HD **Interim 2014 Ansell Ltd Earnings Conference Call - Final**

WC 8,543 words

PD 16 February 2014

SN CQ FD Disclosure

SC FNDW

LA English

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Presentation

MAGNUS NICOLIN , CEO, ANSELL LIMITED : So good morning everybody. Great to be back in Sydney even though the weather could have been nicer yesterday. But I guess you take what you get. It's a good half and we're going to talk about today. Obviously I want to start by thanking all of my 13,000 colleagues around the world for their contributions. It's been a lot of work and it's obviously a lot of extra work when you get heavy into acquisitions, especially bigger ones.

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So let's go through this and get to our Q&A, because that's where we get some of the interesting conversation going. First of all, obviously in terms of the disclaimer this time. I want to remind you that this is the first time we report in US dollars only. So that obviously is the go forward mode for this **Company**. We'll have the set up similar to what we usually do, provide a bit of a background, Neil provide some of the specifics on financials and of course we'll come back to some of the outlook statements.

In terms of the results, pretty solid top line 9%, yes a lot of it's from **M**&A, but nevertheless good momentum in the **Company** generally speaking. Very pleased with the EBIT growth and obviously that translates into pretty solid PA and EPS. The relevant number to look at for EPS of course is to 15%, given that that is with the old share count and we got no benefit for issuing all those shares until we actually closed in January 2.

We are taking up our dividend 8%, which is very consistent with past practice and we now have done this, how many half years in a row David?

UNIDENTIFIED **COMPANY** REPRESENTATIVE: It's about 10 years, so 20 or more.

MAGNUS NICOLIN : Yep, 20 times straight. So, clearly another indication of what this **Company** is able to do. In terms of the environment we work and live in, it's as you know very mixed. We've chosen a couple of representative countries here to, or regions to illustrate the mix that we see clearly. North America getting slowly, but surely stronger. But on the other hand we've seen and we've all I'**m** sure read about some of the weakness in selective emerging markets. Russia has taken a bit of a beating. Turkey, both political and economic issues. Brazil, Argentina and yes, Australia, doesn't look to pretty over the last little while. So this mix is obviously impacting on us everywhere. But we tend to view this as good enough for us to be successful and that's essentially how we're directing our team.

In terms of the positives, a couple of really good things here. We're starting to see our new product development program kicking in to gear. Solid growth in new product sales 20%. But it's early days and as you will see in our commentary we're not entirely happy with all aspects of it. We think we can do better. So we're going to keep driving that one. The Medical business, the biggest positive in the past half. Really solid numbers. In fact probably the strongest medical numbers we've shown for as long as you -- most of you have followed this **Company**. So we're quite happy about that and I think it's a good illustration on what our innovation can do whilst on the medical side.

North America is showing a little bit more momentum, so that's a good thing. Acquisitions clearly two very important ones. You might not think too much about the Korean acquisitions, but it's strategically very, very important to us in that it gives us some new capabilities and allows us to make our high flex business way more efficient. So we're very excited about Midas, BSSI, Substantial will add to our capabilities in North America in a major way. Not just in terms of size and scale but also in terms of capability and we will talk about that in a minute.

Commodity prices remain pretty favourable. Emerging markets continue to grow. Yes some acquisition effects there, but if you adjust out everything it's 5% growth in an emerging market -- market environment that is getting a little bit more challenging.

Head winds. I talked about some of the countries that have been tough. Sexual wellness clearly had a very mixed half. Some good things but also some things that we're not too happy about and obviously are working to address. We have some refinements needed to our NPD and how we get into new verticals in particular. It takes a long time to break into a space where you're not known. And we've spent a lot of time focusing on that and that's now working, for example in oil and gas.

And the gloves you had on your seat when you walked in is a good example of our 9 or 10 strong oil and gas glove range. And remember a year ago or a year and a half ago, we did not have any one of those 10 products in the market. Now we have all of them.

And then Hercules the Brazilian acquisition is progressing quite well. But given that we had an earn out situation we were limited in how fast we could integrate the company and that meant that we couldn't take price increase and various other things that we wanted to do. Now that's behind us. So we feel pretty good about what we can do with that business. So that's the quick summary.

Our red and green charts clearly shows a lot of green. APAC here is very red, primarily driven by Australia. Whereas the Asia part of the region is continuing to grow quite nicely. But across the board some good numbers in most geographies.

In terms of acquisitions we explained this part of the BSSI acquisition that we have three things that we look for in acquisitions. It's either scale, it's technology or it's new geography or new verticals if you want. BSSI is primarily scale and geography, a little bit of technology actually which might surprise you. And we'll come back and talk about that in a little bit. But you can see here how we view the various acquisitions and where they fit into our overall strategy.

