

smiths

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SMITHS GROUP PLC
FY2019

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MAKING A SAFER, MORE EFFICIENT AND BETTER CONNECTED WORLD



Smiths is a world leader in the practical application of advanced technologies.



Our businesses share the same characteristics which embody how we create value, underpinned by our culture and values.



We actively manage our portfolio to target growing markets where we can sustainably achieve top three leadership positions.



We drive excellence and innovation through the Smiths Excellence System, maximising value for all our stakeholders.

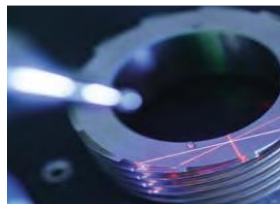
A LEADING INDUSTRIAL TECHNOLOGY COMPANY

SMITHS GROUP

- Founded in 1851
- Over 14,000 employees
- Operating in more than 50 countries
- Our products and solutions have a global reach
- Continuing revenue £2.5bn
- Continuing Headline OP £427m

JOHN CRANE

Mission-critical solutions for global energy and process industries



38% of continuing Group revenue

46% of continuing Group OP

SMITHS DETECTION

A leader in the detection and authentication of security threats and contraband

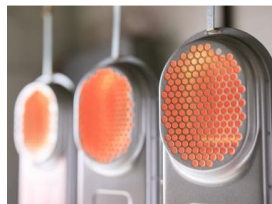


32% of continuing Group revenue

27% of continuing Group OP

FLEX-TEK

Innovative components to heat and move fluids and gases



