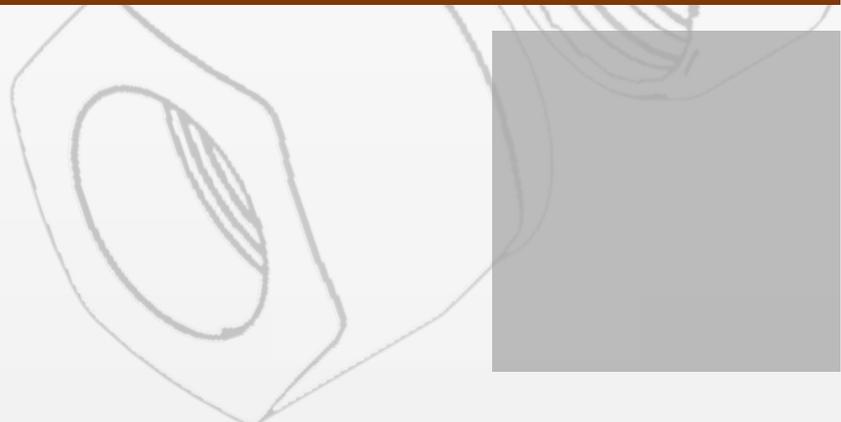
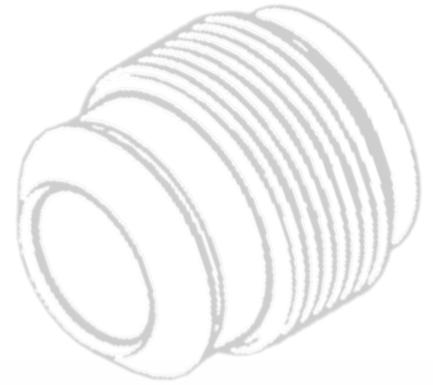


Deep Dive

Flex-Tek



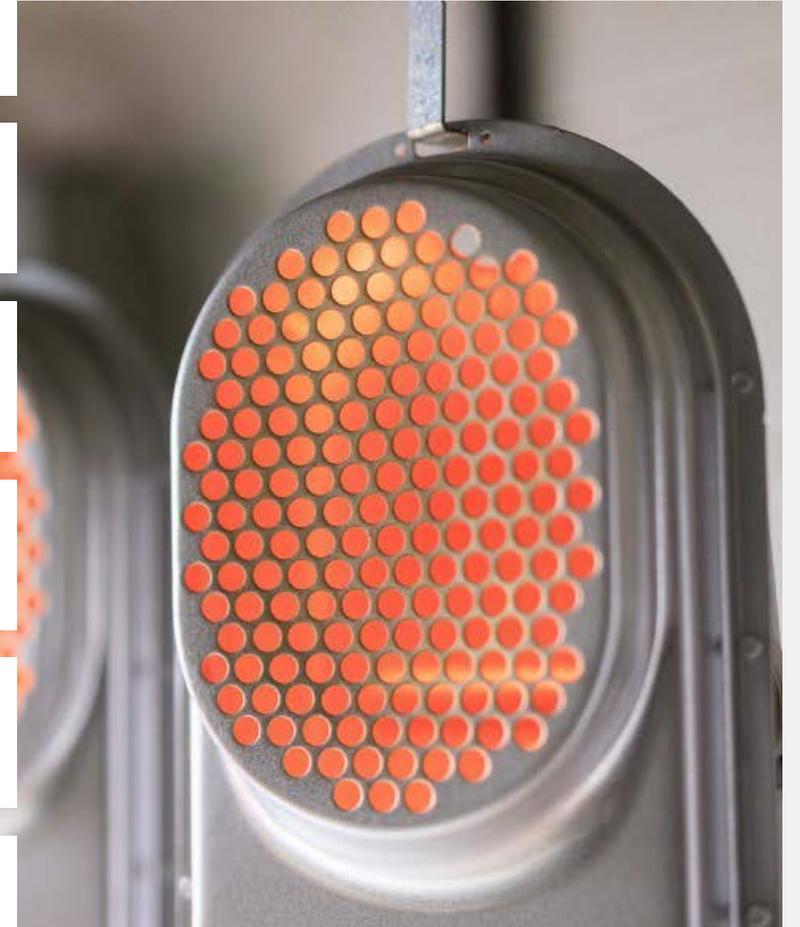
Pat McCaffrey, President, Flex-Tek

- Flex-Tek Operations Manager, 1996 - 1999
- Flex-Tek (Industrial Hose) General manager, 1999 -2002
- Flex-Tek (Heat Solutions) President, 2002 - 2008
- Flex-Tek COO, 2008 - 2019
- Flex-Tek President, 2019 - present



