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Speaker 1 – Roland Carter

Hello. My name is Roland Carter. I've worked with Smiths for over 30 years, in several divisions and geographies, and I have been President of Smiths Detection since 2018.

Today, I am absolutely delighted to be able to show you our growth plans for Smiths Detection.

Every day at Smiths Detection, our people and our technology help to make the world a safer place. We are a global leader in the development, manufacture and management of threat detection and screening technology.

We are fundamentally a strong and high-quality business, and you can judge this quality by looking at our key strengths, as we entered the COVID period, our very strong order book, and our significant aftermarket revenues. These gave us continued momentum and resilience through a challenging period, and this meant that we outperformed our competitors, as well as maintaining our leadership position in attractive, long-term markets.

We are looking forward very positively, as our markets are recovering from COVID-19. It may take a couple of years for full recovery in such areas as civil aviation, but our market strength means we will be in a great position relative to our competition.

Now, we are focused on rebuilding our order book and on accelerating our growth, and we are very excited at how and where we can do this, as I will show you.

We're planning to expand our geographical reach, and adjacent end user markets. We're developing the best next generation products and we're excited at how we can use our sustainability and our digital agendas to retain and attract customers.

Let me show you in more detail.

We're driven by very powerful megatrends, the ever-increasing number of people, the ever-increasing desire to travel, an ever-increasing amount of trade, and ever-increasing need to keep those people and that trade safe and secure.

We're a clear industry leader. We have the best technology, the best brand, and the largest installed base, any of which, singly, are difficult to replicate, but together, are an awesome combination.

As you've just heard, Smiths Detection serves our customers in four markets, aviation, ports and borders, urban security and defence. Our solution capabilities are unrivalled, and not only provide security and peace of mind, but also help protect the free flow of trade upon which we all depend.

They can be found in nearly every country, and in more than 90 per cent of the world's major airports. We are the trusted partner of more than a hundred governments and their agencies, including customs, borders and defence forces.

Aviation is our biggest segment, where we enjoy favourable regulatory tailwinds. This segment is mainly driven by airport infrastructure investment, and to some degree by passenger numbers.

Urban security is our second largest segment, 14 per cent of revenue. Demand is certainly set to grow because of an increasing range of threats. There are three important subsegments, critical infrastructure, public venues, and logistics.

Important borders, which contributes seven per cent of our revenue, the growth of global trade, is expected to increase the demand for security and screening equipment, including digital solutions, to improve inspection efficiency.

The final three per cent of revenue comes from defence, whose clear purchasing cycles provide relative certainty. Here, emerging threats are generating global demand for mobile and adaptable detection equipment for chemical agents and for biological threats.

As a division of Smiths, we are fully aligned with the Group's overall ambition, to serve our customers, to create leading technology, which improves our world, to prioritise sustainable growth, to be excellent in our execution, and to look after those people who make this an outstanding Company.

The fundamentals of our business are very strong. We're a clear market leader, we are passionate about technology and teamwork. This helps us develop new hardware and software solutions to both address our customers' problems and maintain our brand-leading position.

Smiths Detection is well known for our unrivalled domain expertise and innovation, and we always work with our customers to develop solutions that address their specific requirements. These solutions can then be offered to the rest of our customer base.

To maintain our position and reputation, we make significant investments in R&D, with 7.4 per cent of our revenue invested in financial year '21 - over £500 million in the past 10 years.

The strength of our position is reflected in our unparalleled installed base, with equipment in almost every country in the world. Our incredible 800-plus service team across the globe provide the best service in the industry, but we don't rest on our laurels, and we are committed to constantly improving our service offering. The most recent example of this is the launch of a dedicated service management system, and, as mentioned, we have demonstrated resilience during this challenging time, thanks to our strong order book and aftermarket revenue.

Today, as we are beginning to recover from the impact of COVID-19, we are very excited by the emerging opportunities, and are focused on rebuilding our order book, and accelerating our growth in several key areas.

Specifically, we are focusing on growth, both geographically and in new market segments. We are well established in Europe and the USA, and are continuing to expand in growing markets, such as India and China, where localisation is a key part of our strategy.

We are pursuing opportunities to increase revenue from markets beyond aviation, which will help us consolidate our position as a leader in the detection industry in all sectors. We will continue to develop new products rapidly, so that we can offer new solutions and enhanced capabilities to our customers and strengthen our relationship with them yet further.

Digital solutions will be a major focus in our technology development, bringing operational and security advantages to our customers, without the need for frequent replacement of original equipment. This has the positive effect of lengthening the amount of time our equipment is in use.

The digital development relates directly to our sustainability agenda, where we will bring value to our customers and savings to the business, through product renewals and upgrades.

New platforms, such as biological and chemical detection, will enable our growth in adjacent segments.

Finally, any acquisitions and new partnerships will be made strategically, to bring new capabilities and technologies in-house, offering more to existing customers, while broadening our market appeal.

Like most other sectors, ours was impacted by COVID-19, which led to lower spending by all customers. However, as we have highlighted, our strong order book enabled us to outperform competitors during this time and sets us up well as the market returns.

We continue to be propelled by powerful fundamental drivers of our business - increasing threats, and threat levels, international trade, and increases in the number of people who wish to travel. As our customers recover from the pandemic, they will be looking for solutions that provide high levels of security, while reducing their operating costs.

We have those solutions today, to meet those needs, automatic threat recognition, and centralised screening.

We expect growth in the aviation sector to return to pre-pandemic levels in 2024, with our other segments recovering in line with global GDP.

As demand returns, we are ready to support our customers, and rebuild our order book, to maintain our industry-leading position.