17% of continuing Group revenue

17% of continuing Group OP

SMITHS INTERCONNECT

Solutions for high-speed, secure connectivity in demanding applications



13% of continuing Group revenue

10% of continuing Group OP

OUR MARKETS



SECURITY & DEFENCE



GENERAL INDUSTRIAL



OIL & GAS



SPACE & COMMERCIAL AEROSPACE

Based on reported FY 2019 numbers

OUR BUSINESSES ARE DEFINED BY FOUR CHARACTERISTICS

**TECHNOLOGY
DIFFERENTIATION**

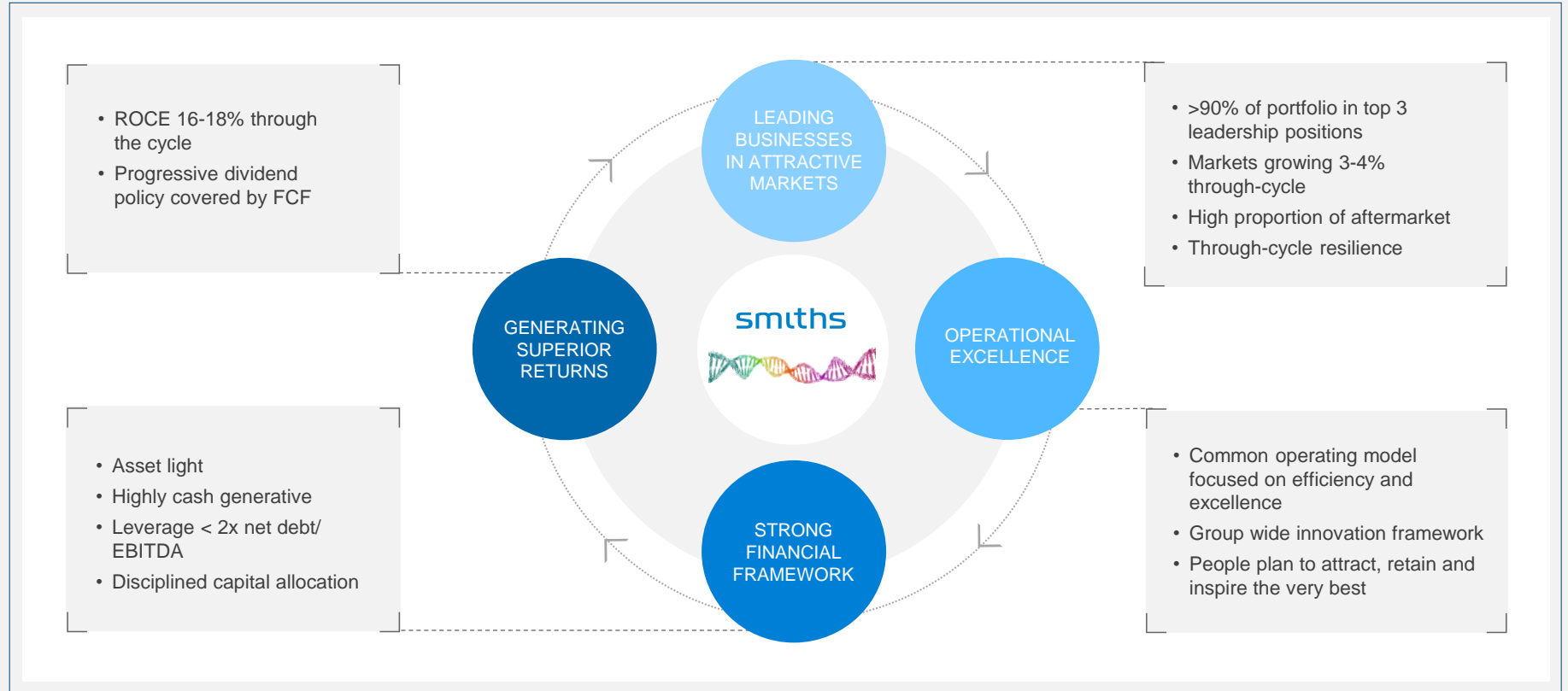
**INCREASING
DIGITISATION**

**SUSTAINABLY
COMPETITIVE AND
ASSET LIGHT**

**HIGH PROPORTION
OF AFTERMARKET
AND SERVICES**

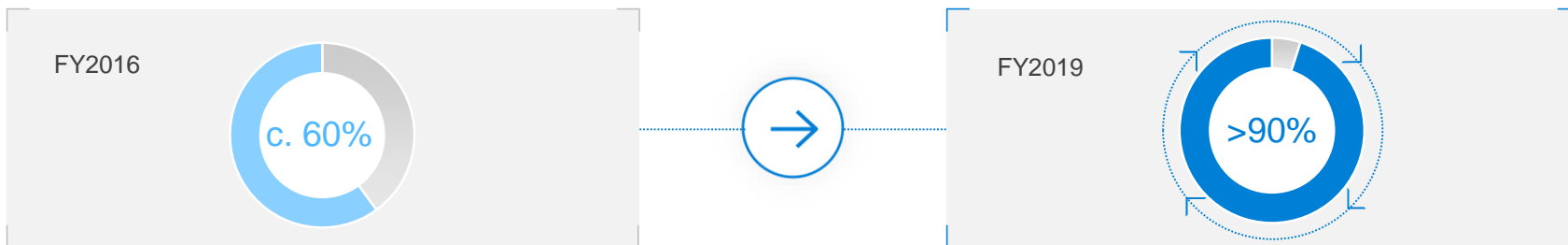
TARGETED IN GROWING MARKETS

HOW WE DRIVE LONG-TERM, SUSTAINABLE VALUE



LEADING BUSINESSES IN ATTRACTIVE GROWING MARKETS

PORTFOLIO IN TOP THREE LEADERSHIP POSITIONS



THROUGH TARGETED ORGANIC INVESTMENT- R&D UP 25% OVER FOUR YEARS

ACCELERATED BY A DISCIPLINED APPROACH
TO ACQUISITIONS AND DISPOSALS

11 DISPOSALS
c.£535m proceeds

7 ACQUISITIONS
for c.£900m

=

18 TRANSACTIONS
total value c.£1.4bn

OPERATIONAL EXCELLENCE

We work to attract, retain, develop, engage and inspire the best

18,000 colleagues have been trained on Lean awareness

We drive smarter and faster new product development and commercialisation to meet customers' evolving needs.