In terms of acquisition integration, very happy with how prior acquisitions are being integrated. Many of them are now almost entirely integrated in company operations. So it's getting more and more difficulty to distinguish what was what before the acquisition so to speak and that applies to Comasec for example of APS. But nevertheless as we recreate our business cases and compare to it, we are very happy with the performance of these now older, if I can call something that's 18 month ago old, old acquisitions really solid.

The last two are full speed ahead right now. Midas as I said, very much an opportunity to leverage a strong, very strong manufacturing capability, a strong technology platform that will primarily benefit the HyFlex brand and portfolio. So a lot is happening on that one. And then on BSSI we have numerous taskforces working on integrating BSSI and it's really a best of both worlds approach. This is not a takeover. We are very much aware of the fact that we acquired a very, very strong company with some amazing skills and capabilities and we're making the best of it. So you should expect to see a lot of former BSSI leaders in leading roles in the combined company, because that's just how good they are. But clearly there are some pretty amazing things that Ansell brings to the table as well and that will help BSSI product ranges grow faster and penetrate international markets for example. So, all of that moving along well.

When it comes to NPD, we are now getting into gear quite nicely to get good solid growth from our NPD portfolio. As you know we launched 48 products over the last 12 months or so and that's a dramatic increase on past history for Ansell and we're starting to see the return on that investment. Really good penetration of a number of new accounts and clearly starting to demonstrate that we can drive growth in this Company, deliver sustainable, solid, organic growth with the help of NPD.

And we've given you a couple of examples on this page. TNT our single use range growing very rapidly, using some of the same methodologies or learnings that BSSI had in terms of understanding their user and then develop a variation of a relatively straightforward single use platform to fit with that end user. That's precisely what we did with TNT. And that's why TNT is growing fast and with good profitability. So some good developments there.

On the sexual wellness side, SKYN continues to grow rapidly. We've launched a number of new variants of SKYN. A new softer version for example that is showing early promise.

Having said all that, we're not entirely happy with how quickly this is going. We have high ambitions for NPD and therefore we are fine tuning launch methodologies and how we engage the sales force and how we say focused on fewer verticals, but then use more resources if you will to really penetrate those verticals. So we think that's going to allow us to make this even better going forward.

If we go to the individual businesses -- industrial. Here you see some of the growth in the Mechanical protection, HyFlex not at the kind of growth we want to see, but accelerating through the half. Chemical, there you start to see some really good things happening and the chemical business is not quite as big as mechanical protection, but it's a very attractive segment in the marketplace that we haven't paid enough attention to. Single Use some good results. And overall the business growing reasonably well and profitability wise stable. And we've said this to you many times, we'd rather take stable profitability and faster growth and we're going to see some of that as we go forward.

The products that are making it happen for this category are primarily a range of HyFlex's. They are starting to make really things happen. And we also have a new range of gloves, primarily for the emerging markets that we call EDGE. So we have a full range that we have taken into places like **China**, Russia, Mexico, Brazil. So essentially all of the emerging markets, we see similar needs. So these are bringing if you will HyFlex like capabilities, not quite, but like at a meaningfully lower price point which is critical to convert accounts in those countries.

Specialist markets, some good progress across the board. That with the one big glaring exception of military. And military of course is driven by the fact that we've had essentially no significant military spending by our biggest customer the US military. For a variety of reasons including troop withdrawals and whatever. We've seen similar things with the Australian defence forces and other smaller customers, military customers around the world.

On the other hand, ActivArmr is also our **oil** and gas business and that's where you see a very solid growth. And this is just the beginning of that. Consumer and clothing developing nicely. Clothing of course very important range for us strategically and where we have placed some bets and we're expecting that that will contribute in a significant way to Ansell. In here you see some of the examples on the **oil** and gas range. We elected just to focus on **oil** and gas here just to give you the understanding of the commitment that we're making to the **oil** and gas industry. As we all know it's one of the fastest growing industries in the world and it's growing everywhere. So we now have a full range to service that industry. And I was trying to dedicate sales resources uniquely for the **oil** and gas industry to make sure that we can capture that opportunity.

Medical as I said in the intro, the star performer relative speaking in the past six months. Very solid numbers, 8% up, clearly driven by the Synthetic ranges, both on the surgical and exam side. Two important stories here, one is continued very rapid Surgical Synthetic growth, where we are taking market share everywhere around the world. And on the other side, examination where we are growing again after five or six years of managed reduction or decline. And part of the reason for that is that we have now a dedicated team focusing on it and we have identified a couple of segments and product ranges where we can win, and that's yielding good results.