Executive Summary

- Leading provider of solutions for safe and efficient fluid management
- Strong positions in attractive markets: construction, aerospace, and general industrial (including medical hoses and industrial heating)
- Competitive advantage from deep customer relationships, superior products, agile manufacturing, and a high-performance culture
- Strong track record of profitable organic growth augmented by disciplined, effective M&A
- Five-year CAGR: 13.9% revenue, 15.3% operating profit
- Well positioned for further growth



Flex-Tek: solutions for the safe, efficient movement and heating of fluids

Key data

FY2022 revenue

£647m (25% of Smiths)

FY2022 operating profit

£133m (29% of Smiths)

FY2022 operating margin

20.6%

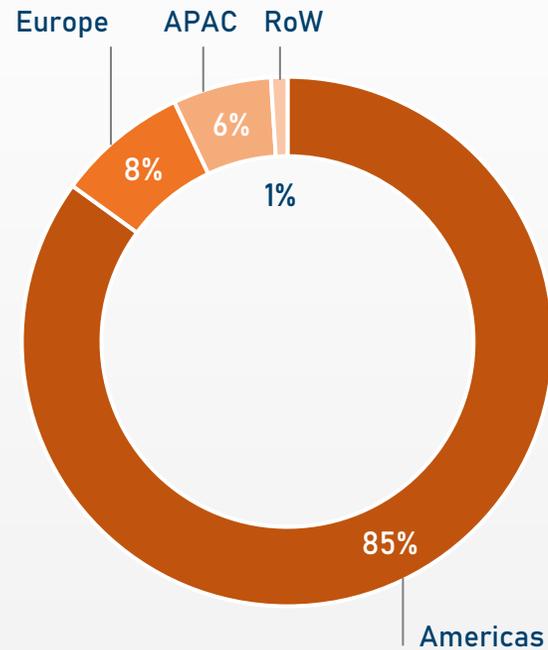
FY2022 organic revenue growth

16.1%

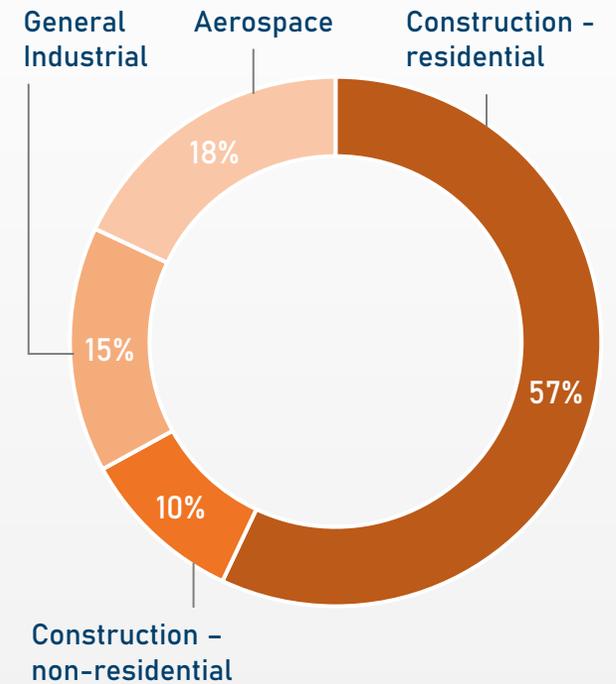
FY2022 ROCE

25.6%

Revenue breakdown by geographical region, % of Flex-Tek total



Revenue breakdown by end markets, % of Flex-Tek total



Flex-Tek: a strong business with great positions in attractive markets



Market growth drivers

- Continued strong demand for new housing construction, despite near-term flattening
- Long-term increase in commercial and military aircraft production
- Growing adoption rates for continuous positive airway pressure (CPAP) machines drives growth for medical hoses
- Customer focus on efficient performance and environmental safeguarding
- Demand for sustainable electrical heating solutions



