

smiths

PIONEERS OF PROGRESS

Smiths Group plc
Interim Results FY2023

24 March 2023

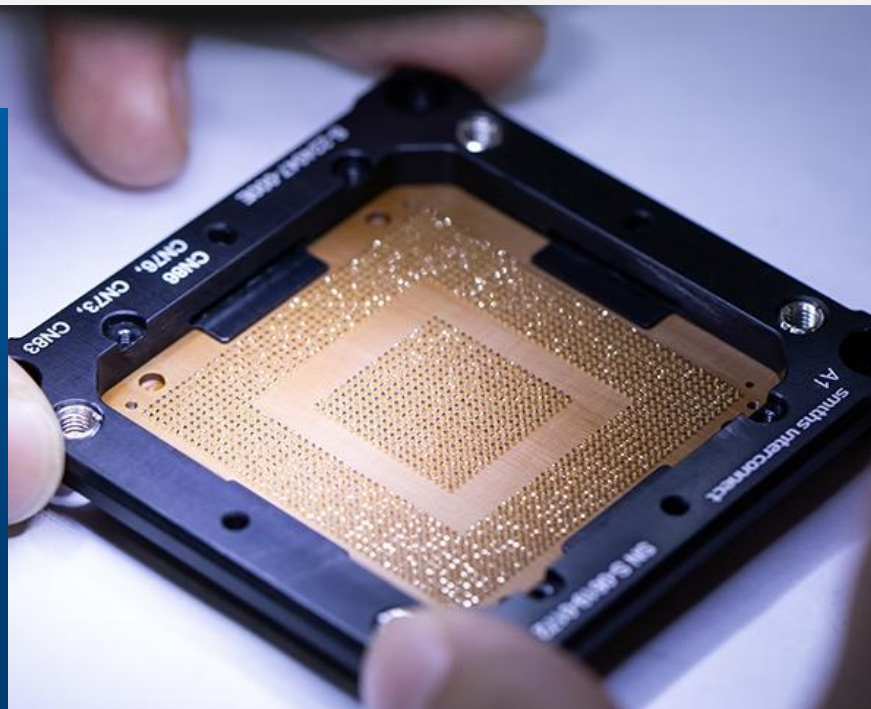


Improving our world
through smarter
engineering

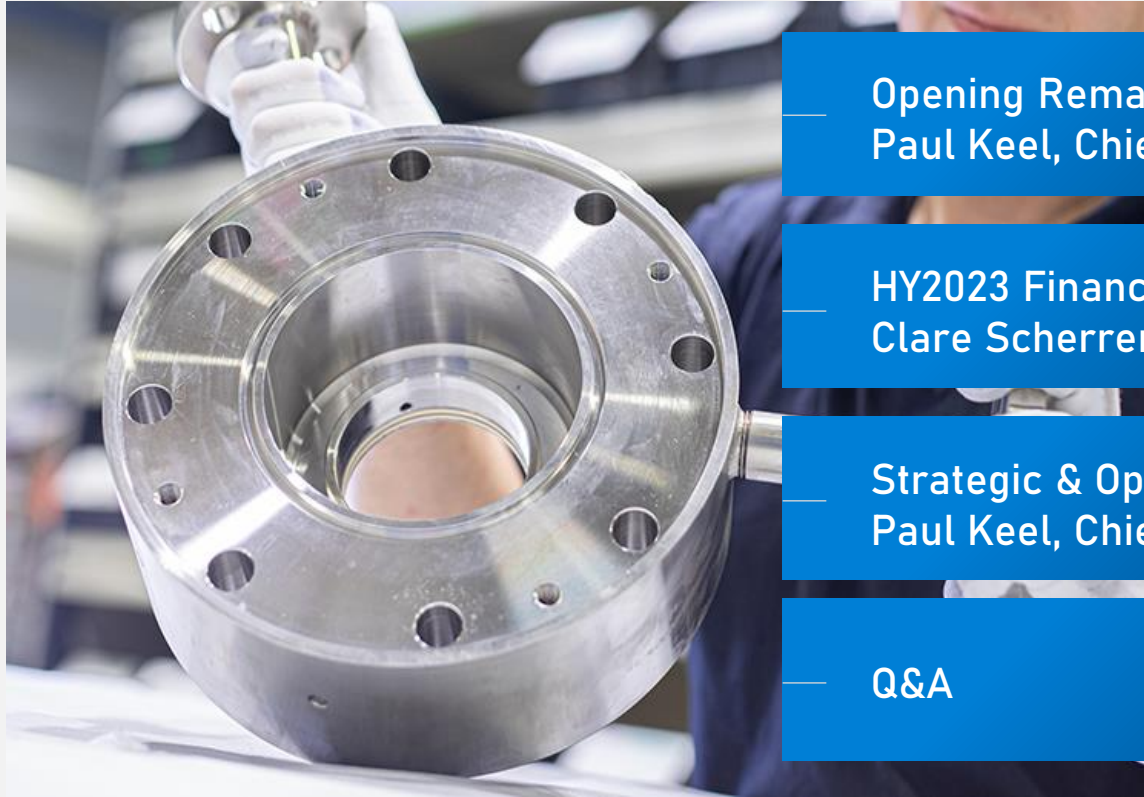


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This presentation contains certain statements that are forward-looking statements. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs and/or current expectations of Smiths Group plc (the "Company") and its subsidiaries (together, the "Group") and those of their respective officers, directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. The Company and its directors accept no liability to third parties. This presentation contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.