Finally healthcare safety solutions, good solid growth aided by the tiny **acquisition** that we did in January last year. But that tiny **acquisition** is now growing very rapidly, levering the Ansell sales for us. So we're very happy about that. Primarily, single use sheets for surgical theatres, where we essentially are helping customers turn surgical theatres faster for improved productivity.

So it fits very nice in with our guardian message of protection and productivity at the same time. Here also on the medical side a number of good new products. Sensoprene, which is a totally allergy free surgical product. It's taking off in a variety of markets.

All the way from Japan to North America and Russia and beyond. We've also done a lot of work on the publication side, the education side. So the medical business focuses a lot on getting the message out and training and educating users to achieve an infection free environment. Again, using our guardian approach, we're able to get the message across on how our products and services can help eliminate MRSAs from the hospital environment.

So clearly, a very important part of our communicate efforts. Sexual wellness, as I said, the business where we weren't entirely happy. There were a number of reasons for this. Clearly, as you can see, the tender business, which is always going to be lumpy, having a slower first half.

Expecting a much busier second half, based on committed orders. On the branded condoms, a bit of a destocking situation in Europe, but we expect again a stronger second half also on the branded side. So a lot of focus here, of course, is on SKYN, and on the next page, you now see the full range of SKYN branded condoms.

That is allowing us to get more pegs, if you will, in retail and with more pegs, we see continued solid growth. 17% in the half, which was in spite of some of that overstocking in Europe, where a couple of countries actually did not grow in our sales in, although sales out continued to grow. So that's the story of the different businesses.

I'**m** not going to turn over to Neil to cover some of the financials.

NEIL SALMON , CFO, ANSELL LIMITED : Thanks, Magnus. So a few summary points on the P&L. First of all, as Magnus mentioned, sales were up 9%, with a major contributor to that being consolidation of recently acquired entities. If I normalize for population change and also for foreign currency movements, organic growth was up around 1%.

We saw our higher rate of growth in our three B2B businesses. Just over 2% in the half and approaching 4% for the second quarter. But that was offset by lower sales in sexual wellness, as Magnus outlined.

We're happy to see improving GPADE margin, up around just over 1%, year-over-year. SG&A costs was higher was higher, again primarily from the effect of consolidating the acquired entities. EBIT margin also improved around 120 basis points and overall a 20% improvement in EBIT as Magnus mentioned.

Interest costs higher primarily on the debt put in place to fund acquisitions. Tax spent also higher, partly because of higher profits, but also we had a lower benefit from increased deferred tax assets and other non-operating tax items, as we had indicated in our guidance for the year. So overall, EPS growth at 14% here, or if you pull out the effect of the higher share count in December, 15% EPS growth.

The notes below indicate the major one-offs affecting the half. So we released the earn out provision we had originally put in place on the acquisition of Hercules, but that was offset by higher M&A transaction costs relating to Midas and to BSSI, primarily. Also a higher than normal severance number and then a small gain, in fact, on sale of properties.

Then the FX impact EBIT in the half was also negative by $2.1 million number indicated here. Breaking out the sales in EBIT progression a little bit further and here you can see the acquisition contribution to sales, looking at organic growth. There's just over 2% growth from the medical, industrial and specialty markets businesses offset by the decline in sexual wellness, which was largely a result of destocking, particularly in EMEA.

Looking at the EBIT progression and here again, M&A a significant contributor to EBIT growth, but also strong improvement in GPADE. Looking at the balance sheet now and the main characteristic of the balance sheet was that we had in place by the end of the half the funding needed for the BSSI acquisition, which only concluded on January 2. So with our $900 million cash balance at the end of the half, $615 million was used a couple of days later to pay for that acquisition.

Also, that effect diluted our ROE metric for the half, as we had the equity in place, but will only begin to see the benefit from that investment in the second half. Turning to cash flow, our measure of free cash flow here was moderately lower against the prior period. Stronger EBIT, but that was offset by higher interest expenses I mentioned. Also, a higher tax cash number that's partly a result of the higher profit, of course, but also some timing differences in tax payments half-on-half.

Then working capital was a moderate use of cash in the half versus being a moderate source of cash in the last half year, and that primarily related to higher inventory levels, which would put in place in advance of the NPD roll outs that Magnus was talking about. Next, a comment on our new dividend reinvestment plan. We decided to put this in place to give shareholders an option to receive their dividend in shares, rather than cash, if they choose to do so. Every time we declare a dividend, we will retain the option to either offset the dilutive effect by purchasing shares in the open market or issue new shares.

For this next dividend, we will issue new shares to satisfy any DRP requirement. Still, let me conclude with a few key points on the half from a financial perspective. Very happy with our acquisition progress.