We measure the effectiveness of innovation using our Vitality Index - % of revenue from new products launched in the past three years.
FY2019: 13%; ambition: ~20%

PEOPLE

INNOVATION

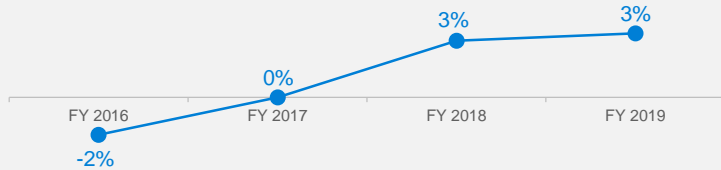
OPERATIONAL EXCELLENCE

We drive consistent and relentless execution through speed and efficiency in our operations, as well as focusing on quality

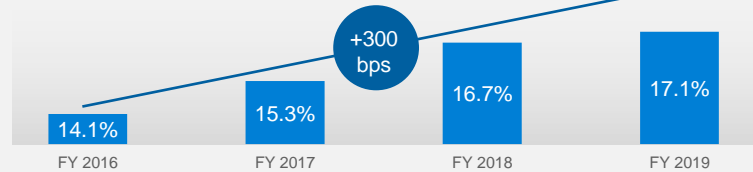
Cost Of Poor Quality (COPQ)
FY2019: 1.4% (FY2018: 1.7%)

STRONG FINANCIAL PERFORMANCE¹

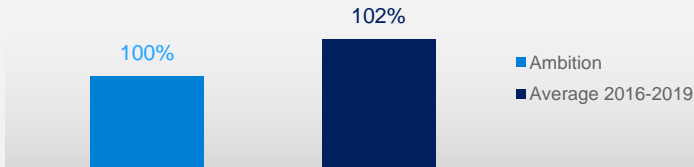
IMPROVING GROWTH TRAJECTORY (underlying revenue growth²)



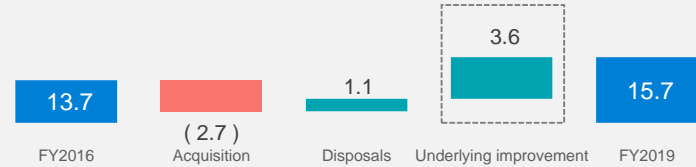
ENHANCED MARGINS (operating margin^{2,3})



STRONG CASH GENERATION



ATTRACTIVE RETURNS (ROCE %^{2,3})



GENERATING SUPERIOR RETURNS

¹ Continuing operations. ² Headline excludes non operating items as defined in note 3 of the accounts. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; and exclude the effects of foreign exchange, acquisitions and supplemental sales for divested businesses. ³ Both FY2016 and FY2017 have been adjusted for the restructuring and pension administration costs that are now recorded as headline items for comparability and has all the central costs allocated to Continuing operations

DELIVERING STRATEGIC PROGRESS



KEY PERFORMANCE INDICATORS

OPERATIONAL PERFORMANCE

	FY2019		Ambition
Portfolio strength ¹	>90%	→	90%+
Vitality index ²	13%	→	~20%
Stock turns ²	3.4x	→	~6x
Aftermarket % ^{1,3}	49%	→	50%+

FINANCIAL PERFORMANCE

	FY2019		Ambition
Underlying revenue growth ¹	+3%	→	Outperform our chosen markets
Operating margin ¹	17.1%	→	18-20%
ROCE ²	14.4%	→	16-18%
WC % sales ²	26%	→	~20%
Cash conversion ²	83%	→	100%+

ON TRACK TO DELIVER SIGNIFICANT POTENTIAL

¹ Continuing operations

² Total Group

³ Aftermarket changed from 60% to 50% to reflect the change of the Group's profile following Smiths Medical being accounted for as discontinued operations

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SMITHS IN FY2019



SMITHS GROUP – FY2019*

	JOHN CRANE	SMITHS DETECTION	FLEX-TEK	SMITHS INTERCONNECT	CONTINUING OPERATIONS**	DISCONTINUED OPERATIONS – SMITHS MEDICAL
Revenue (£'m)	£945m	£798m	£436m	£319m	£2,498m	£874m
Revenue growth* (%)	+8%	(2)%	+3%	+3%	+3%	-
Operating profit (£'m)	£220m	£127m	£84m	£47m	£427m	£147m
Operating margin (%)	23.3%	16.0%	19.2%	14.7%	17.1%	16.8%
Aftermarket % of revenue	66%	46%	51%	2%	49%	83%
R&D % sales	1.7%	8.4%	0.6%	7.2%	4.5%	6.0%

* Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; include restructuring and pension administration costs as headline for both years; and exclude the effects of foreign exchange, acquisitions and supplemental sales for divested businesses.

