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SMITHS GROUP PLC FY2020

DISCLAIMER

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Making a safer, more efficient and better connected world

THE STATE OF THE S

- Smiths is a world leader in the practical application of advanced technologies
- We create transformative products and services that make a safer, more efficient and better connected world
- Our businesses share the same characteristics which shape how we create value (see slide 5)
- These characteristics are underpinned by the Smiths values, a culture driven by excellence and innovation
- We are committed to doing business responsibly and sustainably for the benefit of society at large and our stakeholders



A leading industrial technology company

SMITHS GROUP

- Founded in 1851
- Over 15,000 employees
- Operating in more than 50 countries
- Our products and solutions have a global reach
- Continuing revenue £2.5bn
- Continuing Headline OP £327m



Mission-critical solutions for global energy and process industries

49%

of continuing

of continuing

Group OP

Group revenue



Detection and screening technologies for the identification of safety and security threats

32%

22%

of continuing

Group revenue

of continuing

Group OP



Innovative components to heat and move fluids and gases

of continuing

Group revenue

of continuing

Group OP



Solutions for high-speed, secure connectivity in demanding applications

demanding application

of continuing Group revenue

of continuing Group OP

OUR MARKETS







ENERGY



SPACE & AEROSPACE

THROUGH-CYCLE RESILIENCE WITH 49% AFTERMARKET REVENUE

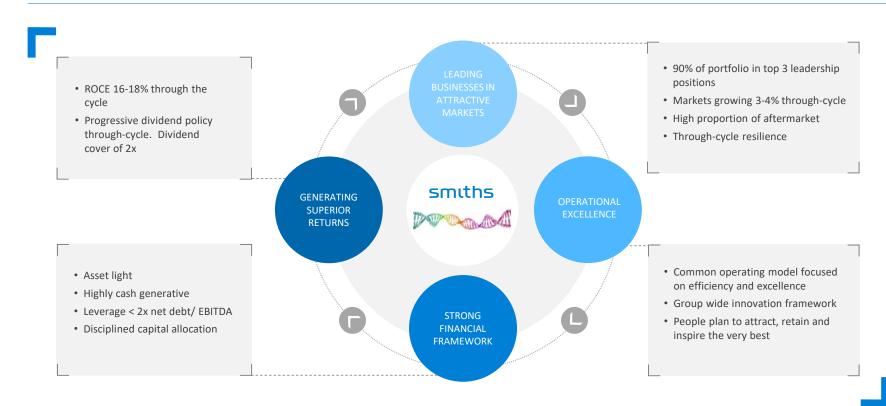
Based on FY2020 numbers



Our businesses share the same four characteristics



How we drive long-term, sustainable value





Leading businesses in attractive growing markets





THROUGH TARGETED ORGANIC INVESTMENT- R&D UP 20% OVER FIVE YEARS

Accelerated by a disciplined approach to acquisitions and disposals

1 1 DISPOSALS c.£535m proceeds

10 ACQUISITIONS for c.£965m



21 TRANSACTIONS total value c.£1.5bn



Operational excellence*

Maximising value for all stakeholders





People

Our people are vital to the success of Smiths. We work to attract, retain, develop, engage and inspire the very best.



Innovation

Technology and innovation are driving the future of Smiths. Our Groupwide innovation framework fosters a disciplined, futurefocused culture aligned with our purpose and strategy. This helps us translate our expertise and insight into transformative new ways of working, products, services and business models.



Execution

We aim for consistent and flawless execution. Capability, collaboration across internal and external expert networks, and a relentless focus on continuous improvement enable us to move fast and deliver solutions, quality and value for our stakeholders.

Excellence

The Smiths Excellence System is embedded into our operations and functions. Supported by the SES Academy, it has created one language for excellence at Smiths that is advancing skills, best practice and continuous improvement across our SES pillars: Customer, People, Technology, Programme, Production and Supply.