We believe Midas will bring a lot of value to the technology and manufacturing capability of the industrial business. We're very positive on the BarrierSafe acquisition. We think it will be transformative to our North American region and very happy with the EBIT growth that we've mentioned.

A word now on an event in second half, but one that I'm sure you'll be interested in. We did go live in EMEA in the industrial and specialty markets business on our SAP system. As you can see, that was only two weeks ago, so it's really too early to draw any definitive conclusion on how the system is operating.

But at this point, we're happy with the progress that EMEA is making. Challenges; variable and uncertain economic environments. Generally, we were pleased with the development of our developed economies, with the exception, primarily, of Australia.

But we hadn't anticipated softness in the emerging markets, Russia and Turkey being the ones that underperformed versus our expectations. Then a final note on challenges. I think it's a credit in particular to our European team that despite the challenge of their SAP implementation, they've nevertheless been able to remain very focused on also delivering against our growth strategy. So the key elements to our second half performance and beyond will be leveraging those acquisitions, realizing the synergy benefits and making sure that we successfully integrate BSSI without any disruption to the business and then realize the cash flow potential of the combined businesses and, of course, the improving returns that we expect to see as we deliver the benefit that we envisage for these acquisitions.

So now, let me hand back to Magnus.

MAGNUS NICOLIN : Thank you, Neil. So as usual, we will talk a little bit about expectation here. I don't think you're going to see too many surprises in what we have to say. Clearly we do expect continued improvement in North America and we expect the Eurozone to also slowly improve.

Emerging markets will continue to be mixed. There will be emerging markets with amazing growth and others will struggle a bit. So we just need to be quite nimble in how we service them and how we manage individual countries. The MPD sales where we saw good growth in the half, we expect to accelerate further.

We base that expectation on conversions in the marketplace, competitive wins and just the rate of activity based on 15 or 20 principle platforms that the sales force is focusing on. We expect the sexual wellness business to go back to its -- how should I call it -- usual ways of growing nicely half-on-half or year-on-year. So that's a big part of what we expect will come.

We expect medical business to continue to grow, but not at the same high rate that we saw in the first half, so a little bit less than that. We do expect raw materials to continue to remain favourable and remember raw materials are many different things at Ansell these days. Yes, latex is kind of important. Synthetics are getting up there in size, but it's advanced fibres, it's yarns, it's packaging materials, it's plastics.

It's lots of different raw material categories, so it's not all that critical. We're not as dependent as we used to be on latex. We have factored in the Marigold divestment to our partner FHP, which obviously has a couple of one times and some ongoing effects on our accounts.

When it comes to BSSI, we -- as we said when we acquired the **company**, we expected it to be accretive on an adjusted basis immediately, but obviously, with the significant one-time cost for a major **acquisition** and also some of the integration costs, it will be dilutive or slightly dilutive in the first half. But accretive after that. We have provided some guidance on that.

So if you translate that into our numbers, we essentially are reaffirming our guidance of the $1.10 to $1.16 range. Actually, now we continue to benefit from DTAs in the $0.03 to $0.05 range. So that in essence is where we are.

All in all, we're quite pleased with the **company** and what it's doing. It doesn't mean that we do not have areas for improvement and opportunity and acceleration. And we're obviously all over those. But nevertheless, this is a **Company** that has been able to absorb now eight acquisitions over a relatively short period of time and to make really valuable use of those acquisitions in terms of capability, scale, technology and so forth.

So net-net, we are a much, much stronger **Company** and more balanced **Company** than we were three or four years ago. We have some platforms now that will allow us to sustain growth in a more consistent way and going into the future. So that is really what makes us so happy about where the **Company** is today.

So let's stop there and we will go into some question and answer.

Questions and Answers

MATTHEW PRIOR, ANALYST, BOFA MERRILL LYNCH : Thanks, Magnus. Matthew Prior from Bank of America . Magnus, just talking to the tail of the first half and the two quarters within it.

MAGNUS NICOLIN : Yes.

MATTHEW PRIOR: The 4% in the second quarter implies 1% roughly in the first quarter.

MAGNUS NICOLIN : Yes.

MATTHEW PRIOR: Looking at what is within your control versus, I guess, being at the mercy of macro factors--

MAGNUS NICOLIN : Yes.

MATTHEW PRIOR: --you showed that chart of PMI data. A lot of the uptick was actually from first quarter onwards. So I guess what I'**m** asking is, of that 4% second quarter, do you attribute that more to new product success from Ansell, or would you contribute that more to organic factors or maybe lagging in the realization?

MAGNUS NICOLIN : Yes. I think your surmising is really on the spot here. So it's a combination of a delay factor, but the -- perhaps the bigger one at this point in time is the NPD factor. The acceleration through the half of the new product.