Speaker 2 - Scott Dullard

My name's Scott Dullard. I'm the Head of Aviation Operations and Security at Melbourne Airport. We've been partnered with Smiths Detection for a little over 10 years, working with them to deploy technology around our airport for security screening.

We choose to partner with Smiths Detection for two key reasons (1) their technology and how that solves the security problems of now and into the future, but (2) their commitment to understanding the customer, taking on our feedback, understanding our values and priorities, and ensuring that that is part of their offering and their future developments.

A great example of this was when we partnered with Smiths to deploy the 6040 CTiX within our passenger screening point. That started with a trial, one of the first trials with Smiths in the world, and certainly the first trial in Australia, for the rollout of the CT equipment.

Working together to test the equipment, to ensure it met key outcomes for us of improving security as experience, delivering on increased customer experience and finding operational efficiencies.

This was done through the technology's ability for people to leave their laptops, their liquids, aerosols, et cetera, in bags, so making it easier for the passenger to get through the process. Also, the technology reducing false alarm rates, giving better data or information to the screeners, to make security-based decisions. Then, lastly, data for us, as airport management, to make sure that we've got the right resources on the screening points to deliver on those outcomes.

We're very proud and grateful for our strategic partnership that we have with Smiths Detection. We're very confident into the future that we'll continue to solve problems together, aligned with those core principles for us, of success, which is the security outcomes, the passenger experience and operational efficiencies. We're confident that we'll continue to solve the future problems together.

Speaker 1 - We see many exciting opportunities, both in our core markets, as well as specific geographies and subsegments. We're looking to expand our non-aviation business by focusing on adjacencies and developing our offering to deliver products that respond to customer requirements.

These are, a digitally centred X-ray product built specifically for the urban security market, biological threat detection for the mail rooms, and improved screening systems for rail.

We're also developing alternate business models, so we can supply more large-scale, short-term events in selected markets, and adapting our ways of working to suit our customers' requirements.

We are already growing our aftermarket revenues significantly, through digitisation, our sustainability agenda, and expanding our training offering.

Our continued expansion in high growth markets, such as India and China, is important for future growth. This depends on strategic partnerships and localisation, therefore we are developing and manufacturing products on a market-by-market basis. This allows us to take advantage of national initiatives to build products in specific countries and supports our working capital and sustainability targets.

As always, technology leadership is core to our future. All recent and future product launches across our segments are aimed at providing customers with advances and efficiencies. Let me take you through some, in more detail.

We have a great reputation for developing platform products, with enhanced capabilities that solve our customers' problems, working closely with them to develop these solutions and transforming these solutions into global offerings.

A good example of this is our rail cargo screener. This uses very powerful X-rays to screen moving rail carts and wagons for both contraband and dangerous items.

At the request of the US Customs and Border Protection Agency, we enhanced this technology for faster screening, to make freight deliver safer, whilst improving logistics, to keep freight moving.

We can now X-ray 300 millimetres of steel travelling at 20 kilometres an hour, while providing better image quality, and the ability to screen continuously for 30 minutes. This allows freight trains to be screened without interruption. This development has led to Smiths Detection being named as one of only three companies able to bid for rail scanner contracts with this customer, a body that has up to £275 million to spend on this technology over the next five years.

We received an initial order of £10 million, and now we're confident we will win more of this.

Having made this enhancement for one customer, we can now provide these same benefits to other customers and offer this product to other rail networks throughout Europe, Asia and Americas.

Moving on to sustainability. This is absolutely central to our agenda, focused on reducing our impact on the planet as much as possible, while being commercially more effective. Which means, keeping our equipment in service as long as possible, while maintaining security and equipment operation at an optimal level.

We achieve this in three ways. By considering product sustainability at the earliest stage of design, by improving energy efficiency, and by improving product longevity through repair and renewal.

Our commitment to the customer care allows us to maintain and repair equipment, and we leverage our digital service offering to improve our speed of response to the customers.

We renew and extend the life of our products, through mid-life upgrades, to keep them in operation even longer, while also bringing new technological capabilities to our customers, which helps maintain their utilisation of our product.

We see enormous potential for refurbishment, and for passing the benefits on to our customers, and thereby strengthening our relationship with them.

Already, as of today, 10 per cent of our spare parts are refurbished for future use. We're also repurposing more equipment for use in the rental and leasing markets, which helps us appeal to new markets, where the price of the original equipment may be a barrier.

By maintaining close relationships with our customers, we ensure that we are around to remove the equipment when it reaches its end of life, and provide them with new solutions, as well as the responsible disposal of the old equipment.

There continues to be a growing need for the detection of biological and chemical threats that risk both lives and revenue. We're already a niche player in this field, and we're now looking to expand our capabilities to address more of our customers' problems and to enter new markets.

Our successful acquisition of PathSensors has allowed Smiths Detection to broaden its capabilities within the biological spectrum. This is both relevant to our existing customers and also allows us to open up adjacencies, notably agriculture and food safety.

At the same time, we're working closely with customers in the defence field, to adapt technology and to provide more capability and to protect people from emerging threats.

For example, we recently developed an adaptor to improve the capabilities of our portable chemical detector, LCD, to detect for narcotics and a broadened library of explosives. This makes the product more attractive to customers outside the fence, such as first responders and law enforcement.

To summarise, we are very excited at the future in front of us. Smiths Detection is a clear leader across the globe, with incredible people, leading products, and best in class customer care. Our unrivalled position has been exemplified through our strong order book and aftermarket that saw us through the worst of the COVID-19 pandemic.

As we prepare for the future growth, we are dedicated to developing the best next generation products for our customers, expanding our geographic reach yet further, developing our activities in adjacent markets, to expand revenues, and leveraging our sustainability and digital agendas, to retain and attract customers.



As we do all this, we remain focused as ever on our mission, to make the world a safer place.

Thank you.

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