People

BELONGING SCORE

70

My Say engagement survey: I

0.30

Customers and suppliers

86%

1.4%

Society and the environment

DIRECT ECONOMIC CONTRIBUTION

GHG REDUCTION

£2.8bn

(46)%

Employee costs + supplier costs + tax paid

Shareholders

UNDERLYING EPS

84.8p FY2019: 96.8p

DIVIDEND 35.0p



^{*} Based on Group measures. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; exclude the effects of foreign exchange, acquisitions, restructuring costs and write-downs; and add back depreciation and amortisation of discontinued operations for comparability purposes

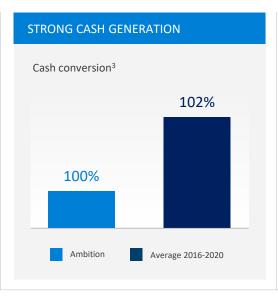
Strong financial framework

FLEXIBLE COST BASE¹ Cost of sales Variable costs c.60% Fixed costs c.40% Capex / D&A²

FY 2018

FY 2019

FY 2020



ROBUST BALANCE SHEET

- Net debt of £1.1bn (including £148m of leases)
- Net debt: EBITDA 1.7x4
- Average debt maturity is 4.2yrs - no maturities until October 2022
- No covenant obligations on bonds

WELL PLACED TO NAVIGATE THE CURRENT ENVIRONMENT

1 Continuing operations

FY 2016

2 D&A does not include IFRS 16 depreciation for comparison purposes

FY 2017

3 Excludes the impact from IFRS 16 for comparison purposes

4 EBITDA is based on continuing and discontinued operations. Please refer to note 30 of the accounts for detailed calculation - excludes restructuring and write-downs



Key performance indicators



OPERATIONAL PERFORMANCE

	FY2020	Ambition
Portfolio strength ¹	90%	90%+
Vitality index ²	20%	~20%
Stock turns ²	3.0x	~6x
Aftermarket % ¹	49%	50%+

FINANCIAL PERFORMANCE

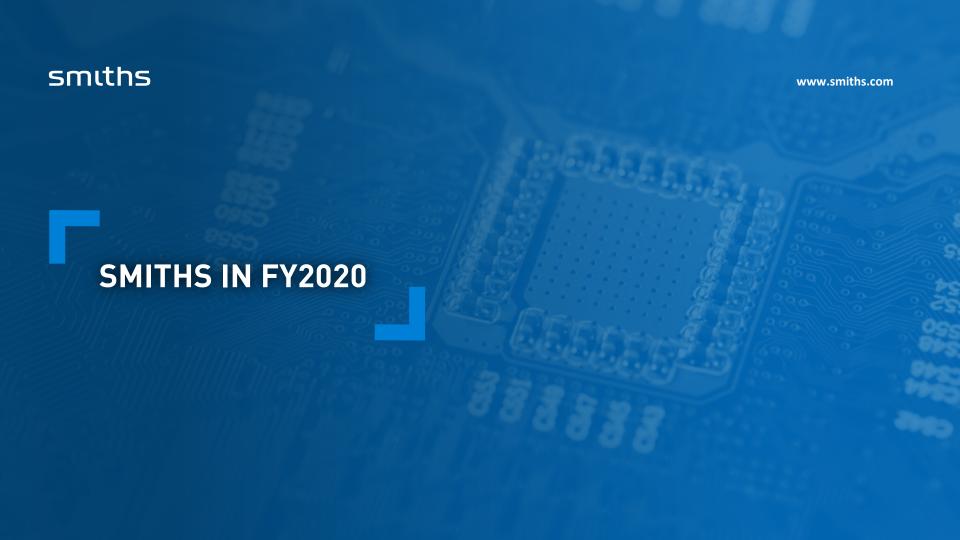
	FY2020	Ambition
Underlying revenue growth ¹	(1)%	Outperform our chosen markets
Operating margin ¹	15.0%	18-20%
ROCE ²	11.8%	16-18%
WC % sales ²	28%	~20%
Cash conversion ²	123%	100%+