MATTHEW PRIOR: Great. Thank you. Just moving on to the 27% of the business that used to be emerging markets--

MAGNUS NICOLIN : Yes.

MATTHEW PRIOR: --can you give us an update as to what that percentage would be roughly now, given -- I think you've given us that stat, 27%. Previously, you've talked to a sharp decline and--

MAGNUS NICOLIN : I think it's about flat at 27%. How do we reconcile that with the 5%? Currency adjusted growth number.

NEIL SALMON : Rounding effect on that, it's similar at around that level. So yes.

MATTHEW PRIOR: No. That wasn't my question, to needle you for the detail. It was more that -- you talk about obviously the sharp decline, how much sense that you have that that's the bottom going into the second half in terms of further weakness that could be experienced.

MAGNUS NICOLIN : Well, you almost had to look at it country by country and Russia is heavily dependent on the **oil** business, obviously. So where the **oil** business goes, that's where Russia goes, at least in short term. Turkey is anybody's guess is what is going to happen from a political point of view.

But if you ignore those two as certainly most of the emerging markets are going to continue to grow at a fairly rapid pace. We have a whole number of smaller emerging markets that are growing very nicely, especially in Africa and some parts of Southeast Asia and so forth. So my personal belief is that emerging markets is going to be a continued source for good growth on average, but with some big swings country to country.

MATTHEW PRIOR: Great. Thank you.

DAVID LOW, ANALYST, DUETSCHE BANK: Thanks. David Low from Deutsche Bank . Magnus, could we just talk a little bit about the Hercules business. I'**m** trying to understand 1) the provision that was taken out and also the comment that you made in the presentation earlier that you held back on some issues there, because of that performance outcome.

MAGNUS NICOLIN : Right. So when you do an **acquisition** with an earn out provision, you have some pros and you have some cons with that kind of a deal construct. The pro is that you have a little bit of a safety valve. If the business does not perform as well as the seller believes it will do in the future, the negative is that it's an insulated entity that you cannot manipulate.

Because then the seller will argue, because you manipulated it, I didn't achieve my earn out. You need to pay it anyway. So that's sort of a part of the story here.

But when he had limited opportunities to take price increase and various other things that needed to happen, given the weakness of the Brazilian real and some of the raw materials being imported and so forth. So those were some of the challenges that we had, but obviously from January 1, we have full control of the business and have taken a series of steps to accelerate the development of the business.

DAVID LOW: Then the decision to unwind it, when did you make that decision? Because of course, that's quite significant relative to the guidance.

NEIL SALMON : A final decision was taken with the half year results, but I think we knew that it was a likely event through the first half. Yes.

DAVID LOW: Thank you. Just one other. The HyFlex sales results, so it's up 3% and you comment on EDGE. Can you talk about what we could expect going forward from that range? Because of course, historically, that was a nice double digit growth driver.

MAGNUS NICOLIN : Right. Our ambition is to get it up way north of the 3%. I'**m** not going to give you a number here. But the market is such for mechanical protection is growing in the 2% to 4% range.

So if that's the market and we should be able to, as an organization, to do a little bit better than that, then I think that gives you a little bit of a flavour for what's possible. I think to sustainability, organically grow at double digit is not realistic, at least not in the short term. Because it would require a massive amount of innovation and some real breakthroughs that competition could not match. Yes.

CRAIG COLLIE, ANALYST, MACQUARIE: Thanks, Magnus. Craig Collie from Macquarie. To just -- on seasonality, if you go back a few years, there wasn't a lot of seasonality in your business, but the last few years, we've seen quite a big skew to the second half. Perhaps, can you talk to, I guess, what is driving that and then how should we think about the business going forward?

MAGNUS NICOLIN : There's always been some seasonality, but you're right. It's been a little bit more in the last few years. Some of it is related to the cycles of product launches and activities, if you will, in the marketplace.

Some of it is related to the mix of countries where we're active. You have seen over the last few years Europe becoming a bigger part of the mix. With Europe, you have a much higher slant to second half.

Why? Because as we all know, Europe pretty much shuts down in August, right? Whereas, in the United States, people take a week of vacation. They're quite happy about that one week.

So it's a bit of a difference and we see that with BSSI, for example. Much, much less skew, half-to-half, than Ansell has. So it's driven by the mix of countries, to a high extent.

CRAIG COLLIE: Then going forward, I mean, sort of, any guide as to what we should expect the split once all acquisitions are -- once they've been done?

MAGNUS NICOLIN : My guess is that it's going to balance out a little bit more on the back of BSSI being part of the portfolio. But it's still going to be slanted. It's always going to be slanted to a stronger second half.