Agenda



— Opening Remarks
Paul Keel, Chief Executive Officer

— HY2023 Financial Results
Clare Scherrer, Chief Financial Officer

— Strategic & Operational Update
Paul Keel, Chief Executive Officer

— Q&A

HY2023 – Material progress resulting in higher performance



Growth

Record organic revenue growth¹ of +13.5%; reported growth of +25.6%; record EPS growth of +52.1%

FY guidance raised again to at least 8% organic revenue growth with moderate margin improvement



Execution

+20bps operating margin improvement to 16.1% and ROCE expansion of 120bps to 15.2%

Smiths Excellence System (SES) making a visible impact; annualised profit contribution now tracking over £25 million



People

Multiple initiatives underway to advance our inclusive, high performing culture

ESG progress continues at pace including publication of inaugural Sustainability Report

Higher performance enabled by accelerating growth, improving execution, and investing in people

Smiths Value Engine

OUR PURPOSE



PIONEERS OF PROGRESS

Improving our world through smarter engineering

OUR STRENGTHS



World-Class Engineering



Leading Positions in Critical Markets



Global Capabilities



Robust Financial Framework

OUR PRIORITIES



Growth

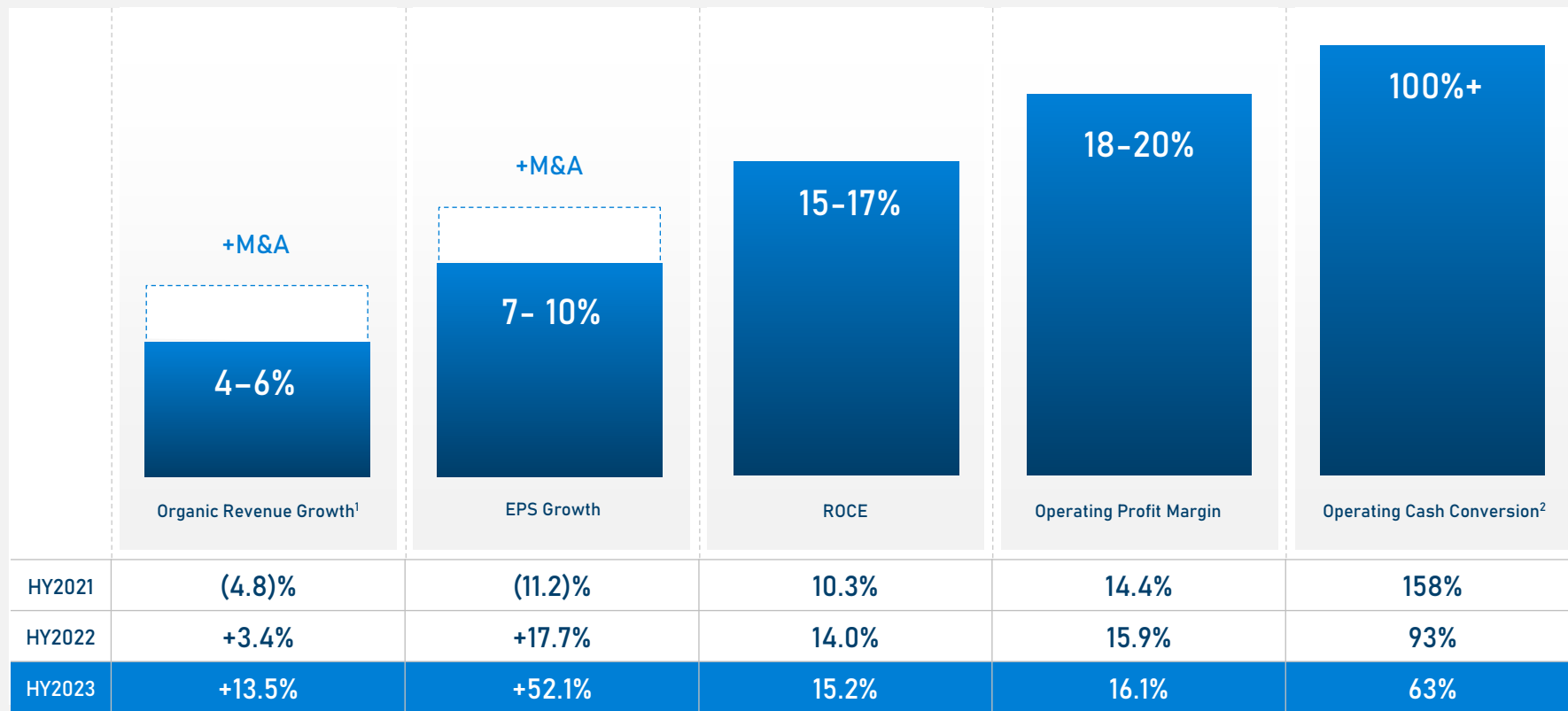


Execution



People

Significant progress against 4 of our 5 medium term financial commitments



Introduction

Chief Financial Officer

Clare Scherrer



HY2023 – a strong start

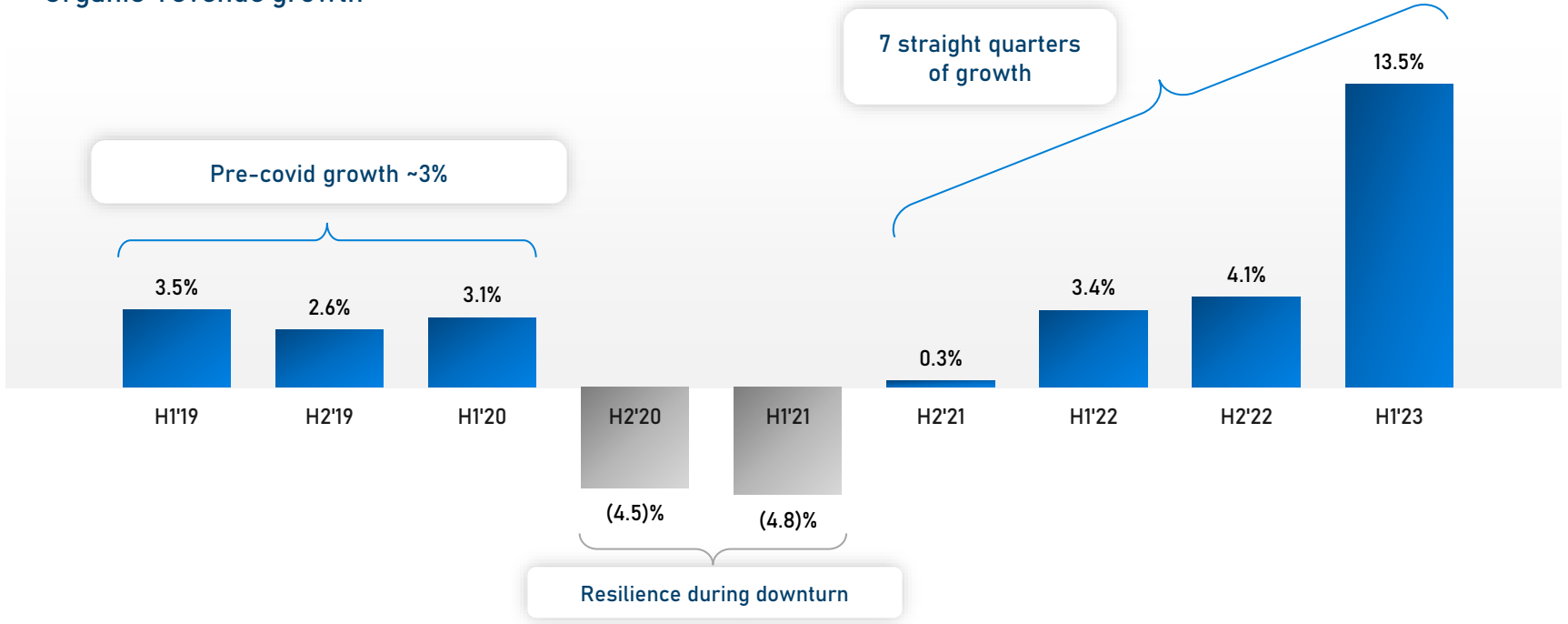
	HY2023 ¹	HY2022 ¹	Reported change	Organic change ²
Smiths Group				
Revenue	£1,497m	£1,192m	+25.6%	+13.5%
Operating profit	£241m	£189m	+27.4%	+12.7%
Operating profit margin	16.1%	15.9%	+20bps	(10)bps
Basic EPS	46.6p	30.6p	+52.1%	
Operating cash conversion ³	63%	93%		
ROCE	15.2%	14.0%		
Dividend	12.9p	12.3p	+5.0%	

