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**28 September 2021**

**Smiths Group plc**

**SMITHS SIGNS BINDING AGREEMENT TO SELL SMITHS MEDICAL TO ICU MEDICAL**

Smiths Group plc ("Smiths" or the "Company") is pleased to announce that it has exercised its previously announced put option and has now entered into a binding share purchase agreement with ICU Medical, Inc. ("ICU Medical") in relation to the sale of Smiths Medical to ICU Medical (the "ICU Transaction"). The ICU Transaction is unanimously recommended by the board of directors of Smiths (the "Board") to be in the best interests of shareholders.

**Introduction**

On 8 September 2021, the Company announced that it had agreed the sale of Smiths Medical to ICU Medical.

The Company announced that the Company had entered into a put option agreement (the "Put Option") with ICU Medical. Pursuant to the Put Option, following the completion of an information and consultation process (the "French Employment Consultation") with the Social and Economic Committee of Smiths Medical France SAS (the "French Works Council"), Smiths has the unilateral and unconditional right to require ICU Medical to enter into a binding share purchase agreement on the terms reflected in the ICU Transaction.

The French Employment Consultation has now been completed. Accordingly, the Company announces that it has exercised the Put Option and has now entered into a binding share purchase agreement with ICU Medical for the sale of Smiths Medical.

The Board has unanimously recommended the ICU Transaction as being in the best interests of shareholders. The ICU Transaction is superior to all other proposals received during the separation and sale process.

A circular containing further details of the ICU Transaction and a notice convening a general meeting of the Company will be published and sent to the Company's shareholders (other than those who have elected for notification by electronic communication) in due course (the "Circular"). At the general meeting to be convened, shareholders will be asked to approve the ICU Transaction.

**Background to and reasons for the ICU Transaction**

Smiths Medical is a leading global medical device business specialising in infusion systems, vascular access, and vital care. The Board determined that the separation of Smiths Medical would enable Smiths to concentrate on growing as a leading industrial technology group and enable Smiths Medical to focus on realising its full potential in the dynamic medical device

market. Since the announcement of the proposed separation, Smiths Medical has been accounted for as a discontinued operation.

The ICU Transaction will create an expanded global medical device company, bringing a combined portfolio of products and solutions to more patients and providers worldwide. The combination represents a meaningful value creation opportunity through both revenue and cost synergies.

### **Principal terms of the ICU Transaction**

The ICU Transaction values Smiths Medical at a headline enterprise value of \$2.7 billion (equivalent to £2.0 billion), on a cash and debt free basis, plus an additional \$0.1 billion contingent on the future share price performance of the enlarged ICU Medical business. After deduction of debt and other liabilities, the equity value of the ICU Transaction is \$2.4 billion.

The initial net cash proceeds on completion of the ICU Transaction are \$1.85 billion (equivalent to £1.34 billion). In addition to the initial net cash proceeds, the ICU Transaction carries future material upside as Smiths will also receive 2.5 million new ICU Medical shares, worth \$0.5 billion at ICU Medical's closing share price on 7 September 2021 of \$205.98, equivalent to approximately 10% of the fully diluted enlarged ICU Medical share capital. Smiths' current intention is to retain these shares.

Smiths shall also be entitled to an additional \$0.1 billion of consideration contingent on Smiths retaining beneficial ownership of at least 1.25 million ICU Medical shares and the ICU Medical share price averaging \$300 or more for any 30-day period during the first three years post-completion, or for any 45-day period in the fourth year post completion.

ICU Medical will also pay Smiths \$250,000 of cash per day to compensate Smiths for the cash which is expected to be generated by Smiths Medical from 1 January 2022 until the ICU Transaction closes.

The ICU Transaction is a Class 1 transaction for Smiths under the UK Listing Rules and is therefore conditional upon the approval of Smiths' shareholders. It is also conditional on receipt of certain merger and other regulatory approvals and the termination of the sale agreement with Trulli Bidco Limited.

As is usual in transactions of this nature, the sale and purchase agreement contains obligations on both parties to obtain the required approvals, as well as customary warranties, indemnities and covenants.

As part of the ICU Transaction, Smiths and ICU Medical have agreed a trademark licence, which grants Smiths Medical the right to use certain trademarks owned by Smiths to manage its transition from compliance with the Medical Devices Directive to the Medical Devices Regulation in the European Union and to otherwise facilitate the continued operation of its business and allow it sufficient time to rebrand. Smiths and ICU Medical have also agreed a transitional services agreement, which will govern the provision of IT services and other operational services between Smiths and Smiths Medical for a transitional period after completion of the ICU Transaction.