Key customers

- Construction and General Industrial: network of well-established national and regional distributors as well as Original Equipment Manufacturers (OEMs)
- Aerospace: strong OEM relationships with every major aircraft and engine manufacturer
- Industrial: leading CPAP and ventilator machine manufacturers, space and aviation OEMs



Competitive strengths

- Leading capability in design, manufacture and cost engineering
- Strong customer relationships and brand reputation
- Innovation leader in ducting, gas piping, and heating
- Track record of accretive M&A
- High-performance culture drives sustainable and consistent growth



Competitive landscape

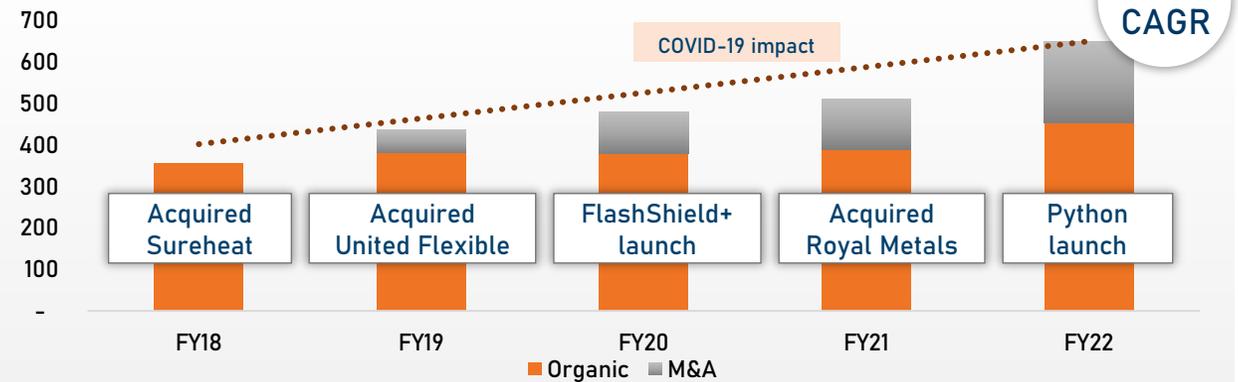
- Fragmented competition in most of our end markets
- Top three player in most of our segments
- Third party certifications in aerospace and construction
- Competitor examples include: Parker-Hannifin, Eaton, Omega Flex, Warren, and Watlow

The Flex-Tek growth story

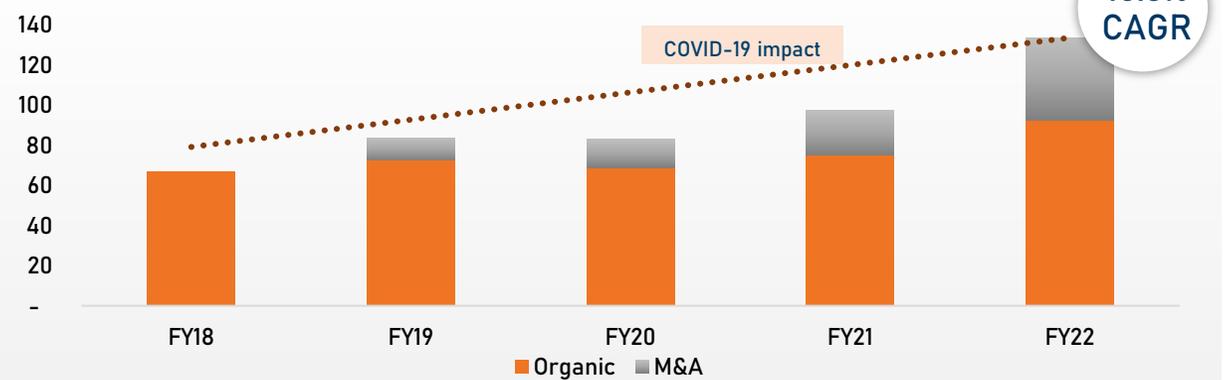
Five-year track record

- Double digit growth CAGR for revenue and profit
- 6% organic revenue CAGR
7.1% organic operating profit CAGR
- Organic growth supplemented by bolt-on acquisitions
- 96% average cash conversion
- 5-year average ROCE: 27%