Summary:

- Record revenue growth, equally balanced between price and volume
- Strong operating profit growth
- Record EPS growth
- Cash conversion reflecting continued investment in growth and securing supply
- Good ROCE expansion driven by profit growth
- £241m of capital returned to shareholders

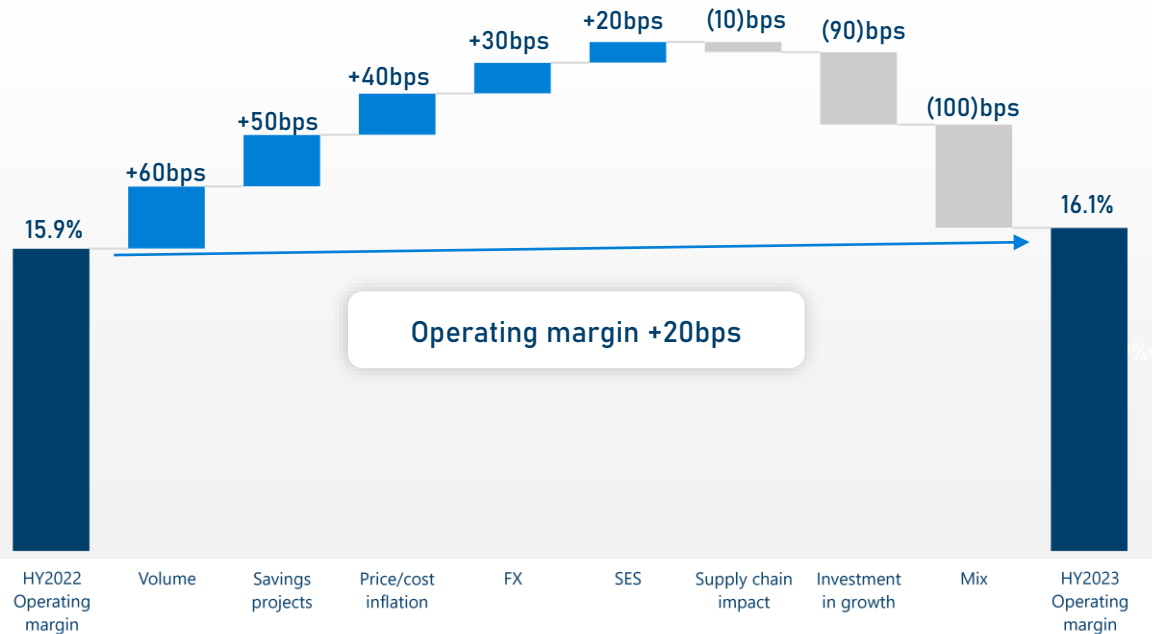
Record organic revenue growth

Organic¹ revenue growth



Moderate operating margin improvement

Operating margin (%)

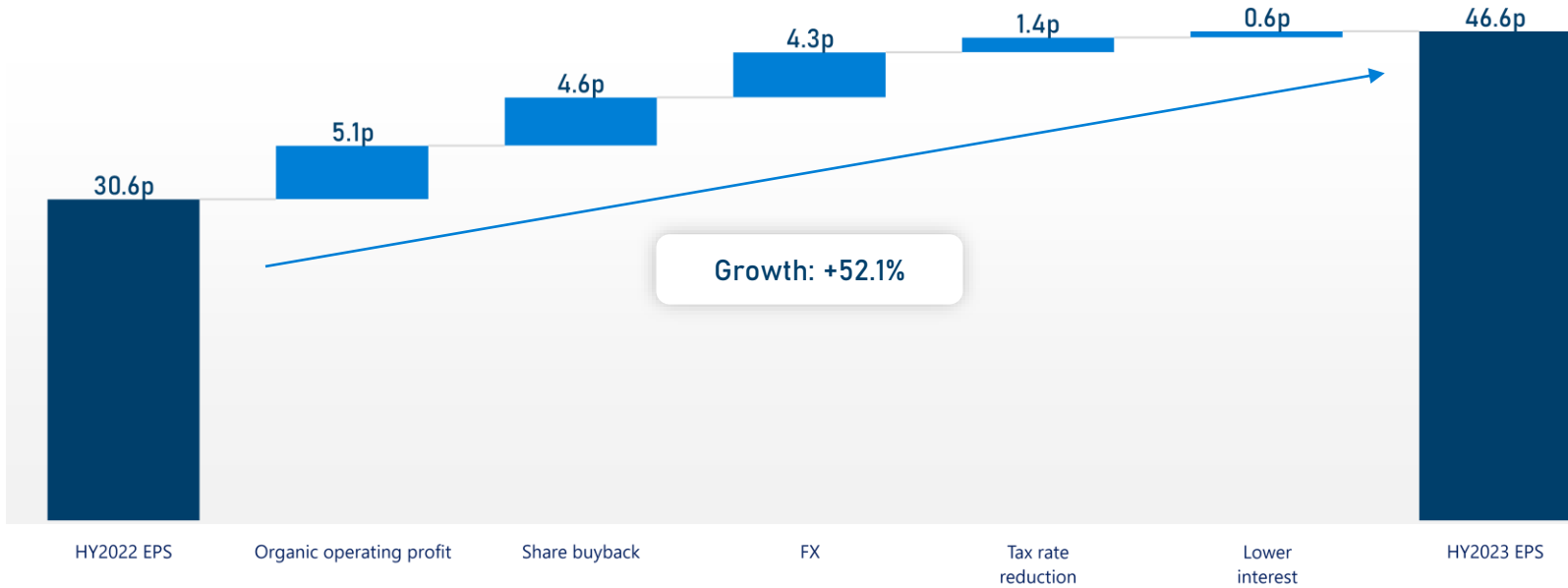


Summary:

- Margin expansion
 - Scale economies from increased volume
 - Savings projects to fund growth investment
 - High-value model capturing price in excess of input inflation
 - Impact from SES scaling
- Margin compression
 - Investment in growth (e.g. capacity expansion to service strong demand, new products)
 - Continued supply chain impact in parts of the business
 - Product mix (e.g. OE growth in Detection even faster than aftermarket growth)

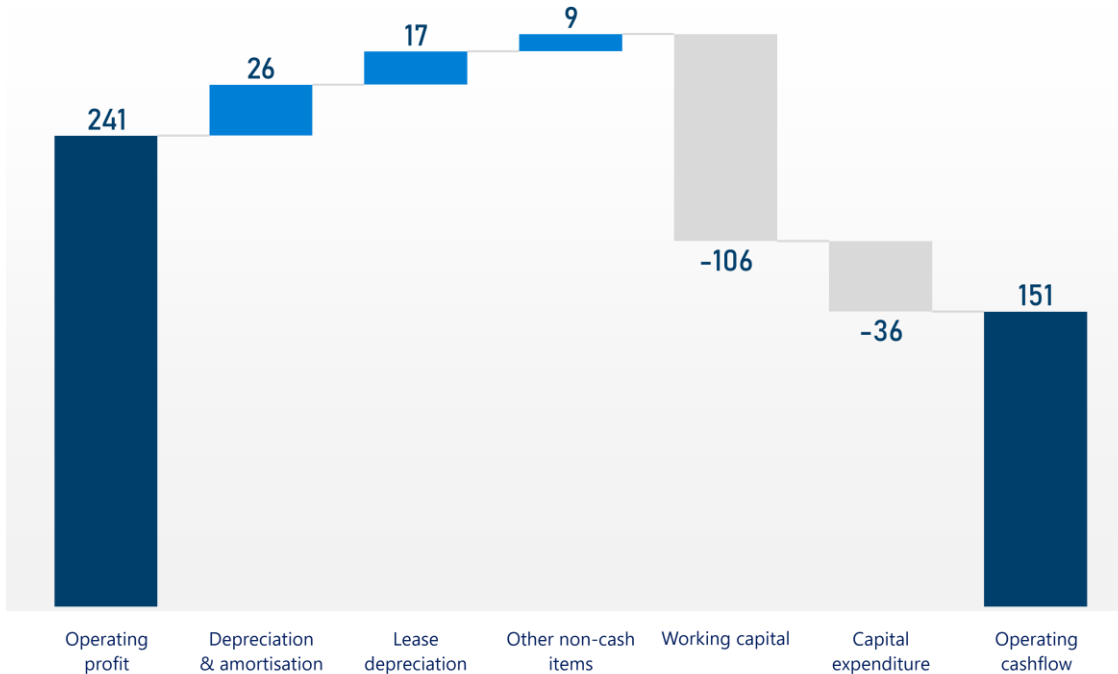
Record EPS growth in the first half

Earnings per share



Cash generation

Operating cash flow (£m)



Summary:

- £151m of operating cash generated (63% operating profit conversion)
- Working capital increase driven by investment in inventory to support growth and secure supply
- Over 85% of working capital increase driven by two of our fastest growing businesses
- Targeted plans and SES projects focused on reducing inventory
- Capital expenditure focused on growth capacity and new products
- £46m of free cashflow generated

Business Update

John Crane

Smiths Detection

Flex-Tek

Smiths
Interconnect

John Crane – delivered accelerating growth and strong operating leverage

Revenue

£519m

+14.6%¹

Strong growth across all segments:

Energy:

- Original equipment: +13.3%
- Aftermarket: +18.5%

Industrial:

- Original equipment: +14.1%
- Aftermarket: +9.2%

Revenue breakdown

Aftermarket 70%

OE 30%

Energy 61%

Industrial 39%

Operating profit

£114m

+24.6%¹

Operating margin

22.0%

+200bps

Strong operating leverage and margin expansion:

- Improved plant efficiency driving higher output
- Pricing actions more than offsetting cost inflation
- Actively managing supply chain challenges

Business update

- Continued strong demand with +14.2% order growth
- Increasing activity across hydrogen, carbon capture and methane emissions reduction
- Representative H1 wins include sealing systems for Canadian hydrogen project and dry gas seal upgrades in Oman
- Margin benefit from SES and productivity programmes will continue to scale



Improving our world through smarter sealing and energy transition solutions

Smiths Detection – growth across all segments

Revenue

£390m

+14.0%¹

Growth across all segments:

Aviation:

- Original equipment: +10.3%
- Aftermarket: +10.3%

Other Security Systems (OSS):

- Original equipment: +39.2%
- Aftermarket: +2.9%

Revenue breakdown

Aftermarket 51%

OE 49%

Aviation 68%

OSS 32%

Operating profit

£41m

+4.5%¹

Operating margin

10.5%

(100)bps

Margin performance reflects:

- Mix impact from rapid OE growth +20.7% vs aftermarket growth +8.4%, supporting future growth
- Ongoing supply chain challenges
- Partially offset by targeted cost saving actions

Business update

- Representative wins in aviation include New Zealand, Germany, UK and India
- Key wins also in air cargo with centralised image processing for DHL Australia
- Continued progress penetrating Other Security Systems including key wins in Japan and US for ports and borders



Making our world safer through smarter engineering

Flex-Tek – another period of strong growth

Revenue

£395m

+17.0%¹

Double-digit growth across both segments:

- Industrial: +17.5%
- Aerospace: +14.8%

Revenue breakdown



Construction HVAC products:
67%

Operating profit

£77m

+9.0%¹

Operating margin

19.5%

(140)bps

Record operating profit:

- Strong pricing more than offsetting inflation
- Continued volume growth to service demand

Continued high margins including:

- Investments in new product development and commercialisation
- Mix impacts

Business update

- As expected, seeing a slower rate of growth in the construction end market
- Continued aerospace expansion supported by strong orderbook
- New product development progressing well with first Midrex / H2 Green Steel purchase order received and ramp up of Python refrigerant line sets



Improving our world through safer and more efficient fluid and gas management

Smiths Interconnect – growth moderating, as expected

Revenue

£193m

+3.3%¹

As expected, growth moderating against strong prior year comparators:

- Industrial: +18.0%
- Aerospace: (0.4)%
- Safety & Security: (10.6)%

Revenue breakdown



Semi: 20%

Operating profit

£32m

(1.7)%¹

Operating margin

16.6%

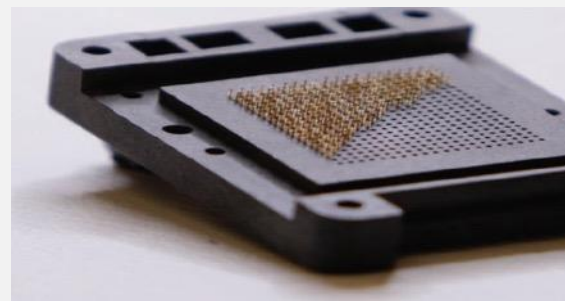
(30)bps

Profit performance reflects:

- Moderation of growth against strong prior year comparators
- Pricing actions more than offsetting inflation
- R&D investment to advance strong new product pipeline

Business update

- Expansive new product pipeline including next generation radio frequency components and transceivers
- Bolt-on acquisition of Plastronics, a synergistic test socket provider
- As expected, seeing a slowdown in the semiconductor end market



Improving our world through smarter Interconnect solutions

Capital allocation

- Strong balance sheet - net debt to EBITDA of 0.8x as at 31 January 2023
- £241m returned to shareholders during period
- €600m bond repayment due in April 2023



Organic investment

- £77m invested in the business through capital expenditure and R&D



M&A

- Small bolt-on acquisition of Plastronics
- Strong pipeline of M&A opportunities



Returns to shareholders

- 5% interim dividend increase
- Share buyback c.90% complete

Strong and flexible balance sheet to support growth strategy

FY2023 Outlook

FY guidance raised again with continued positive trading

Tailwinds

- Strong orderbook and trading trends support upgraded guidance
- New product strategy working well; pipeline strong and recent launches ramping well
- Impact of SES visible in results; will continue to ramp in H2 and beyond
- Savings projects improving speed and operating leverage

Headwinds

- Stronger topline comparators and mix impact on margin
- Geopolitical and macro uncertainty remains high
- Supply chain challenges are stabilising, but still having effects
- Softness in some end markets in Flex-Tek and Smiths Interconnect (~20% of Smiths Group)

We now expect FY23 organic revenue growth to be at least 8%, with moderate margin improvement.



CEO Review

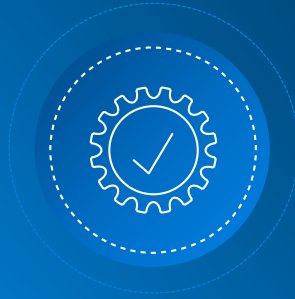
Chief Executive Officer

Paul Keel

Our priorities



Growth



Execution



People



Growth – driven by new product development

Increased focus on new product development aligned to long-term megatrends

Energy transition & sustainability

John Crane: enhanced Carbon LF seals for LNG



Flex-Tek: new innovations for residential heat kits



John Crane: seal gas recovery system reduces GHG emissions and product leakage



Flex-Tek: Rheia Duct – flexible air management system



John Crane: next gen diamond coating in high-heat, high-speed application with environmental benefits

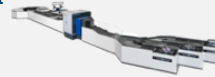


Ever-rising security needs

Smiths Detection: iCMORE target recognition software extended to detect wider range of prohibited items



Smiths Detection: smart tray return system for checkpoint lanes



Smiths Detection: high res, x-ray screening system with a compact footprint for use in urban security



Smiths Detection: mobile narcotics and explosive detector



Demand for data

Smiths Interconnect: 28G transceiver for use in space applications



Smiths Interconnect: DaVinci next gen test socket – higher throughput than previous versions



Smiths Interconnect: extended range of coaxial coupler components for use in space applications



+13.5% increase in R&D; +200bps of growth from key new product launches



Growth – progress building out priority adjacencies

John Crane

Energy transition



- Currently engaged in 40+ active hydrogen and CCUS projects
- Opportunity funnel has increased by ~2x over past 12 months
- Recent wins include:
 - Won 100% of dry gas seals on largest hydrogen project in Canada
 - Won large US CCUS project with supermajor
 - Multiple green hydrogen projects in Europe (Germany, Austria, Italy and France)

Smiths Detection

High-security markets beyond airports



- +23% organic growth in Other Security Systems in H1
- Key wins include:
 - Ports & Borders for cargo inspection in US, Japan and Indonesia
 - Multiple urban security wins with launch of compact dual view x-ray inspection systems
 - Major new product program for next generation non-contact chemical detection

Flex-Tek

Heating electrification



- Partnership with Midrex and H2 Green Steel to launch the world's first large-scale low emission steel production facility
- First purchase order received in H1
- 250bps of incremental growth at accretive margins for Flex-Tek in FY24 and FY25
- Rich pipeline of other electric heating opportunities

Smiths Interconnect

Connector and testing adjacencies



- Bolt-on acquisition of Plastronics completed in H1
- Complementary to Smiths Interconnect test socket and connectors businesses
- Synergies include:
 - Customer cross-sell opportunities in US and Asia
 - New product development