As part of the ICU Transaction, Smiths and ICU Medical have agreed a shareholders' agreement to govern the relationship between Smiths and ICU Medical in respect of Smiths' holding of shares in ICU Medical. Smiths shall have the right to nominate up to one non-executive director

to the ICU Medical board and appoint such director to the audit committee of ICU Medical for as long as Smiths owns at least 5% of the fully diluted enlarged ICU Medical share capital. Under the terms of the shareholders' agreement, Smiths' shares in ICU Medical shall be subject to a six-month lock-up.

ICU Medical has provided strong contractual commitments to Smiths to secure the necessary merger and foreign direct investment clearances and approvals by 8 March 2022 (the "Long Stop Date"). However, in certain limited circumstances, the Long Stop Date may be extended to 8 March 2023. ICU Medical has further agreed that, if it failed to satisfy these anti-trust and other regulatory conditions by the Long Stop Date (as may be extended), it would pay Smiths a reverse break fee of \$300 million, \$200 million of which would be payable in cash with the balance of \$100 million to be settled by the issuance of new ICU Medical shares to Smiths (with the issuance of such shares not being subject to any lock-up). Smiths is not required to pay any break fee in the event that the ICU Transaction does not complete.

Nevertheless, completion and receipt of the initial cash proceeds is expected in the first half calendar year 2022.

### **Use of Proceeds and Financial Effects of the ICU Transaction**

The Board intends to balance the use of proceeds between investment in growth and a significant return of capital to shareholders. The retained net cash proceeds will be used to create a strong balance sheet to support investment in value creative growth opportunities. These are predominantly organic opportunities and include the Group's innovative accelerator programmes, which are aligned with long-term trends in sustainability, energy transformation and safety and security.

As previously announced, as shareholder input has already informed the amount and mechanism of capital return in respect of proceeds from the sale of Smiths Medical, following completion of the ICU Transaction, the Board proposes to return 55 per cent. of the initial net cash proceeds (equivalent to £737 million) to shareholders by way of a share buyback programme. Shareholders will be asked to approve the share buyback programme at the general meeting to be convened in connection with the ICU Transaction, and to provide the Company with authority to implement the share buyback programme. Further information on the share buyback programme will be set out in the Circular.

Following completion of the ICU Transaction, the earnings of the Group will reduce as a result of the ICU Transaction. It is expected that Smiths' progressive dividend policy will remain unchanged as a result of the ICU Transaction. Further information on the financial effects of the ICU Transaction will be set out in the Circular.

### **Information on Smiths Medical**

Smiths Medical is a leading manufacturer and supplier of specialist medical equipment and single-use devices, whose purpose is to save and improve the lives of millions of patients globally.

Smiths Medical's products fall into three main segments:

- **Infusion Systems:** includes products which deliver fluids and medication for pain management and the treatment of acute and chronic diseases for use in both hospital and home settings;

- Vascular Access: includes devices which allow healthcare workers to deliver fluids and medication to patients or to obtain blood samples from patients; and
- Vital Care and Speciality products: comprises devices to manage patients' airways, and systems to maintain patients' body temperature before, during and after surgery.

Smiths Medical has a direct legal presence in 28 countries and sells its products in more than 100 countries. While the US is Smiths Medical's largest single market, with 48 per cent of revenue in the year ended 31 July 2021, Smiths Medical continues to build its presence in developed and emerging markets. Smiths Medical is headquartered in Minneapolis, Minnesota, in the United States.

Key individuals at Smith Medical are JehanZeb Noor (Chief Executive Officer) and James Mortensen (Interim Chief Financial Officer). Further information about Smiths Medical can be found at <https://www.smiths-medical.com>.

### **Trading results for Smiths Medical**

The trade, assets and liabilities of Smiths Medical are held by Smiths Medical 2020 Limited, which is an indirect, wholly owned subsidiary of Smiths.

As at 31 July 2021, Smiths Medical 2020 Limited and its subsidiaries (the "Smiths Medical Group") had consolidated net assets of £960 million (equivalent to \$1,334 million) and consolidated gross assets of £1,243 million (equivalent to \$1,728 million). In the financial year ended 31 July 2021, Smiths Medical generated revenues of £849 million (equivalent to \$1,152 million) and headline EBITDA of £177 million (equivalent to \$240 million).

### **Information on ICU Medical**

ICU Medical is a leading infusion therapy company with global operations and a wide-ranging product portfolio that includes IV solutions, IV smart pumps with pain management and safety software technology, dedicated and nondedicated IV sets and needle-free connectors designed to help meet clinical, safety and workflow goals. In addition, ICU Medical manufactures automated pharmacy IV compounding systems with workflow technology, closed system transfer devices for preparing and administering hazardous IV drugs, and cardiac monitoring systems for critically ill patients.