Revenue growth (£m)



Operating profit growth (£m)



How Flex-Tek delivers growth



Focus

- Accelerating access to product adjacencies and geographical growth
- New platforms to support energy transition (e.g. hydrogen delivery)
- Product and service adjacencies
- Enhancing efficiency
- New heating focused products
- Near-term market resilience
- Significant opportunity to internationalise
- Adding capacity in higher-demand US construction regions
- Balanced exposure across Construction, Aerospace, and Industrial

Examples

- Industrial heating (Sureheat – 2017)
- Aerospace (United Flexible – 2019)
- HVAC portfolio (Royal Metal – 2021)



- Partnering with Midrex on H2GreenSteel project for carbon emissions reduction in iron ore processing



- FlashShield+ launched 2020
- Refrigerant line sets launched in early 2022



- Construction demand remains strong in key regions
- A growing aerospace segment. Global aircraft orders expected to grow ~6% per annum over the next five years¹

Construction

Construction products include:



Key customers	Route to market	Smiths relative position
   	<ul style="list-style-type: none"> 85% HVAC wholesale distributors 15% HVAC OEMs 95% North American sales 	<ul style="list-style-type: none"> Innovation leader in our segments Top three player in all segments

Our markets:

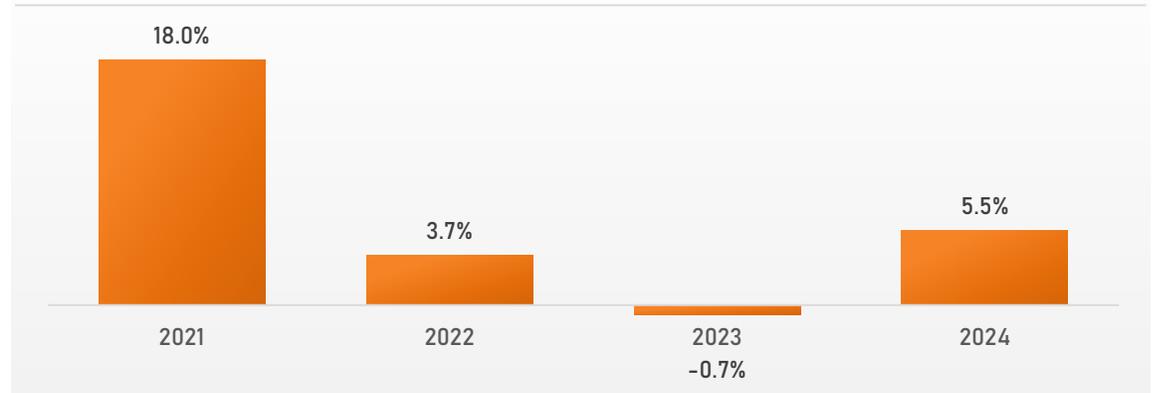
Geographies

- 9 manufacturing locations: 7 US, 1 Mexico, 1 Canada
- Primarily North American sales, strongest penetration in areas where central heat and air systems are popular

Macro market trends

- Multi-unit housing starts remain strong with Q2 up 17.5% YoY and up 37% pre-pandemic
- Housing starts remain differentiated by region: the South made up 54% of new starts YTD 2022 in the US and grew 4% vs. the same period in 2021

