

START OF TRANSCRIPT

Speaker 1 – Julian Fagge

I'm Julian Fagge, President of Smiths Interconnect. I'm here today to tell you about the exciting opportunities we have to grow and develop as a cutting-edge connectivity Company.

I joined Smiths Group eight years ago and have held a number of positions in the Company, most recently as head of strategy and corporate development. It is with this background that I've taken on the leadership of Smiths Interconnect, where we have a great opportunity to accelerate the growth and performance of this high-quality business.

The key characteristic that underpins what we do at Smiths Interconnect is cutting-edge connectivity. It is this that gives us the tremendous opportunity to step change our growth.

Over the past five years, we have transformed the business. We have repositioned the portfolio to focus on the most attractive market subsegments. We have restructured the operations to improve efficiency and get as close to where our customers need us to be.

We hold strong positions in our market subsegments. These segments have attractive, long-term characteristics. They are fast growing and dynamic, as global demand for fast and reliable connectivity increases.

We are well positioned to take advantage of this growth, with leading products, capabilities and technologies, such as fibre optic components and semiconductor test products. We have the proven ability to innovate successfully. We have the operational capabilities, the manufacturing footprint, and deep talent in the organisation to execute flawlessly.

Our products are found in the subsegments of the space, aerospace, defence, semiconductor and industrial markets. We deliver reliable, high-speed performance and control, often in the most demanding applications and environments.

The underlying dynamics of our market are similar. They are fast paced, where customers need our innovation, and partner with us, to make connections faster, with demanding specifications and tolerances, and they are underpinned by long-term drivers and megatrends that will endure well into the future.

We fully epitomise the Group purpose of pioneers of progress. Our products truly are at the forefront of science and human endeavour. This is no more evident than in the case of the Mars Rover, where highly engineered components overcome the most extreme conditions, to maintain the signal strength, to allow the Rover to communicate.

Similarly, our fibre optic transceivers are at the cutting edge of technology, enabling satellites to communicate at faster speeds, with reduced latency and with stronger signals.

Our strengths clearly align with the Smiths value engine, and we're focused on the three strategic priorities of growth, execution and people and culture.

We have a reputation for world class engineering, and highly successful innovation. With over 270 dedicated engineers, we are constantly striving to stay at the forefront of innovation and cutting-edge connectivity.

We have global capabilities, in fibre optic connectivity, hyperboloid contacts, fine wire termination and spring probes, and these capabilities often cross over between applications and end markets.

These strengths translate into a high-quality business that commands attractive gross margins and strong cash generation that has averaged over 100 per cent over the past five years.

We will build on these strengths and capabilities, drive the execution of Phase 2 of the Smiths Excellence System, and we will continue to support and develop our outstanding people and nurture a culture of safety, performance, leadership and invention.

We at Smiths Interconnect will be pioneers of progress. We have a clear strategy, to accelerate growth. We expect our core markets to grow at over six per cent per year, in line with the demand for fast and reliable connectivity and communication.

We are increasing the rate of new product launches into our markets. In fiscal year '22 alone, we'll be launching more than 30 new product platforms, the highest number in the past five years.

To accelerate our growth further, we're investing organically in opportunities that allow us to enter into new product and market adjacencies. An example of this is in satellite communication, where we are looking at how we can expand our fibre optic connector capability into wider product applications.

Another example is in the medical market, where we have recently developed a next generation high density connector, using fine wire termination technology, for use in a heart monitoring application.

Finally, we see an important role for selective acquisitions, to add technologies or capabilities, or to expand into complementary adjacencies.

We did this successfully two years ago, when we acquired Reflex Photonics, and brought advanced fibre optic connectivity capability into the business.

I think you will agree, the growth opportunity for the business is very exciting. Last year, we grew at over seven per cent, and we're working hard to continue that momentum.

As the world is becoming more and more digitally connected, the flow and consumption of data is increasing exponentially, as megatrends, such as the internet of things, the internet of space, big data, and industry 4.0 develop.

To illustrate this, the number of connected devices is expected to increase by at least 13 per cent over the next few years.

The space market is expected to grow 14 per cent per year, as will demand for our fibre optic transceivers, radio frequency components, filters, and high-speed connectors that enable satellites to process more data and communicate faster.

As the demand for data grows, so does the demand for processing speed and power. The semiconductor market is expected to grow at least seven per cent over the next few years, as the demand for next generation technologies, such as 5G, gaming and computing and electric vehicle, increases.