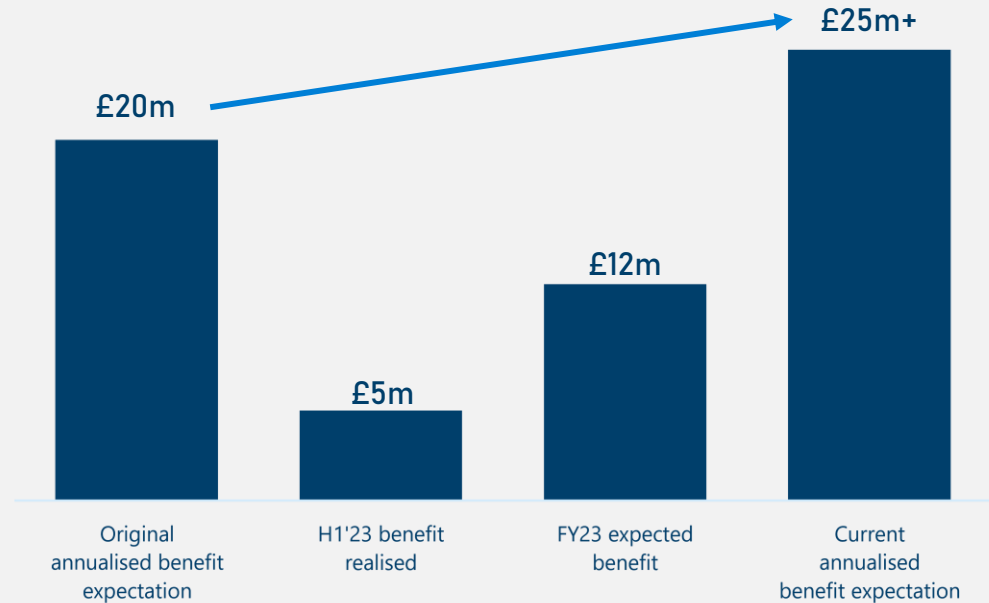
Execution – SES benefits visible and scaling quickly

Smiths Excellence System

- SES continues to scale across Smiths
- 50 projects now underway; adding additional Black Belts in key operational areas
- £5m in benefits generated in H1
- On track to generate £25m in run-rate profits in FY23



SES profit benefits (£m)





Case study video: Flex-Tek HeatKits

Opportunity

- Backorders on HeatKits had increased significantly and lead times more than doubled from 2 to 4-6 weeks
- External factors impacted the supply chain resulting in decline in order delivery

Solution

- Mobilised team quickly, collected data and defined the issue
- Robust dashboards implemented showing relevant and insightful data supporting addition of a new line
- Control plan in place to secure gains

Results

- Increased production throughput by 23%
- Improved lead times by 50%
- Reduced backorders by 98%
- Replicating project in other parts of Smiths





People – inspiring and empowering our people

People priorities

Safety



Safety training, John Crane Mexico



National Safety Week, India



Leadership Development



February Leadership Summit



Accelerate Leadership Programme

Diversity, Equity & Inclusion



Black History Month panel



International Women's Day

Engagement



Community initiatives



Progress advancing our sustainability strategy



Growth

- Our sustainability strategy centres on helping customers reach their ESG goals
 - First purchase order received for Midrex / H2 Green Steel partnership
 - 40+ active energy transition projects and 2X increase in opportunity pipeline
 - Multiple green NPD platforms in development

Execution

- Accelerating GHG reductions while growing the business
- Tracking ahead of plan on 3-year targets for water, waste, renewable electricity and GHG emissions reduction

People

- ESG linked compensation for both long-term incentives and annual bonus plan
- Publication of first Sustainability Report in H1

Building a consistent record of continuous improvement

Record start in H1; on track for a strong FY23



Growth

Record H1 organic revenue growth of +13.5% and reported growth of +25.6%

Continued strong momentum will drive at least +8% organic revenue growth for FY23



Execution

Year-over-year improvement in 4 of 5 medium term financial commitments including EPS growth of +52.1%

SES is having a meaningful impact and we are scaling the program accordingly



People

Advancing our priorities of safety, leadership development, diversity, equity & inclusion, and engagement

Advancing our inclusive and high-performing culture

→ Questions & Answers





→ Appendix

Bridge – reported to organic

£m Smiths Group ¹	HY2022 Headline ²	Foreign exchange	HY2022 Organic ³	Organic movement ³	HY2023 Headline ²
John Crane	416	36	452	67	519
Smiths Detection	313	29	342	48	390
Flex-Tek	297	41	338	57	395
Smiths Interconnect	166	21	187	6	193
Headline revenue	1,192	127	1,319	178	1,497
John Crane	83	8	91	23	114
Smiths Detection	36	4	40	1	41
Flex-Tek	62	9	71	6	77
Smiths Interconnect	28	4	32	(0)	32
Central costs	(20)	(0)	(20)	(3)	(23)
Headline operating profit	189	25	214	27	241
John Crane	20.0%		20.1%		22.0%
Smiths Detection	11.5%		11.6%		10.5%
Flex-Tek	20.9%		21.0%		19.5%
Smiths Interconnect	16.9%		17.4%		16.6%
Headline operating margin	15.9%		16.2%		16.1%

¹ Smiths Group excludes Smiths Medical which was disposed of in January 2022

² Headline excludes non-headline items as defined in note 3 of the financial statements

³ Organic excludes the effects of foreign exchange and acquisitions

Income statement¹

£m	HY2023	HY2022	Reported change
Revenue	1,497	1,192	+25.6%
Headline² operating profit	241	189	+27.4%
Amortisation of acquisition related intangible assets	(26)	(26)	
Legacy pension scheme arrangements	(12)	(8)	
Non-headline litigation provision movements	(10)	3	
Restructuring costs	(8)	-	
Irrecoverable VAT on chain export transactions	(2)	-	
Other non-headline charges	(1)	-	
Post-transaction gains/(losses) and fair value adjustment unwind	5	(1)	
Total non-headline items	(54)	(32)	
Statutory operating profit	187	157	+19.1%

1 Smiths Group excludes Smiths Medical which was disposed of in January 2022

2 Headline excludes non-headline items as defined in note 3 of the financial statements

FX sensitivity

Currency	HY2023 average rate	HY2022 average rate	% change
USD	1.18	1.36	(13.2)%
EUR	1.15	1.18	(2.3)%