Housing starts growth in our operating areas (millions)¹



New business initiatives within Construction

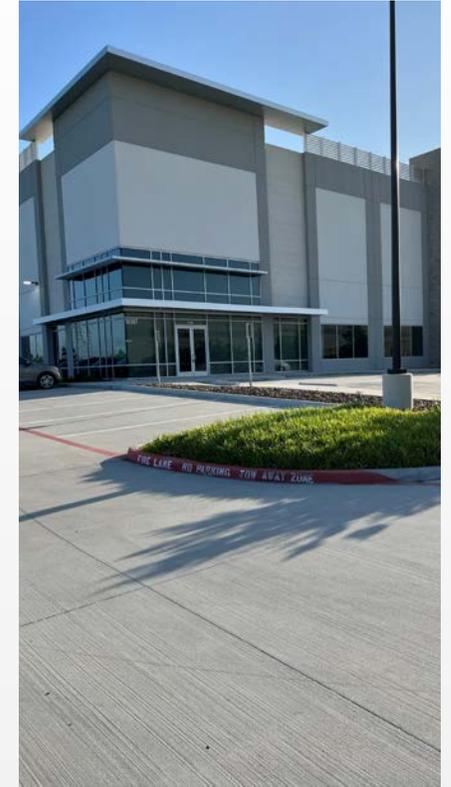
Python refrigerant line sets

- New product launch for £300m market segment: replaces copper lines in HVAC systems
- All six sizes are fully commissioned, two launched in November (four being sold currently)
- Accretive to Flex-Tek margins
- Customer feedback very positive on product benefits, sales ramping up with wholesale customers
- New production lines already running at 80-90% of expected capability and improving



New duct plant in Houston

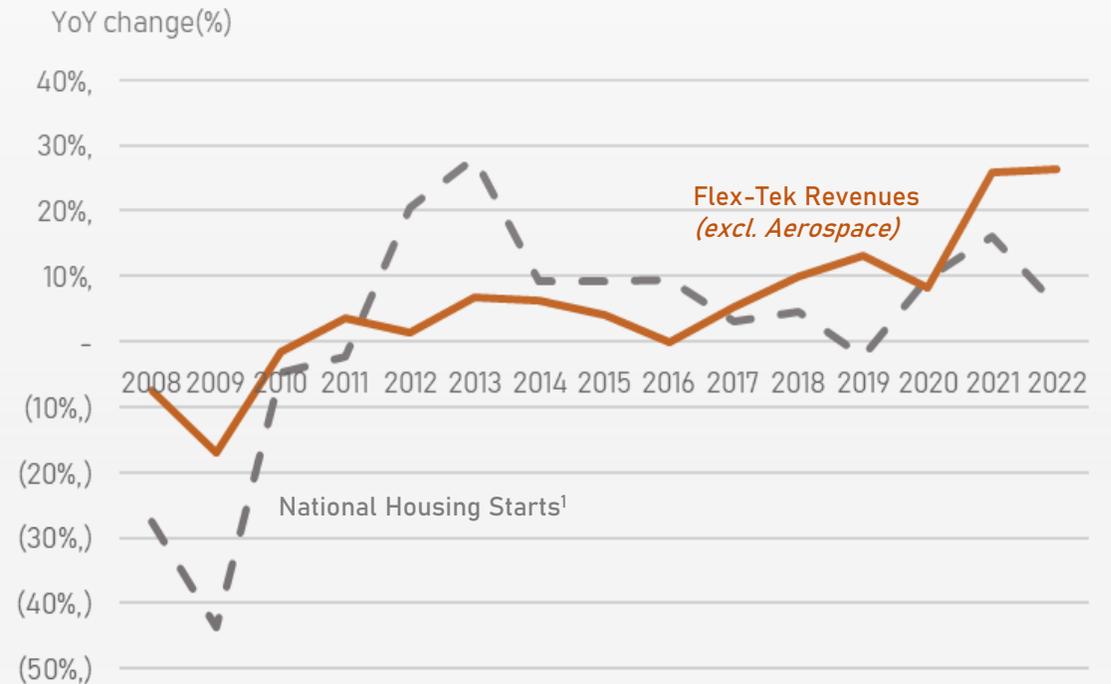
- Synergy initiative from Royal Metal acquisition
- High demand from regional customers
- 120,000 sq. ft, with sufficient capacity to drive £50m in annual revenue
- Both flex duct and metal duct being produced and sold (cross-selling across combined customer base)
- Core machines in place, staffing up as sales and production increase



Confident of further growth in Construction

- The residential HVAC metal ducting segment in the US is worth approximately ~£0.8bn annually with the South accounting for c. 60% of the market
- Flex-Tek sales concentrated in the South
- Deficit in US housing inventory still evident
- Track record of resilience in slower construction markets
- New business initiatives such as regional expansion within the US and new product launches adding 250 bps incremental growth in FY23

