

## START OF TRANSCRIPT

### Julian Fagge

Hello, I'm Julian Fagge, President of Smiths Interconnect. Last year, as part of the Smiths Group Capital Markets Day, I gave an overview of the enormous potential of Smiths Interconnect, and the tremendous opportunity we have to accelerate growth. Today, I'm here to share more detail about our business, its accelerating performance and our continuing opportunity to grow and develop as a cutting-edge connectivity company.

I built the early part of my career at PWC, and in consumer goods with Procter and Gamble. After almost 10 years at Smiths, in both strategic and financial roles, I took on the leadership of Smiths Interconnect, where I've been focused on re-positioning and growing the business and working with colleagues around the world to tackle some of the world's biggest connectivity challenges.

For over 60 years, Smiths Interconnect has been at the forefront of cutting-edge connectivity, designing and customising products that help make the world a more connected place. From high-performing connectors to radio-frequency components, semiconductor test sockets, and microwave assemblies, our products have a reputation for durable and reliable performance in some of the most difficult and demanding environments.

Over the past few years, we've successfully transformed the business and built strong positions in fast-growing market segments that have structurally attractive characteristics. I'm pleased to say that this process was clearly demonstrated in fiscal year 2022, where we executed our growth strategy at pace. Organic revenue grew 14 per cent to £363 million, operating profit grew 40 per cent to reach an 18 per cent margin, driven by operating leverage, positive pricing actions and careful cost management. Return on invested capital increased 750 basis points to 16.3 per cent as we leveraged our assets to accelerate growth and returns.

Beyond the numbers, 2022 was a year of significant progress. We re-focused the business to get closer to our customers and to improve our speed and agility. We accelerated new product development. We increased our investment to support continued growth of our business, and we improved manufacturing efficiency, adding new operational capabilities, increasing automation, and localising, and strengthening supply chains to more effectively manage the high mix, low volume nature of our business.

I am very pleased with the progress we've made, and despite a more challenging macroeconomic backdrop, I continue to be excited about the prospects of the future and the tremendous opportunity to build on the momentum we've gained in fiscal year '22. Let me explain further.

Smiths Interconnect has a purpose of advancing the world through cutting-edge connectivity. We're a global Company, operating across a wide range of geographies and end markets. With global sales, engineering, and manufacturing coverage, we are well positioned to take advantage of growth opportunities across the spectrum of end markets, customers and geographies.

The business is organised around four business units that serve segments of the aviation, semiconductor test, industrial and space and defence end markets. Our customers are global leaders in these markets who choose Smiths Interconnect for our high-performing products and technologies, our engineering and operational capabilities, and our proven expertise in solving difficult problems.

Our end markets share common characteristics, most are global, most are technology driven, most are fast paced. All are led by sophisticated, discerning customers who choose Smiths Interconnect because of our innovation and ability to deliver reliable solutions to demanding specifications.

Demand in these markets is underpinned by secular trends such as the world's insatiable appetite for data, the continuous growth of connectivity, and the need to access data wherever we are in the world. With our strong portfolio of solutions, and a rich pipeline of new product innovation, we are in a strong position to take advantage of these market opportunities. We've demonstrated this through a five-year top-line compound annual growth rate of 4.6 per cent, and a five-year earnings CAGR of 10.7 per cent, and a five-year average cash conversion of over 100 per cent.

We have a clear strategy to grow our business with four key drivers: market growth, new product innovation, building out attractive adjacencies, and disciplined M&A. We are well positioned in structurally attractive fast-growing market segments, growing at an average of four to six per cent. We invest around five to six per cent of sales in R&D – slightly more than the Smiths' average of 4.2 per cent. This supports a new product vitality rate of 43 per cent. Meaning close to half of our revenues coming from products introduced in the last five years.

We also see a complementary role for high-quality acquisitions to give us faster access to new technologies and to market adjacencies. This approach was successful with the

2020 acquisition of Reflex Photonics, which added optical products to our portfolio, and strengthened our position in space and defence end markets.

In fiscal year '23, we introduced a record number of new products, including 12 new product platforms. Examples include a new medical cable assembly, a 28 Gigabyte Optical Transceiver for space and defence, and our DaVinci micro semiconductor test socket for small device chips. At the core of our business is a set of unique and differentiated technologies that we leverage across multiple product categories. Our hyperboloid contact technology delivers superior electrical performance and resistance to shock and vibration.

Our Spring Probe technology provides high-speed, high-density contact performance in compressed spaces. Our expertise and capabilities in fibre optics enable high-speed data communication with optimum size, weight and power. Our fine wire termination capabilities are used in medical cable assemblies with the potential to provide solutions for multiple end markets. These technologies, coupled with our deep engineering and design expertise enable us to develop and deliver the products and solutions that our customers demand.