Headquartered in San Clemente, California, USA, ICU Medical was founded in 1984. The company's primary customers are acute care hospitals, wholesalers, ambulatory clinics and alternate site facilities, such as outpatient clinics, home health care providers, and long-term care facilities. Since inception, ICU Medical has grown organically and through acquisition, and currently serves customers in more than 90 countries around the world.

### **Summary of information on the Group and future strategy**

Following completion of the ICU Transaction, the Group will be a more focused industrial technology group united by a shared purpose, business characteristics and a common operating model. The Group actively manages its portfolio of businesses to ensure that they are targeted in growing markets where they can achieve a sustainable leading position.

Smiths' businesses share the same characteristics: technology differentiation; increasing digitisation; sustainably competitive; and a high proportion of recurring revenues generated by aftermarket and services. Smiths drives sustained competitive advantage through focused

deployment of innovation and investment and relentless performance execution through its shared operating model, the Smiths Excellence System. The Group expects to benefit from applying an integrated approach to technology development, especially digital innovation, where Smiths' businesses can share and apply common solutions. This is underpinned by a strong financial framework that allows the Group to generate profitable revenue growth and superior returns.

The Group's continuing businesses are:

- (a) *John Crane*: rotating equipment solutions, including mechanical seals and systems, couplings, filtration systems and predictive digital monitoring technologies to enhance efficiency and reduce emissions for global process industries;
- (b) *Smiths Detection*: detection and screening technologies which protect people and assets, thereby supporting safety, security and freedom of movement across a broad range of markets including aviation, ports & borders, defence and urban security;
- (c) *Flex-Tek*: engineered components which heat and move fluids and gases for the aerospace, medical, industrial, construction and domestic appliance markets; and
- (d) *Smiths Interconnect*: technically differentiated electronic components, subsystems, microwave and radio frequency products which provide secure connectivity for critical applications in the defence, aerospace, communications and industrial markets.

Following the recent appointment of Paul Keel as the Group's CEO, the Group's future strategy is currently under review. The Company looks forward to updating the market on the Group's revised strategy and priorities at a capital markets day in November 2021.

### **Current trading for the Group's Continuing Operations**

As at 31 July 2021, the Group's Continuing Operations had consolidated net assets of £1,463 million (equivalent to \$2,034 million) and consolidated gross assets of £4,094 million (equivalent to \$5,691 million). In the financial year ended 31 July 2021, the Group's Continuing Operations generated revenues of £2,406 million (equivalent to \$3,264 million) and headline EBITDA of £458 million (equivalent to \$621 million). Group Continuing Operations revenue for FY2021 was down (2)% on an underlying basis vs. FY2020. The trend improved throughout the year, with first half underlying decline of (5)%, flat in the second half, and a return to growth in the final quarter. The performance of the Group's Continuing Operations was underpinned by its market-leading positions and high proportion of aftermarket revenues, with 50% of revenues coming from aftermarket activities.

The Group's Continuing Operations delivered strong profit conversion in FY2021, with headline operating profit up +7% on an underlying basis vs. the previous year. Headline operating profit margin increased +140bps on an underlying basis, reflecting the benefits of the strategic restructuring programme and disciplined cost control, and +270bps on a reported basis to 15.5%.

Following a resilient performance in FY2021, the Group's Continuing Operations have entered FY2022 with good order book momentum. While levels of recovery in our end markets differ and economic uncertainty and supply chain challenges continue, underlying revenue growth rates for the Group's Continuing Operations are expected to return, in aggregate, to around pre-COVID levels with further operational efficiency benefits and good cash generation.

We are increasingly confident about Smiths' future prospects and our ability to deliver excellent and sustainable value for all of our stakeholders.

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White & Case LLP and Freshfields Bruckhaus Deringer LLP are acting as legal advisers to Smiths in connection with the ICU Transaction.

**About Smiths Group**

*Smiths is a global technology company listed on the London Stock Exchange (SMIN) and operates a sponsored level one ADR programme (SMGZY). Its businesses share the same characteristics (technology differentiation; increasing digitisation; sustainably competitive; and a high proportion of recurring revenues generated by aftermarket and services) and a common operating model (The Smiths Excellence System). For more information visit [www.smiths.com](http://www.smiths.com).*

**IMPORTANT NOTICES**

**Enterprise Value**

*Throughout the announcement, the enterprise value of Smiths Medical is stated on a debt free, cash free basis and before taking into account any adjustments required under the terms of the ICU Transaction; tax; and associated transaction costs.*

**Exchange Rates**

*In this announcement: (i) references to "£" or "GBP" are to the lawful currency of the United Kingdom; and (ii) references to "\$" or "USD" are to the lawful currency of the United States of America.*