Finally, demand for our high specification connectors and interconnects will continue to grow in our industrial subsegments, such as medical equipment, and our high-speed trains and vehicles, where underlying demand drivers are positive.

So, you can see, the underlying market growth drivers across our businesses are strong. They are here to stay, and we are in a great place to meet them.

At the heart of Smiths Interconnect is a deep capability and passion for innovation, technology and engineering.

We have a full pipeline of sustaining and next generation new products, across all our end markets.

I would like to talk to you today about three opportunities.

The space and satellite communications market is witnessing explosive growth, as the demand for communication and data transmission increases exponentially.

In 2020 over 1200 satellites were launched, nearly triple the amount launched in 2019. This growth trend is expected to continue.

There are 24 global programmes, with over 40,000 satellites currently being planned. SpaceX alone are launching a total of 12,000 satellites as part of their Starlink programme.

Constellations of satellites in low Earth orbits are expected to be particularly fast growing, enabling solutions such as internet connectivity, to underserved and remote regions.

Much larger, higher orbit, or geo satellites, provide communication services to major population areas, each using many spot beams to cover a larger region.

Smiths Interconnect has a range of products serving this market. Our optical transceiver technology has enabled satellite communication speeds to nearly triple, with data rates of up to 28 gigabytes per second and are able to operate in the harsh environment of space, where extreme temperatures and radiation can disrupt the performance of electronic components.

These products put us at the forefront of performance, and our customers, many too shy to be mentioned, choose to work closely with us, as a supplier of choice.

Speaker 2 – Leo Farhat

Hello. I'm Leo Farhat. I'm a component engineer in the EEE Component section at ESA, the European Space Agency. I support the selection and procurement of passive components that include connectors and other passive products to all ESA missions.

ESA provided to Smiths Interconnect their first space qualification in 1975, and almost these almost five decades' journey, we have worked together in several space missions, including scientific missions to Saturn, Mars and soon, to Jupiter.

We use Smiths Interconnect products because they have designed and developed reliable solutions that meet our demanding requirements, especially when it comes to mechanical loads and electrical performances. I'm thinking of their reliable connectors based on their awesome and innovative hyperboloid contact technology, and of their [RF] products, such as circulators, isolators, and [loads] that we have also procured on several ESA missions.

Smiths Interconnect has proven to be a trusted business supplier, with a broad portfolio of interconnectivity solutions, with a reputation in the industry and a high degree of application expertise.

We are looking forward to the new and innovative interconnectivity products, such as the next generation of the high data rate connectors and the new ESSE ESA space qualification of the high-density connectors. We believe that these developments will address the challenges of the next generation of the space missions.

Speaker 1 - Another exciting opportunity is in the semiconductor market, where we're one of the leading suppliers of advanced test socket solutions used by customers to ensure that semiconductor chips are functioning correctly before they're installed into end use products.

The pace of innovation in this market is incredibly fast, often less than six months, before a chip is replaced. Demand for next generation technologies such as 5G, AI, deep learning and self-driving vehicles makes this a big growth opportunity.

Our engineers are at the cutting edge, constantly updating our products to meet ever changing customer specifications. We typically operate at the more complex end of the product spectrum, designing solutions for the fastest, more advanced chips, for example, in gaming and computer applications.

Our Da Vinci test socket performs at speeds of up to a 112 gigabytes per second, and we're already working on the next generation of products that will ensure even higher speed, efficiency and accuracy.

My final example is in the commercial aircraft antenna market, where we design and manufacture systems for satellite communication and onboard Wi-Fi. Our Ku antenna is used by Southwest, on their Boeing 737 aircraft, to provide inflight entertainment and Wi-Fi.

In the business jet sector, the importance of size, weight and power is even more critical. The antenna unit needs to be small, and lightweight, and consume as little power as it can, to operate, yet still deliver uninterrupted fast broadband to passengers wanting to stream video, play games, video conference and browse in real time.

These units must be sufficiently robust to withstand extreme conditions of vibration, altitude, temperature and humidity.

To meet this significant engineering challenge, we have designed a tail mounted antenna system. The system has been improved (sic) for use over the Inmarsat Global Express Network, and with further certifications in progress.

You have seen today the enormous potential we have in Smiths Interconnect, and the tremendous opportunity to accelerate growth over the next few years. We are well positioned to take advantage of this opportunity, with our world-leading products, knowhow, technology and leadership in innovation. We have the capabilities to win, and most importantly, the passionate and driven employees of Smiths Interconnect to make it all happen.

We have ambitious plans, and the future is really exciting, as we continue our work to deliver cutting-edge connectivity.

Thank you.

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