CRAIG COLLIE: Okay. Last question for me on sexual wellness. So that number's a little bit weaker. Can you talk about competition and money competitors, I guess, sorting out some of the operational issues on that.

MAGNUS NICOLIN : Yes. Obviously Reckitt is a more organized competitor these days than they were two or three years ago. That clearly will have an impact.

But apart from that, it's very much driven by new product sales momentum and developing some of the new markets. The other thing I wanted to add, perhaps, is in a country like Brazil, we're seeing a lot of fierce competition at this point in time. For a couple of reasons.

We had three main competitors before Hypermarcas being number one and Ansell being number two. Then a few other local players. Now we have Reckitt jumping into Brazil, as well, paying up big time to buy pegs. So that tends to create a little bit of turbulence in the marketplace.

ANDREW GOODSALL, ANALYST, UBS : Andrew Goodsall from UBS . Magnus, could I just ask you just to come back to HyFlex and just characterize what your sense of that lower growth rate is price versus volume?

MAGNUS NICOLIN : Volume would be higher than the 3% and the reason for that is we're now a little bit more aggressive on pricing, driven by a couple of things. Our plants are becoming increasingly efficient through our (inaudible) and our (inaudible) programs, we're taking a lot of cost out of our facilities. So we're able to be a little bit more aggressive in the marketplace.

In some cases to meet competitor price points or in some cases to convert big accounts and those kind of things, so volume wise, I would expect slightly higher numbers than you're going to see dollar wise.

ANDREW GOODSALL: Perhaps just a question for Neil on just the one-offs and the **acquisition** costs. I guess, just thinking into the second half, what you thought we'd see in terms of things like severance, which I suspect could continue into the second half. Also, just the totals of **M**&A cost, just a sort of rough estimate there.

NEIL SALMON : So I mean, plans on severance always can change somewhat, according to the timing of actions, but included in my indication for moderate diluted effect of BarrierSafe is both the initial one time integration cost there, plus also transactions costs. So we took about a **million** of the BarrierSafe transactions costs in the first half, but the balance -- several **million** is all included in that net calculation of a moderate dilution to UPS in the second half. So not giving you exact numbers, but that's where you sit.

ANDREW GOODSALL: Yes. But there will be some ongoing restructure costs to expect in the second?

MAGNUS NICOLIN : Yes. Clearly, it's a large organization and right now, we have eight different teams looking at how we're going to integrate the organizations. So some of it will be driven off integration of teams and organizations and so forth.

Some of it, in the big part, actually is driven off sourcing better. Getting better rates on sea freights and those kind of things, by leveraging in our significantly higher volume of containers flowing through the system. So our expectation is that there will be some integration costs this year and maybe a little bit into next year. But then, it should largely be done.

ANDREW GOODSALL: And just a final question on margin. Just if you could give me a sense of how much of that margin improvement was actually the commodity costs or improved commodity costs and just, I guess, the headline commodity cost coming to the second half of -- looking lower again, just your thoughts (multiple speakers)

MAGNUS NICOLIN : So we have 120 basis points improvement in total as a **Company**. I'**m** not going to give you a precise percentage, but raw material is a meaningful chunk of that. But equally important is mix, a product range, product mix.

So you have a certain high profitability product ranges growing faster than others. So that obviously contributed and to give you one concrete example, the military business wasn't as profitable as the Ansell average. So the fact that it's declining and other **oil** and gas, for example, are growing will contribute to a steady step up in profitability.

But there are hundreds of little examples like that and -- that will contribute to the 120 basis points.

STEVE WHEEN, ANALYST, JP MORGAN : Yes. Good morning. Steve Wheen from JP Morgan . Just with regard to your guidance, could you just clarify what's included and if there is anything that's excluded from that? As part of that explanation, could you comment on the way Marigold will look or contribute to that guidance?

MAGNUS NICOLIN : Do you want to take that one?

NEIL SALMON : Yes. So Marigold will be again on the **sale** in the second half and you'll see in the accounts that $14.5 **million** is listed as the cash value of the business and $10.5 **million**, I think, that number is listed as the carrying value. But there are some costs also associated with that transaction. So their overall net gain is a little less than that calculation.

That's factored into our second half guidance, specifically on the Marigold. It's a transaction we'd anticipated. We knew that following the Comasec**acquisition**, that this was a likely scenario for us.

So it wasn't the part of the business within Comasec we wanted to focus on. So although it was only finalized more recently, we'd nevertheless anticipated for some time an event, as it's panned out to be. So--

MAGNUS NICOLIN : Offsetting that then going forward would be a slightly lower level of sales and profitability, since we now essentially have sold the brand and a lot of the of the expense to go drive sales to our partner, if you will. Right.

STEVE WHEEN: Okay, and just also on that earn out, where was that allocated in terms of divisions; that just go all into the specialty markets?