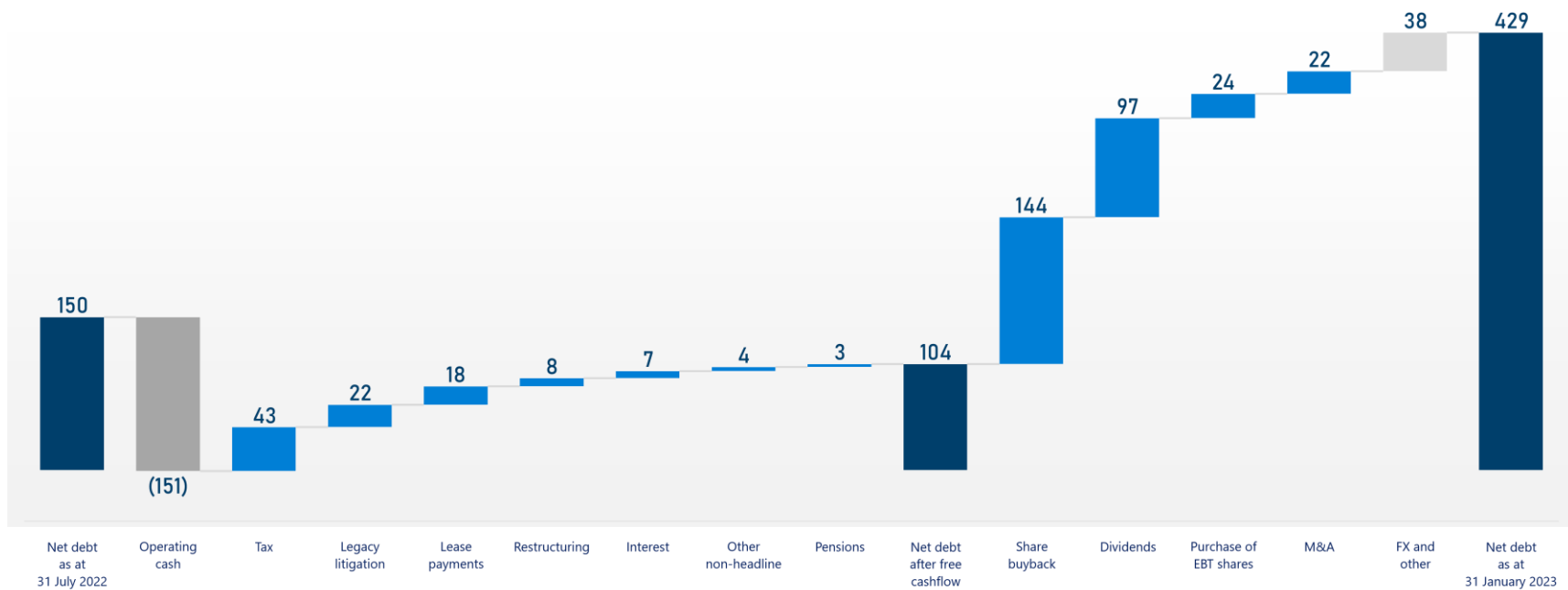
Translation impact	HY2023
Revenue	+£127m or +10.7%
Operating profit	+£25m or +13.0%

- For each \$0.10 move, the annual operating profit impact is c.£25m

- For each €0.10 move, the annual operating profit impact is c.£5m

Net debt movement

Net debt movement (£m)



John Crane – Improving our world through smarter sealing and energy transition solutions

HY Revenue	£519m (35% of Group)
HY Headline Operating profit	£114m (43% of Group)
HY Headline margin	22.0%
HY ROCE	21.7%
HY R&D % sales	2.0%

COMPETITIVE STRENGTHS

- Strong and differentiated proprietary technologies and expertise
- Largest installed base is in the Energy and Industrials end markets
- Innovation focused, growing digital capability
- Customer intimacy and strategic alignment with end users through a network of ~200 service and support centres, and unique capabilities of field service engineers

GROWTH DRIVERS

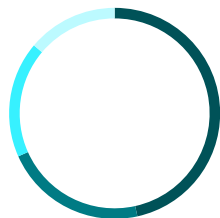
- Near-term global demand for stable energy supply
- Secular growth in energy and primary resource demand, especially in emerging markets
- Increasing demand for enhanced efficiency, environmental safeguarding and cleaner processes
- Energy transition – focus on emission reductions (particularly methane), new infrastructure to support diversified and cleaner low carbon energy (including hydrogen and renewables), with demanding compression, pumping and filtration requirements
- Long-term customer partnerships

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Flowserve, EagleBurgmann, AES and smaller/ local companies

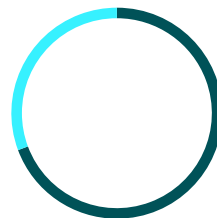
Geographies

- Americas 47%
- Europe 22%
- APAC 18%
- RoW 13%



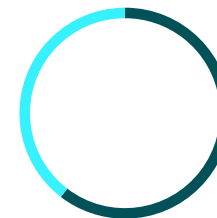
OE/AM

- Aftermarket 70%
- Original Equipment 30%



END MARKETS

- Energy 61%
- Industrials 39%



Smiths Detection – Making our world safer through smarter engineering

HY Revenue
£390m (26% of Group)

HY Headline Operating profit
£41m (16% of Group)

HY Headline margin
10.5%

HY ROCE
7.2%

HY R&D % Sales
8.4%

COMPETITIVE STRENGTHS

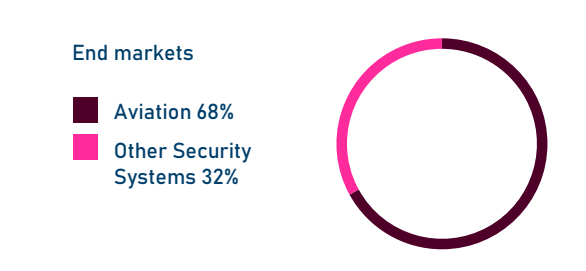
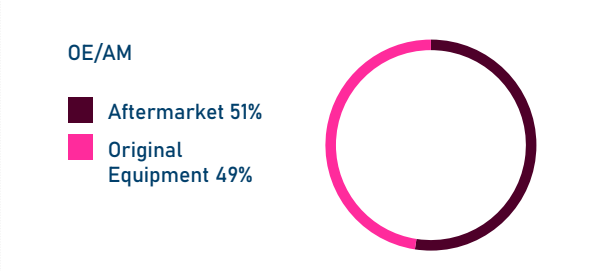
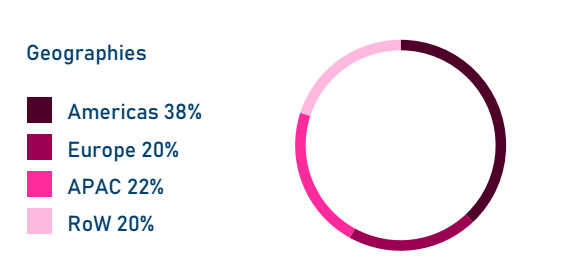
- Global reach and market-leading brand
- Differentiated proprietary technologies leveraged across a broad range of market segments
- Significant R&D and digital capabilities
- Focus on minimising product energy use
- Customer intimacy and loyalty through equipment cycle and aftermarket offer
- Products certified in regulated market segments
- Network of ~100 locations

