.00%	\$37.34	-17.28%
70.00%	\$37.53	-16.86%
75.00%	\$37.71	-16.45%
80.00%	\$37.90	-16.04%
85.00%	\$38.09	-15.62%
90.00%	\$38.27	-15.21%
95.00%	\$38.46	-14.80%
100.00%	\$38.65	-14.39%

Appendix G: Value Creation



ROIC including goodwill has exceeded Ansell's 8.2% WACC in five of the last seven years. The exceptions, FY23 and FY24 (7.7%), show how sensitive returns are to volume: revenue fell 20% from its FY21 peak while invested capital stayed near US\$2bn, so both NOPLAT margin (11.3% in FY22 to 8.9% in FY23) and capital turnover (0.98x in FY22 to 0.79x in FY24) fell. FY25's 13.5% is flattered by KBU earnings against pre-acquisition opening capital, which then rose 37% to US\$2.7bn by the end of FY25, returning ROIC to 10.0% in FY26. The AAE team forecasts ROIC rising to 11.4% by FY31, driven by capital turnover recovering from 0.79x to 0.95x as revenue grows on a broadly flat capital base, rather than margin expansion (NOPLAT margin eases from 12.6% to 12.1%). The spread over WACC therefore depends on revenue absorbing the KBU capital base: in the bear case ROIC stalls around 9%, only 1% above WACC.

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