NEIL SALMON : Yes, I think we went -- no, has it gone through the second allocation, David, on the -- the way we do the -- I'll have to check that and come back to you.

UNIDENTIFIED **COMPANY** REPRESENTATIVE: I think we kept it corporate but...

NEIL SALMON : Yes.

STEVE WHEEN: Sorry, what was that?

NEIL SALMON : I think we kept it at corporate at this point.

STEVE WHEEN: Just not in -- it's not in the divisionals.

UNIDENTIFIED **COMPANY** REPRESENTATIVE: I don't think so.

NEIL SALMON : Great. Yes.

STEVE WHEEN: Okay, thanks.

IAN ABBOTT, ANALYST, GOLDMAN SACHS : Hi, it's Ian Abbott from Goldman Sachs . Just a question on the cash flow. If you look at net receipts just in the cash flow statement, net receipts from customers about $65 **million**, EBITA around 91%. Just wondering what the bridge to those amounts would be.

NEIL SALMON : Sorry, can you say again the question?

IAN ABBOTT: Just in the cash flow statement, the net receipts is $65 **million**, I think, and the EBITA you've reported is around 91%. I was just wondering what the -- how you get from those amounts, what would be the balancing items?

NEIL SALMON : Well, I mean mainly it'll be the increase in working capital that we saw in the half and that's primarily high inventory levels, as I mentioned. So now we do think the inventory level we have at the half year is higher than the right sustainable level for the business and we have plans in place to address that but on a gradual basis over the next -- well, some improvement in the second half and then, going forward, optimising inventory levels remains the focus for the business.

IAN ABBOTT: And just to confirm the tax rate, would think would continue around the same rate for the second half?

NEIL SALMON : Yes. I mean, underlying tax rate is 17%, 18% and then you adjust for the DTA that we've indicated to get to the book rate, yes.

IAN ABBOTT: Great, thanks.

ZARA LYONS, ANALYST, CLSA: Hi, Zara Lyons from CLSA. I noticed in the sales there was $49 **million** in **acquisition** revenue or acquired revenue. Can you explain what's included and what's not? Because I'**m** just trying to understand, is Hercules all 100% in that one and not in the prior period versus Comasec , is it half --

NEIL SALMON : Yes.

ZARA LYONS: -- a quarter and so on? Can you explain the numbers?

NEIL SALMON : Comasec , we acquired October 1 last year so we had one quarter of **acquisition** benefit for Comasec and then Hercules we had six months and then the third piece is the PSP **acquisition** and Medical much smaller, but that also we had a half year additional benefit from that.

MAGNUS NICOLIN : And then Midas.

NEIL SALMON : Yes, Midas actually yes. That closed November 1, so we had two months of Midas sales as well. Yes, thanks Magnus.

MAGNUS NICOLIN : Portions of four acquisitions.

ZARA LYONS: Clear. Also, on the dividend payout policy, given that the EPS split first half/second half was going to look like on your mid-point of guidance, 44%, 56% -- should we be thinking about the DPS split in the same way going forward or -- and I suppose the question is what's the current guidance on dividend payout ratio, please?

MAGNUS NICOLIN : We have a policy that we've had for many years and I think it says 30 to 35 or something like that.

UNIDENTIFIED **COMPANY** REPRESENTATIVE: (Inaudible - microphone inaccessible)

NEIL SALMON : We've generally maintained dividend growth growing in line with earnings and so that's, in any particular year, it may not be that exact equation and certainly our primary allocation of capital will remain on the growth strategy. So both **acquisition** and then also capital investment we were very positive about the productivity and returns available to us from (inaudible) capital investment on EBIT growth. So, while we want to maintain a steady dividend growth as we have done for a long time, primary allocation accounts for this is to the growth strategy.

WILL DUNLOP, ANALYST, CREDIT SUISSE : Will Dunlop from Credit Suisse . With raw materials' prices dropping, are you expecting a commensurate decline in your sales prices or do you think margins will continue to expand into the second half?

MAGNUS NICOLIN : We are taking prices down selectively. Obviously our mission in life here is to hold onto them as long as we can but nevertheless, we have seen a price reduction effect and we'll continue to do so. In some cases it's even proactively driven by us in the interest of capturing volume or share or strategic accounts or whatever the reason might be. So yes, you should expect top line to come down, not quite in line with COGS but not too far from it either. Certainly over a longer period of time that would be the case. Clearly you will have temporary effects flowing through.

NEIL SALMON : We're not necessarily expecting significantly further reductions in raw material costs, more remaining at the first half level which is favourable to last year.