GROWTH DRIVERS

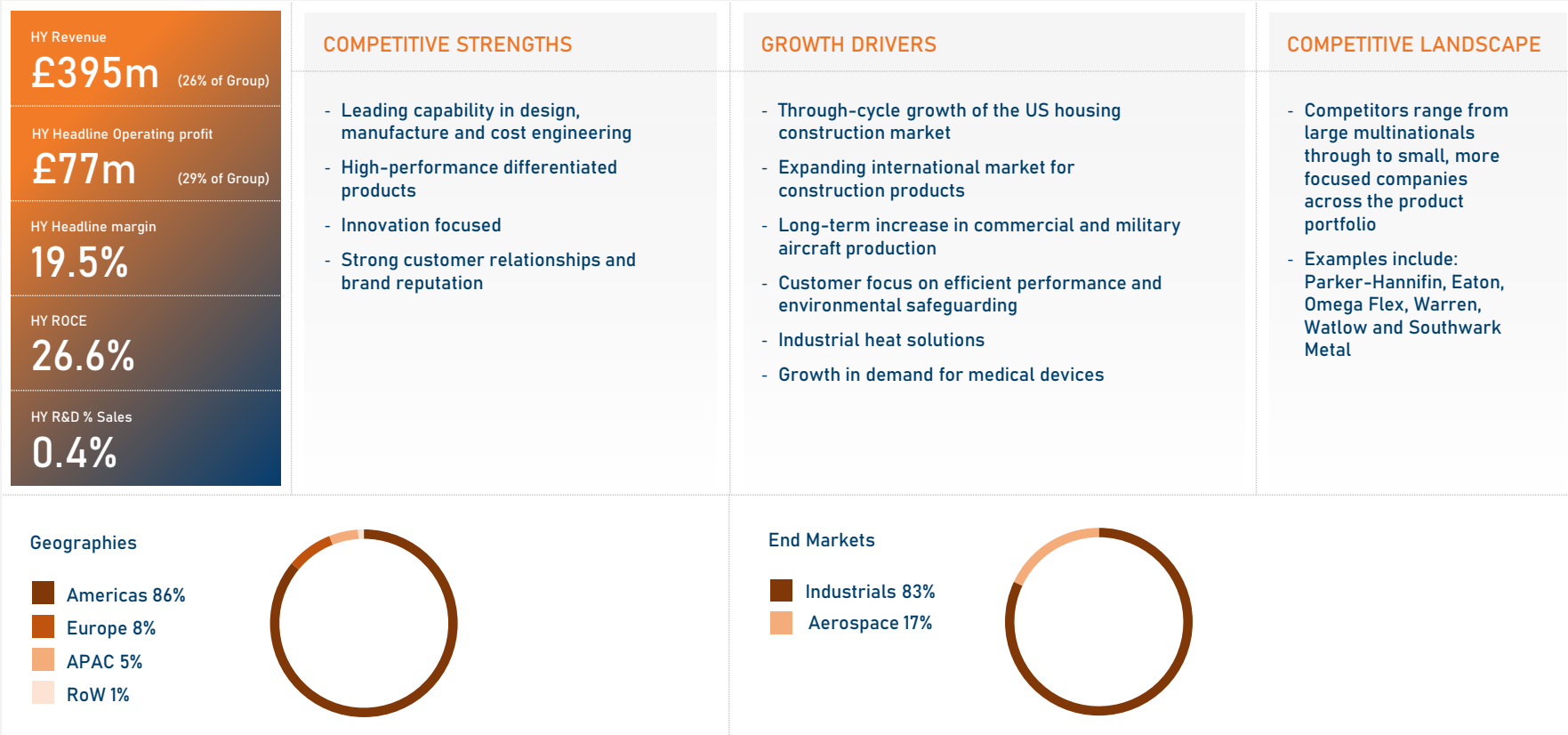
- Persistent and evolving threats to national security, public safety and critical infrastructure
- Changing aviation security regulations and customer requirements across our industries
- Growing populations and urbanisation
- Growth of global transportation infrastructure
- Global growth of international trade and e-commerce
- Need for integrated digital solutions
- Equipment replacement cycle, typically 8–10 years

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Rapiscan, Leidos, Nuctech, Chemring and Bruker



Flex-Tek – Improving our world through safer and more efficient fluid and gas management



Smiths Interconnect – Improving our world through smarter Interconnect solutions

<p>HY Revenue</p> <p>£193m (13% of Group)</p> <p>HY Headline Operating profit</p> <p>£32m (12% of Group)</p> <p>HY Headline margin</p> <p>16.6%</p> <p>HY ROCE</p> <p>15.8%</p> <p>HY R&D % Sales</p> <p>6.5%</p>	<h3>COMPETITIVE STRENGTHS</h3> <ul style="list-style-type: none">- Broad portfolio of cutting-edge technologies and products- Strong research and engineering capabilities- Customer intimacy and product customisation- Global reach and support	<h3>GROWTH DRIVERS</h3> <ul style="list-style-type: none">- Increased demand for faster data transmission, greater bandwidth and faster processing power in aerospace, defence and communications- Growth of connectivity, as the world becomes more connected, driven by trends including the Internet of Things, Big Data, Internet of Space, Industry 4.0- Development of healthcare technology	<h3>COMPETITIVE LANDSCAPE</h3> <ul style="list-style-type: none">- Competitors range from large multinationals through to small, more focused companies across the product portfolio- Examples include Amphenol, TE Connectivity, Molex, Cobham, Glenair, Honeywell, Anaren, Leeno and Winway
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Geographies

- Americas 54%
- Europe 19%
- APAC 20%
- RoW 7%

