

Annual General Meeting  
17 November 2015

**smiths**  
bringing technology to life

**Bringing technology  
to life**

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# Introduction & Overview



Andrew  
Reynolds Smith  
Chief Executive



## My background

- Began as an apprentice in electrical and electronic engineering
- Operational, sales and engineering roles in the aerospace, industrial and automotive sectors
- From 2002, ran GKN's Automotive, Land Systems and Powder Metallurgy businesses
- Joined the GKN Board in 2007





## Some initial areas of focus

- Inject momentum into top-line growth
- Lead on technology differentiation
- Run our businesses better
- Improve cash generation
- Understand the combined strengths of Smiths Group
- Develop our people to be great leaders, with the opportunity to be the best they can be



## My first few weeks

- Divisional business performance and strategy reviews
- Visited all divisions across U.S., EU in first few weeks
- Met with management teams and c.1000 Smiths colleagues



- Skilled and dedicated people
- Impressive technologies
- Solid foundations on which to build
- Opportunities to unlock value and to take the business to the next level



## FY15 results overview

Revenue down 2% - challenging conditions in certain markets

Headline operating profit up 1%

Margin up 50 bps to 17.6%

Headline EPS up 5% to 86.1p

Cash conversion strong at 95%

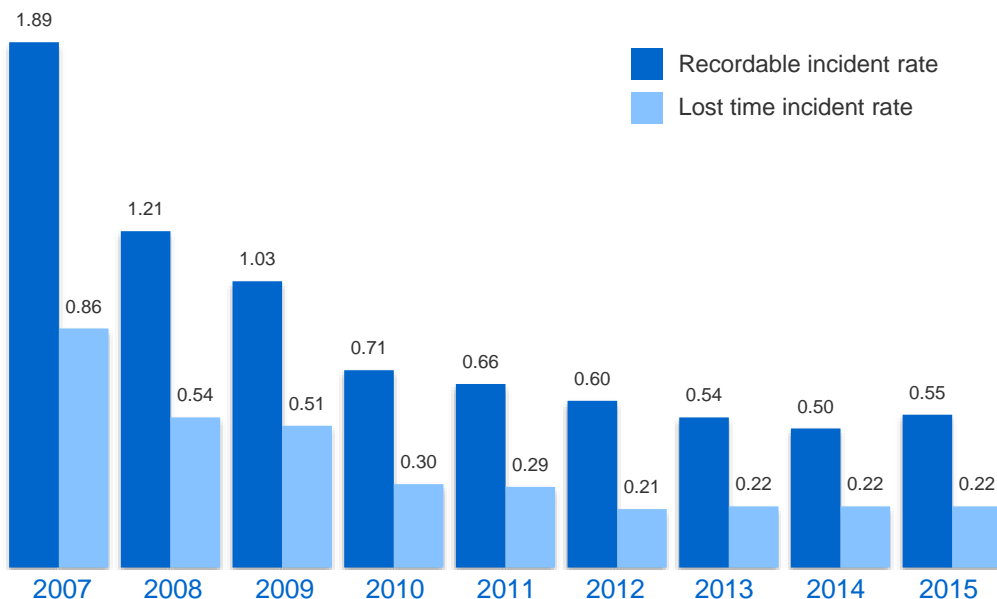
ROCE up 30 bps at 16.0%

Dividend up 2% to 41 pence



# Delivering safety and environmental improvements

## Recordable incident rate trended slightly higher



Achieved target Safety  
Leading Indicator  
Activity Score

95%

FY15  
target 90%

## Environmental metrics

- 5 year environmental goal period ending in FY2018
- FY2013-15 performance
  - Energy: 2% increase
  - Greenhouse gas: 4% reduction
  - Water: 6% reduction
  - Non-recycled waste: 17% reduction



## John Crane: Focus on aftermarket delivers resilient performance

Underlying revenue

**-2%**

**£905m**

Underlying headline profit

**-2%**

**£225m**

Headline operating margin

**24.8%**

**-10 bps**

- Underlying growth in aftermarket services – up 4%
- First-fit business underlying revenues declined – down 9%
- Margins stable, benefiting from product mix and cost controls



# Smiths Medical: Strong growth from innovation investment in infusion systems

Underlying revenue

**+4%**

**£836m**

Underlying headline profit

**+2%**

**£166m**

Headline operating margin

**19.8%**

**0 bps**

- Strong underlying revenue growth
- Reflects recent investment and sales execution in infusion products – underlying sales up 11%
- Margins maintained on higher volumes and efficiencies despite increased investment



## Smiths Detection: Action plans are stabilising performance; margin recovery

Underlying revenue

**-7%**

**£467m**

Underlying headline profit

**+167%**

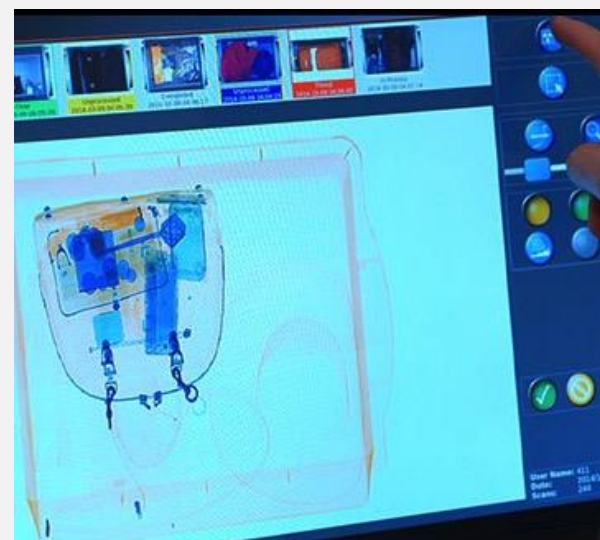
**£55m**

Headline operating margin

**11.9%**

**+710 bps**

- Revenue down due to expected variations in contract timing and continued tough trading conditions
- Strengthening order book for delivery in FY16
- Margin recovery after FY14's one-off charges and efficiency gains





# Smiths Interconnect: Results affected by tough trading and customer cutbacks

Underlying revenue

**-9%**

**£420m**

Underlying headline profit

**-34%**

**£49m**

Headline operating margin

**11.6%**

**-440 bps**

- Revenues affected by cuts in customer spending and some programme slowdowns and delays
- Growth in data centres offset by tougher trading in telecoms and connectors
- Margins remain under pressure despite cost saving initiatives



## Flex-Tek: Sustained revenue growth; margins affected by product mix and investment

Underlying revenue

**+4%**

**£269m**

Underlying headline profit

**+1%**

**£50m**

Headline operating margin

**18.5%**

**-40 bps**

- Revenue growth from specialty heating, US construction and hoses for aerospace applications
- Margins slightly down with increased investment in growth and adverse product mix



## Q1 trading statement

- Q1 Group revenues declined by 4% compared to the same quarter in the prior year
- Impact of challenging oil and gas markets partially offset by relative stability in other core markets
- Group operating margin broadly in line with same period last year
- Cash conversion for the period remained strong
- Against a backdrop of some challenging conditions, our expectations for the full year remain broadly unchanged





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Thank you

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