WILL DUNLOP: Thank you. Also, at the last result you spoke to increased competition generally, I think more in the industrial division. Could you just give us an update on where you're seeing competition now, perhaps in your more developed markets in Europe and US?

MAGNUS NICOLIN : We have a set of four or five key competitors in the industrial space. We have three or four on the surgical side of the business and we have essentially four on the sexual wellness side. On the sexual wellness side it tends to be fairly regional. Reckitt is mostly global and Church and Dwight is almost exclusively North America. Hypermarcas is only Brazil and Okamoto is only in **China**. So it's a bit of a mixed bag there. When it comes to the medical space, it's also kind of regional, where (inaudible) is playing a role in Europe and Cardinal is playing a role in North America. Medline is a little bit here and there, so it varies and then (inaudible) are fairly global expect not so much in Asia. Industrial, we have people like Honeywell and (inaudible), ATG and others who tend to play a role in selected markets. Ansell is always the most global player and obviously it's really helpful to us when it comes to especially serving global accounts who cannot get service even from Honeywell on a global basis in gloves. So, that's obviously how we're leveraging our globality, if you want.

WILL DUNLOP: Just a final follow up. Are you seeing a change in competitive dynamics? Are your competitors becoming more aggressive or less aggressive?

MAGNUS NICOLIN : Not since we talked last time.

WILL DUNLOP: Sure.

MAGNUS NICOLIN : But yes, it's an active, competitive marketplace and clearly we have stepped up our game with the innovation. We've added to our sales force in a number of countries and we continue to roll out an enhanced guardian. We have a number of tools in our toolbox that are quite unique and for that reason we think we can win these kinds of battles most of the time.

UNIDENTIFIED **COMPANY** REPRESENTATIVE: You have a call on the line from Bruce (inaudible).

MAGNUS NICOLIN : Bruce, are you with us?

UNIDENTIFIED PARTICIPANT: Hello.

MAGNUS NICOLIN : Yes, we hear you.

UNIDENTIFIED PARTICIPANT: Okay, just my first question was on guidance. Clearly you've reiterated guidance but there's a bit made of the impact in terms of the weather in North America in January and February. I just wanted to get a sense for what you saw in terms of those impacts on the North American business.

MAGNUS NICOLIN : Yes. Weather sounds like a really bad excuse, right, but the fact is with the weather in North America, we have closed our office now five or six days this year; closed, meaning virtually no activity. We have seen many of our customers do the same thing, where essentially they can't ship, they can't receive and users can't run the plant, et cetera. So yes, it does have an impact and some of that impact is going to be recovered through February, March I'**m** sure. Some of it I'**m** sure will be lost forever, so to speak. So, there is some small impact. We haven't even attempted to quantify exactly what it is and what businesses and those sorts of things but we've seen it in some numbers some weeks where the snowstorms were particularly bad.

UNIDENTIFIED PARTICIPANT: Okay, so the guidance range doesn't include the impact of weather or it does?

MAGNUS NICOLIN : The guidance range includes everything we know of so it's our closest to pin on best estimate as to what's going to happen.

UNIDENTIFIED PARTICIPANT: Okay. My second question was just on the sexual wellness. If I unpack the $5 **million** on your inventory destocking, your sexual wellness top line growth was flat. Could you, perhaps, just comment on what you think the market growth is given the competitors' -- some of them -- your competitors have commented and it seems to suggest they've probably picked up some share in that space?

MAGNUS NICOLIN : Well, we actually have just completed a fairly detailed market share analysis in the top 15 countries around the world and based on that, we have not lost share in the aggregate. We have picked up share in some countries and lost half a point, that kind of level, in some countries. So net-net we did not lose but I'**m** not sure what some of our competitors are relying on and whether they are referring to the same 15, 20 countries or just one country and so forth. So it's a function of that.

UNIDENTIFIED PARTICIPANT: Okay, thanks.

DAVE STANTON, ANALYST, CLSA: Dave Stanton from CLSA. I just wonder if you could give us some colour around what you think your **acquisition** firepower is going forward and perhaps some comments around management appetite for further acquisitions given you've done four, I guess four large ones, that impacted this half. Thanks.

MAGNUS NICOLIN : Right now focus is on integration, managing the acquisitions we've made really well and that is occupying us quite nicely. I think my team would say I can't take any more work hours and enough is enough and comments of that nature. We are focussing on what we now own and to make sure that we get the benefits out of them and deliver the business case or better on each and every one. It doesn't mean that we don't keep our eyes open and if there are some really attractive smaller opportunities then we would look at it. But clearly the focus is on driving the core business at this point in time.

Well, I want to thank you all for joining us today and for those of you on the phone, thank you. It's a great **company** and it's moving along quite well. We're not done yet so more to come. Thank you everybody.

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