** Includes £(51)m of corporate costs

ADVANCING OUR SUSTAINABILITY AGENDA

ENVIRONMENTAL	SOCIAL	GOVERNANCE
<p>⇒ FY2007 to FY2019 reductions</p> <ul style="list-style-type: none"> • Greenhouse Gas (GHG): (58)% • Energy: (37)% • Water: (52)% • Non recycle waste: (60)% <p>⇒ Further commitment to reduce our impact on the environment</p> <p>⇒ Technology and innovation as a solution for our customers. <i>Example of the Aura™ range for John Crane which reduces methane emissions</i></p>	<p>⇒ Our People are our most important sources of sustainable competitive advantage:</p> <ul style="list-style-type: none"> ○ Safety first: <ul style="list-style-type: none"> • RIR 0.41 (FY2018: 0.39) • LTIR 0.18 (FY2018: 0.17) ○ Engagement score 73 (FY2018:73) translating into tangible actions to make Smiths a better place to work for <p>⇒ Customers & suppliers</p> <ul style="list-style-type: none"> ○ We adhere to our code of business ethics as well as provide regular anti-bribery and corruption training 	<p>⇒ Average tenure on the Board c.4 years</p> <p>⇒ Diversity of the Board:</p> <ul style="list-style-type: none"> • Gender (20%) • Ethnicity • Geographies <p>⇒ Diverse expertise: MedTech, engineering, automotive, financial services</p> <p>⇒ Regular sites visits</p>

JOHN CRANE: Mission-critical solutions for global energy and process industries

Revenue
£945m
(38% of Continuing Group)

Headline OP
£220m
(46% of Continuing Group)

Margin
23.3%

ROCE
23.4%

R&D % sales
1.7%

COMPETITIVE STRENGTHS

- A strong presence in flow control for rotating equipment
- Strong proprietary technology and expertise in applied engineering
- Broad installed base
- Strong aftermarket service offering with c.200 sales and service centres
- Long-term customer relationships
- Margins at 20%+ through-cycle

GROWTH DRIVERS

- Oil & gas markets recovering driven by underlying energy demand
- Expansion in high-growth markets
- Pent-up demand for maintenance and upgrades in oil & gas and petrochemical
- Need for operational improvements in non-oil and gas process industries
- Disruptive innovations including material science advancements and digital transformation

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Flowserve, EagleBurgmann, Danaher, Hydac, Rexnord

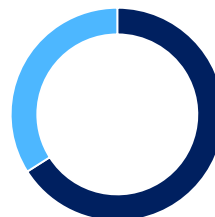
GEOGRAPHIES

- Americas 42%
- Europe 25%
- APAC 19%
- RoW 14%



OE/AM

- Aftermarket 66%
- Original Equipment 34%



END MARKETS

c.61% ENERGY

Mainly downstream exposure

c.39% INDUSTRIALS

- Pharmaceutical
- Chemicals
- Pulp & paper
- Water treatment

SMITHS DETECTION: A global leader in the detection and identification of security threats and contraband

Revenue
£798m
(32% of Continuing Group)

Headline OP
£127m
(27% of Continuing Group)

Margin
16.0%

ROCE
11.5%

R&D % sales
8.4%

COMPETITIVE STRENGTHS

- A global leader with differentiated technologies leveraged across markets
- Significant R&D capability
- Operating in several regulated markets requiring product certification
- Increasing digitisation and aftermarket revenue
- Long-term customer relationships
- Mid-teens + margin through-cycle

GROWTH DRIVERS

- Persistent and evolving terror threats
- Changing security regulations for air cargo and passengers
- Growing urbanisation and need to protect people and assets
- Global trade, e-commerce and passengers numbers
- Equipment replacement cycle, typically 7-10 years
- Growth of security infrastructure in emerging markets

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Example include: Nuctech, Rapiscan, L3-SDS

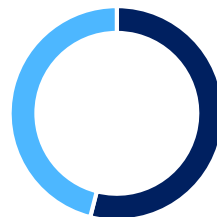
GEOGRAPHIES

- Americas 38%
- Europe 27%
- APAC 17%
- RoW 18%



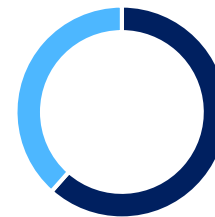
OE/AM

- Original Equipment 54%
- Aftermarket 46%



END MARKETS

- Aviation 65%
- Other Security Systems 35%



FLEX-TEK: Innovative components to heat and move fluids and gases

Revenue
£436m
 (17% of Continuing Group)

