



MACQUARIE  
ACN 002 574 923

# Macquarie Private Wealth



## Ansell

### Business Description

Ansell Limited (ANN), formerly Pacific Dunlop Ltd, is a global company providing healthcare barrier protection products. Ansell operates under three divisions: Professional Healthcare - surgical and examination gloves, Occupational Healthcare - industrial market body protection and Consumer Healthcare - condoms and household gloves. Operations span across the Americas, Europe, and Asia Pacific.

### Strategy Analysis

ANN's strategy is focused developing new and innovative products, developing new channels and growing market share. Cost cutting, manufacturing rationalisations, and shifting its portfolio of products towards higher margin items aim to offset input cost pressures. Relocation of manufacturing from the US to Mexico and South East Asia enables ANN to compete at the lowest end of the cost curve. ANN is shifting away from producing commoditised products with no pricing power to producing patentable products which avoid the commodity trap. Revenue growth is typically modest, in response ANN looks for new emerging markets, such as China and Eastern Europe, to lift its mature low-growth sales. ANN is also increasing funds assigned to R&D in order to develop more patentable products, such as the highly successful Hyflex range. Ansell reported NPAT up 27% to \$72.2m for the half-year ended 31 December 2008. Revenues from ordinary activities were \$694.6m, up 12.3% from the same period last year. Diluted EPS was 52.3 cents compared to 39.7 cents last year. Net operating cash flow was \$11.1m compared to \$64.0 last year. The interim dividend declared was 12 cents compared with 11 cents last year. The Company reported that the first half started well with all three businesses ahead of last year. However, late in the half, the rapidly slowing global economy saw the Company's Occupational glove sales come under significant industry pressure. The company expects these difficult conditions to continue into the second half.

08 September 2010

### Recommendation

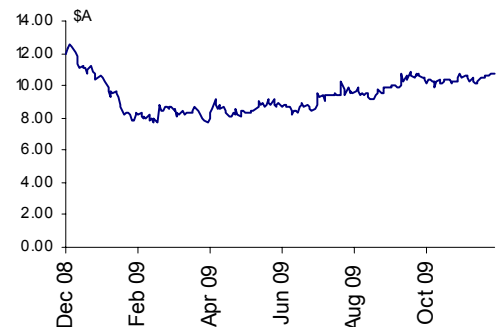
Recommendation: Outperform  
Relative to: All Ind (ex Fins)

### Investment Fundamentals

ASX code: ANN  
Stock price: \$13.37  
Market cap: \$1,759m

Y/E	30/06/2010	2011e	2012e	2013e	2014e
Reported e	\$m	135.1	153.2	182.2	201.6
Adjusted e	\$m	135.1	153.2	182.2	201.6
EPS adjusted	¢	102.6	116.4	138.5	153.3
EPS growth	%	13.4	13.4	18.9	10.7
PE	x	13.0	11.5	9.7	8.7
PE relative	x	1.1	1.0	1.0	0.9
DPS	¢	38.1	44.9	56.6	62.8
Yield	%	2.8	3.4	4.2	4.7
Franking	%	0.0	0.0	0.0	

### Share Price



Source: ASX and Company accounts

### Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Occupational Healthcare	47.4	17.0	10.8	37.0%	4.0%
Professional Healthcare	33.3	17.6	12.2	4.0%	5.0%
Consumer Healthcare	19.3	12.4	10.9	5.0%	7.0%
<b>Total</b>	<b>100.0</b>	<b>47.0</b>	<b>33.9</b>		
<b>Results by Geography</b>					
Americas	43.2	19.0	7.1	Dividend Reinvestment Plan	No
Europe, Middle East and Africa	39.4	35.5	10.7	Shareholder Discounts	No
Asia Pacific	17.5	23.9	23.2		
<b>Total</b>	<b>100.1</b>				

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