*The sale proceeds received by Smiths under the terms of the ICU Transaction will be received in USD (\$). Equivalents have been presented in GBP (£) in this announcement for illustrative purposes using a rate of \$1.38:£1.00 based on the average daily closing rate from 31 August 2021 to 6 September 2021.*

*The trading results for Smiths Group Continuing Operations and Smiths Medical have been presented in GBP (£) and for illustrative purposes the USD (\$) equivalents have been provided using the historical average exchange rates at the time the results were reported. These were \$1.26:£1.00 for FY'20 and \$1.36:£1.00 for FY'21.*

*The numbers for Smiths Group Continuing Operations and Smiths Medical's balance sheet (gross assets and net assets) have been presented in GBP (£) and for illustrative purposes the USD (\$) equivalents have been provided using the historical closing exchange rates at the time the results were reported. These were \$1.31:£1.00 as at 31 July 2020 and \$1.39:£1.00 as at 31 July 2021.*

### **Non-IFRS Measures**

*The Group uses alternative performance measures ("APMs"), which are not defined or specified under the International Financial Reporting Standards ("IFRS") or any other internationally recognised generally accepted accounting principles, to gauge business performance. APMs are not considered to be a substitute for IFRS measures but do provide additional, helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide comparable information across the Group.*

*These performance measures may not be comparable to other similarly titled measures as reported by other companies, as other companies may calculate these measures differently than the Group does; and these measures may not be permitted to appear on the face of the primary financial statements, or footnotes thereto, and in some cases, may not be permitted at all, in US filings made to the SEC. These performance measures have limitations as analytical tools, and none of these measures should be considered in isolation, or as a substitute for analysis of the Group's operating results, including its income statements and cash flow statements, as reported under IFRS.*

### **Rounding**

*Certain figures included in this announcement have been subject to rounding adjustments.*

### **Forward Looking Statements**

*This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will", or, in each case, their negative or other variations or comparable terminology, "targets", "aims", "forecasts" or by discussions of strategy, plans, objectives, goals, future events or intentions.*

*These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding Smiths' intentions, beliefs or current expectations concerning, among other things, the Group, results of operations, financial condition, liquidity, prospects, growth and strategies of the Group and Smiths Medical.*

*By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group and Smiths Medical, and the developments of the markets and the industries in which they operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations of the Group and Smiths Medical and the developments of the markets and the industries in which they operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.*

*Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect Smiths' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial condition, prospects, growth and strategies.*

*Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation Rules, the Market Abuse Regulation (EU No. 596/2014) and the Market Abuse Regulation (EU No. 596/2014) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018), Smiths is not under any obligation and Smiths expressly disclaims any intention or obligation (to the maximum extent permitted by law) to update or revise any forward-looking statements in this announcement, whether as a result of new information, future events or otherwise. Neither Smiths nor any of its directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place any undue reliance on these forward-looking statements, which speak only as at the date of this announcement.*

***No profit forecast or estimates***

*Unless otherwise stated, no statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings, earnings per Smiths share or income, cash flow from operations or free cash flow for the Group or Smiths Medical, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per Smiths share or income, cash flow from operations or free cash flow for the Group or Smiths Medical, as appropriate.*

***Cautionary statement***

*This announcement is not intended to, and does not constitute or form part of, any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security or a solicitation of any vote or approval, in any jurisdiction. Smiths' shareholders are advised to read carefully the formal documentation in relation to the ICU Transaction once it has been despatched. Any response to the ICU Transaction should be made only on the basis of the information in the formal documentation to follow.*

*The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Any failure to comply with these requirements or restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. This announcement has been prepared for the purposes of complying with English law and the UK Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.*

***Important information relating to the joint financial advisers and joint sponsors***

*Goldman Sachs International ("Goldman Sachs"), which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA in the United Kingdom, is acting exclusively as joint sponsor and joint financial adviser to Smiths and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of Goldman Sachs nor for giving advice in connection with the matters set out in this announcement or any transaction, arrangement or other matter referred to in this announcement.*

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), is authorised in the United Kingdom by the PRA and regulated by the FCA and the PRA. J.P. Morgan Cazenove is acting exclusively as joint sponsor and joint financial adviser to Smiths and no one else in connection with the ICU Transaction and will not regard any other person as its client in relation to the ICU Transaction and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to the ICU Transaction or any matter referred to herein.*

*Gleacher Shacklock LLP ("Gleacher Shacklock"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as joint financial adviser to Smiths and for no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of Gleacher Shacklock nor for providing advice in connection with the matters set out in this announcement or any transaction, arrangement or other matter referred to in this announcement.*

*White & Case LLP and Freshfields Bruckhaus Deringer LLP are acting as legal advisers to Smiths in connection with the ICU Transaction.*

*Smiths Group plc's LEI number is: 213800MJL6IPZS3ASA11*