Headline OP
£84m
 (17% of Continuing Group)

Margin
19.2%

ROCE
23.3%

R&D % sales
0.6%

COMPETITIVE STRENGTHS

- High-performance products
- Leading capability in design and manufacture
- Increasing pace of innovation
- Strong customer relationships
- Culture, safety and quality
- Mid-teens + margin through-cycle

GROWTH DRIVERS

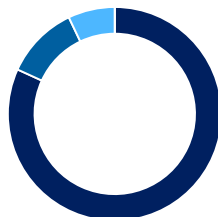
- Steady growth of US housing construction through cycle
- Continued increase in large commercial aircraft production
- International expansion

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Parker-Hannifin, Eaton Zoppas and Nibe

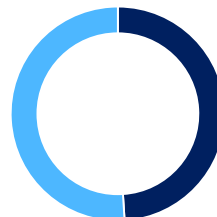
GEOGRAPHIES

- Americas 81%
- Europe 11%
- APAC 7%
- RoW 1%



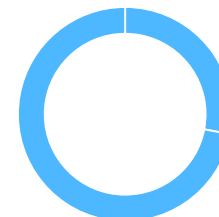
OE/AM

- Original Equipment 49%
- Aftermarket 51%



END MARKETS

- Aerospace 28%
- Industrials 72%



SMITHS INTERCONNECT: Solutions for high-speed, secure connectivity in demanding applications

Revenue
£319m
 (13% of Continuing Group)

Headline OP
£47m
 (10% of Continuing Group)

Margin
14.7%

ROCE
12.8%

R&D % sales
7.2%

COMPETITIVE STRENGTHS

- Innovative and technically differentiated offerings
- Ultra-high reliability solutions used in demanding applications
- Strong research and engineering capabilities
- Customer intimacy, responsiveness and product customisation
- Global presence, reach and support
- Mid-teens + margin through-cycle

GROWTH DRIVERS

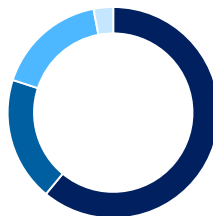
- Increased connectivity
- Growing urbanised population requiring transports and infrastructure
- Increasing geopolitical uncertainty
- Ageing population and rising need for healthcare services

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include Amphenol, TE Connectivity, Molex

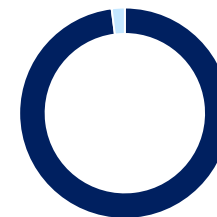
GEOGRAPHIES

- Americas 61%
- Europe 19%
- APAC 17%
- RoW 3%



OE/AM

- Original Equipment 98%
- Aftermarket 2%



DISCONTINUED OPERATIONS

SMITHS MEDICAL: High-quality, cost-effective medical devices and consumables that are vital to patient care globally

Revenue
£874m

Headline OP
£147m

Margin
16.8%

ROCE
11.7%

R&D % sales
6.0%

COMPETITIVE STRENGTHS

- Category leader in our chosen markets
- Trusted brands with a reputation for quality and safety
- Strong, defensible intellectual property
- Over 80% of revenue is from single-use devices and proprietary consumables
- Strong customer relationships and extensive global sales network
- Margins 20%+ through-cycle

GROWTH DRIVERS

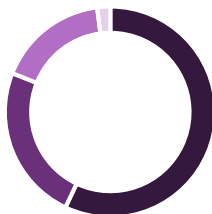
- Ageing populations with increasing personalised healthcare and patient expectation/quality of life
- Increasing incidence of chronic diseases
- Increasing need for connected systems and data analytics
- Growth of alternate site and home-based healthcare
- Growing healthcare spend in developing markets

COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Medtronic, Becton-Dickinson, Baxter, B Braun

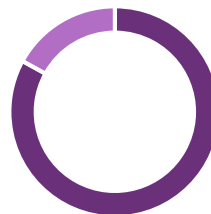
GEOGRAPHIES

- Americas 57%
- Europe 24%
- APAC 17%
- RoW 2%



OE/AM

- Consumables 83%
- Original Equipment 17%



END MARKETS

- Infusion systems 35%
- Vascular access 33%
- Vital Care and Specialty products 32%