ON TRACK TO DELIVER



¹ Continuing operations

² Total Group



Smiths Group - FY2020

	JOHN CRANE	SMITHS DETECTION	FLEX-TEK	SMITHS INTERCONNECT	CONTINUING OPERATIONS**	DISCONTINUED OPERATIONS – SMITHS MEDICAL
Revenue (£'m)	£955m	£806m	£478m	£309m	£2,548m	£918m
Revenue growth* (%)	+2%	-	(6)%	(5)%	(1)%	+4%
Headline operating profit (£'m)	£187m	£82m	£83m	£26m	£327m	£184m
Operating margin* (%)	21.5%	13.9%	17.6%	10.1%	15.0%	15.5%
Aftermarket % of revenue	67%	45%	51%	2%	49%	80%
R&D % sales	1.9%	9.2%	0.5%	7.7%	4.7%	5.9%

^{*}Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; exclude the effects of foreign exchange, acquisitions, restructuring costs and write-downs; and add back depreciation and amortisation of discontinued operations for comparability purposes



^{**} Includes £(51)m of corporate costs

Smiths Group – FY2020



External recognitions supporting strong ESG fundamentals External recognitions Score Environmental Social Governance Governance 1 FY2007 to FY2020 reductions Our People are our most Average tenure on the Board Aug **ISS** ⊳ Environment 2 · Greenhouse Gas (GHG): important sources of sustainable c.4.3 years 2020 Social 2 (46)% competitive advantage: Energy: (17)% Safety first (FY2020): Water: (44)% Diversity of the Board: • RIR 0.30 (FY2019: 0.41) 2018 • Non recycle waste: (49)% Gender (33%) Above average • LTIR 0.14 (FY2019: 0.19) data • Ethnicity & gender (42%) · Geographies (67%) o Engagement score 73 (May 2019:73) translating into Further commitment to reduce 34 Sep tangible actions to make Smiths our impact on the environment: 67th percentile 2019 Diverse expertise: MedTech, a better place to work • 75% renewable electricity engineering, automotive, commitment by 2040 financial services Customers & suppliers Nov MSCI (1) We adhere to our code of Leader in the sector 2019 Technology and innovation as a business ethics as well as Regular sites visits solution for our customers provide regular anti-bribery and COVID-19 videos corruption training for our June Constituent employees



FTSE4Good

2020

John Crane - Mission-critical solutions for global energy and process industries

REVENUE f 955m

HEADLINE OP

£187m

(49% of Continuing Group)

UNDERLYING MARGIN

21.5%

ROCE

19.0%

R&D % SALES

1.9%

COMPETITIVE STRENGTHS

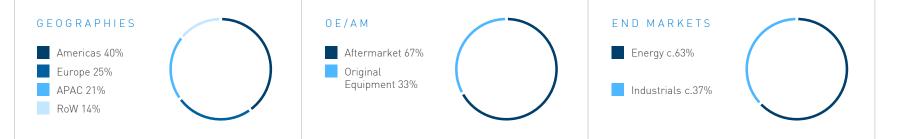
- A global leader in mission-critical technology for rotating equipment
- Strong proprietary technology and expertise in applied engineering
- Broad installed base in energy and industrials
- Strong aftermarket service offering with more than 200 sales and service centres
- Long-term customer relationships
- Margins at 20%+ through-cycle

GROWTH DRIVERS

- Long-term underlying energy demand, especially in emerging markets
- Pent-up demand for maintenance and upgrades, including environmental safeguarding, in oil & gas and petrochemical
- Expansion in higher-growth markets
- Need for operational improvements in industrial process industries
- Disruptive innovations, including materials science advancements and digital transformation
- Unique footprint which allows John Crane to support and service customers as well as meet local content requirements and align with customer strategies