Flex-Tek revenues demonstrate resilience and forward momentum



General Industrial: heating and industrial hoses

Industrial products include:



Key customers	Route to market	Smiths relative position
  	<ul style="list-style-type: none"> • 35% wholesale distributors • 65% OEM • 80% US sales 	<ul style="list-style-type: none"> • Top three in high end medical hose • A leader in high temperature, high pressure heating applications

Our markets

Geographies	Macro market trends
<ul style="list-style-type: none"> • 9 manufacturing locations: 5 US, 3 in Europe, and 1 in China • Opportunities to expand further into Europe 	<ul style="list-style-type: none"> • Continuing trend of electricity growing as a primary energy source • Growing global use of CPAP machines: Flex-Tek 5-year revenue CAGR FY22-FY27 expected to be >7% • New opportunities for medical and automotive hoses manufactured in China

Industrial electricity energy use (quadrillion Btu) ¹

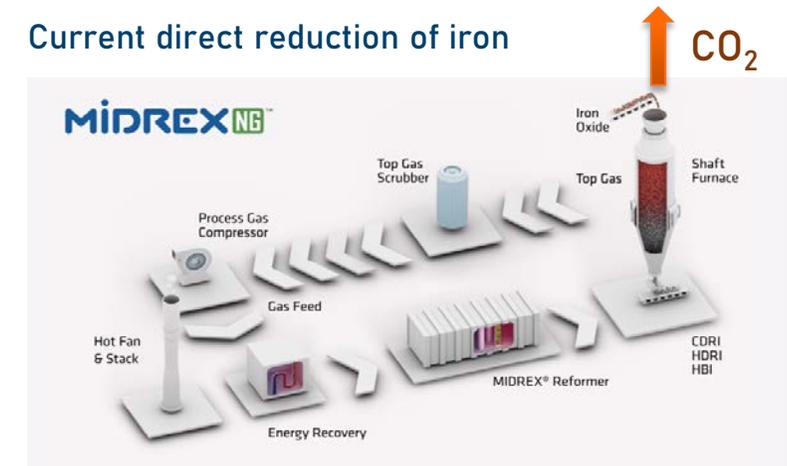


New business initiative within Industrial

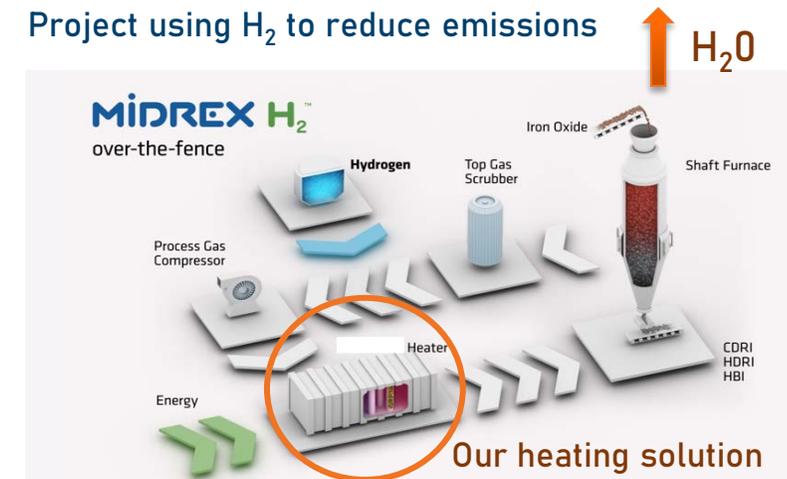
Midrex/ green steel project

- Conversion of direct reduced iron (DRI) using H₂ via electric heating systems rather than burning natural gas reduces carbon emissions in iron ore production by 95%
- Annual carbon reduction from one plant equivalent to ~860,000 fewer passenger vehicles on the road
- H2GS/Midrex agreement¹ finalised 6th October
- Purchase order expected by March 2023: adds 250 bps of incremental growth at accretive margins for FY24 and FY25
- First project is for one steel plant, multiple plants under consideration for development
- Heating elements being tested at Midrex. First of its kind in the world – joint working to overcome design challenges

Current direct reduction of iron



Project using H₂ to reduce emissions



Aerospace

Aerospace products include:

Rigid tubing



Flexible tubing



Hybrid assemblies



Our markets:

Geographies

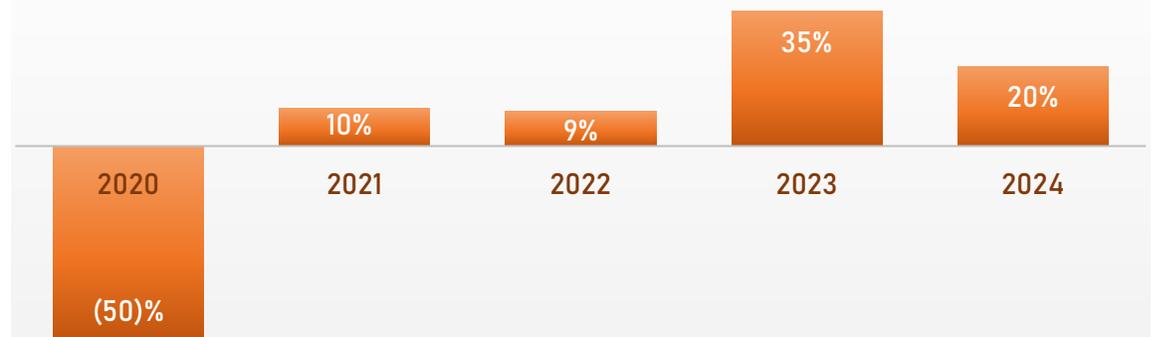
- 5 manufacturing locations: 3 US, 1 France, 1 India
- Serving major airframe and engine makers globally

Macro market trends

- Revenue Passenger Kilometres (RPK) now growing double digits, expected to reach pre-COVID level in 2024 with a long-term growth CAGR of 4.1%¹
- Driven by fleet replacement and growth in Asia, 40,000 new aircraft needed in next 20 years (double that of the last 20 years)

Key customers	Route to market	Smiths relative position
<p>BOEING</p> <p>AIRBUS</p> <p>GE Aviation</p>	<ul style="list-style-type: none"> • Supply globally • Commercial 55%, Military 45% • Direct to airframe and engine OEMs 	<ul style="list-style-type: none"> • Top three in high-integrity flexible tubing • Middle position in high-integrity metal tubing

Commercial aircraft production forecast (YoY growth)¹



New business initiatives within Aerospace

"One Aero" operating model

- Consistent, single customer-facing team for global customer care
- Enhanced, integrated business development team
- Centre of excellence for tooling design and build
- Production automation enhancements and lean manufacturing projects

Expanding development work through service and solutions

- Won 9 development hoses for GE 9X (Boeing 777x)
- Supported three high visibility retrofit campaigns; A350, A320, F100
- Continuing to build relationship with Aerojet (Space, RL10)

R&D to further expand portfolio

- On-going conversations with Airbus to focus on growth opportunities by shortening R&D time

Sales growth

- FY22 14.6% YoY

LM900 natural gas
fuel lines



Role of M&A

Flex-Tek is pursuing a disciplined approach to M&A. Recent acquisitions have:

- Expanded technology capability (e.g. SureHeat high voltage heating)
- Brought profitable growth and delivered synergies
- Delivered Royal Metals sales growth of 48% and profit growth of 70% since acquisition
- Facilitated entry into attractive adjacencies (e.g. Royal Metal Products – HVAC ducting; United Flexible – flexible aerospace products)

Acquisition	Date	Deal Size (£m)	 Synergies	 Improves existing positions	 Access to new adjacencies &/or geographies	 Post-acquisition performance
SureHeat	August 2017	15	✓	✓✓	✓	✓✓
United Flexible	October 2018	272	✓✓✓	✓✓	✓✓	✓
Royal Metal Products	February 2021	78	✓✓	✓✓✓	✓✓	✓✓✓

Closing Remarks

- We are confident about delivering further growth – resilient in most market conditions
- Proven track record of consistent growth, margin expansion and successful M&A
- Well-positioned with strong customer relationships in attractive markets and able to move into higher-growth adjacencies
- Driven to innovate; well-placed and committed to expanding regionally within the US and internationally
- Lean structure, strong culture, great people