I would now like to talk in a little more detail about each of the four business segments. Connector is a high-quality business, with many opportunities to drive growth over the next few years. We design and manufacture products for applications that require reliable performance in harsh environments. Our products are typically used where performance is key. For example, on high-speed trains, in satellite and space, in defence and in medical devices.

Our customers span North America, Europe and Asia and we support them with six plants and six R&D centres around the world. A good example of a Connectors application is in satellite communication. Traditional analogue signal processing is being superseded by high throughput digital processing which requires rugged and higher-speed connectivity. Our Hyperboloid contact technology delivers high data rates whilst maintaining signal integrity in the high radiation, extreme temperature environment of space.

High performance is also fundamental to our new medical cable assembly platform, where product integrity, reliability and durability are critical. Market response to this new product has been strong and we've increased our capacity four-fold in just six months to meet surging demand. We see significant opportunities in adjacent markets, with new applications in the pipeline, including electrical vehicle charging and wider medical equipment. We also see opportunities to move further up the value chain

designing even more integrated solutions, combining several of the technology platforms that I've just mentioned.

Our Semiconductor Test business is delivering exceptional growth, roughly doubling in size over the last five years. Our products are part of the test requirements for semiconductor chips that are used in various applications, such as gaming consoles, data centres, computer processors and Smartphones. We hold a leading position in this market segment, led by the DaVinci product line, used for the testing of high-speed, high-density chips.

This is a global business, with particularly strong positions in Asia and the US, where semiconductor design, and fabrication, are most concentrated. We are well regarded for delivering high-performing solutions that meet the rapidly changing requirements of our customers. The long-term drivers of semiconductor demand are well understood, and we are well positioned to take advantage of this trend. This business grew double-digit in fiscal year '22 supported by strong underlying market demand.

Macro forecasts expect the market to cool somewhat in the short term, and we should feel some of the same, but the underlying dynamics of demand, and the strength of our business opportunities mean this will remain a profitably growing business in fiscal year '23 and beyond. Smiths Interconnect's integrated microwave solutions, antennae, and communication devices business, SII, designs and manufactures radiofrequency subsystems for use in defence applications. These systems are used in military aircraft, ground stations and sea vessels and are critical enablers of advanced radiofrequency communication.

Sales for this business are concentrated in the US and are supported by two R&D labs and one manufacturing site. Our products are principally used in aerospace, ground and naval applications, both defence and commercial. An example of a recent programme is a product used in a defence airborne radar system. This is a sophisticated sub-system which overcomes vibration-induced phase noise to improve radar functionality.

Programmes such as this are typically multi-year contracts, with US Defence primes tied to large Department of Defence Military programs. We anticipate steady growth in the SII business over the next few years, driven by growing Defence budgets, geopolitical volatility, and growing demand for more sophisticated communication solutions.

Our fourth business, Fibre Optic and Radio Frequency Components, has delivered exceptional growth over the past two years, and is well placed to take advantage of continued expansion moving forwards. Our business designs and manufactures passive radio frequency components and optical products for space, defence, and aviation markets, and delivers advanced performance in the most extreme environmental conditions.

Our portfolio includes specialised radio frequency components, such as thermal pads, waveguides, filters, and isolators that are customised to different frequencies, designs, and tolerances. Our optical transceivers line includes a recently launched high-density lightweight 28 Gigabyte solution used in high throughput satellites, as well as in advanced defence applications.

We are particularly proud of our work in space exploration. Our products helped navigate the Mars Rover, as well as the Double Asteroid Redirection Test, or DART as the mission is more commonly known. Whilst our business has a particularly strong position in North America, our manufacturing, engineering, and sales resources also span Europe and Asia, providing a strong platform for further expansion.

The prospects for growth in this business are significant. The ever-growing demand for high-data rate communication and connectivity is driving an abundance of new platforms, applications, and devices. Companies like SpaceX and Blue Origin are opening up new commercial opportunities, such as broadband connectivity for the roughly three billion people who lack Internet access today. This is driving the fast growth of low-earth orbit space constellations, with over 70,000 new satellites being launched in the coming years.

Our fibre optics and RF components business is well positioned to take advantage of this explosive growth as we work in partnership with our customers to develop the next generations of high-speed disruptive technologies.

Today, we've covered just a portion of the enormous potential we see in Smiths Interconnect, building on the tremendous momentum we've established. We play in attractive market segments. We have leading products, technologies, and capabilities – a rich innovation pipeline supported by strong customer partnerships and many opportunities to grow through customer and geographic penetration, new product development and new adjacencies.

All of this is made possible by our talented and committed team. We have deep experience and capability and most importantly the passion and the courage to make it

all happen. We have ambitious plans. I hope you will agree that the future is really exciting as we continue our work to advance the world through cutting-edge connectivity.

Thank you.

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