COMPETITIVE LANDSCAPE

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





Smiths Detection - Detection and screening technologies for the identification of safety and security threats

REVENUE f806m

HEADLINE OP

(22% of Continuing Group)

UNDERLYING MARGIN

13.9%

ROCE

7.2%

R&D % SALES

9.2%

COMPETITIVE STRENGTHS

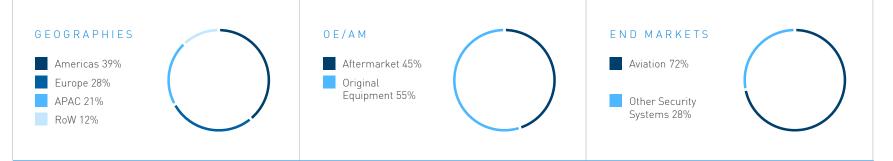
- A global market leader with differentiated technologies leveraged across a broad range of markets
- Significant R&D capability
- Operating in regulated markets that require product certification
- Increasing digitisation and aftermarket revenue
- Long-term customer relationships
- Mid-teens + margin through-cycle

GROWTH DRIVERS

- Persistent and evolving terror threats
- Changing security regulations in the aviation market
- Evolving threats to public safety and critical infrastructure
- Global growth in e-commerce
- Equipment replacement cycle, typically 8-10 years
- Growth of transportation infrastructure in Asia. Latin America and Africa

COMPETITIVE LANDSCAPE

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





Flex-Tek - Innovative components to heat and move fluids and gases

£478m

(19% of Continuing Group)

HEADLINE OP

£83m

(22% of Continuing Group)

U N D E R L Y I N G M A R G I N

17.6%

ROCE

17.5%

R&D % SALES

0.5%

COMPETITIVE STRENGTHS

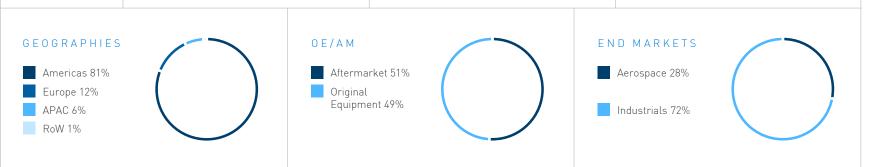
- High-performance products
- Leading capability in design and manufacture
- A market leader in residential gas tubing products
- High performance flexible tubing for aerospace
- Strong customer relationships
- Mid-teens + margin through-cycle

GROWTH DRIVERS

- Through cycle growth of the US housing construction market
- Expanding international market for corrugated stainless steel tubing for housing
- Long-term increase in commercial aircraft production
- Growth of medical devices, especially for the treatment of sleep apnoea
- Expansion in higher-growth markets

COMPETITIVE LANDSCAPE

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





Smiths Interconnect - Solutions for high-speed, secure connectivity in demanding applications

REVENUE (12% of Continuing Group)

HEADLINE OP

£26m (7% of Continuing Group)

UNDERLYING MARGIN

10.1%

ROCE

6.4%

R&D % SALES

7.7%

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 in space
- Growing urbanised population requiring transport and infrastructure
- Increasing geopolitical uncertainty
- Extension of internet connectivity to improve efficiency and data accuracy (Internet of Things, Industry 4.0)
- Increased focus on healthcare and ageing populations

COMPETITIVE LANDSCAPE

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

GEOGRAPHIES











0 E / A M







Smiths Medical - High-quality, cost-effective medical devices and consumables that are vital to patient care globally

£918m

£184m

U N D E R L Y I N G M A R G I N

15.5%

ROCE

13.8%

R&D % SALES

5.9%

COMPETITIVE STRENGTHS

- A category leader in served segments
- Trusted brands with a reputation for safety
- Strong, defensible intellectual property
- C.80% of revenue 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 homebased 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

