

Smiths Group plc: Trading update & strategic restructuring

London, 30 June 2020

Smiths Group plc (“Smiths” or “the Group”) is providing a trading update and announcing a strategic restructuring programme. This announcement contains inside information.

Trading update

Smiths Continuing Operations

For the ten months ended 31 May 2020, underlying¹ revenue for Continuing Operations² was up +2%. Reported year-to-date revenue increased +6%, including +3% from the acquisition of United Flexible.

For the four months of the second half ended 31 May 2020, underlying¹ revenue was up +1%.

The resilient overall performance of the last four months reflects the momentum of the first half and our strong orderbooks at the outset of the COVID-19 crisis. There has been some slowing, due to the impact on our operations and those of our customers; we also face increasingly tough comparators through the end of the fiscal year. We are currently operating in all our 75 manufacturing plants, but are not immune to higher consequential costs.

- John Crane revenue remained in growth on a year-to-date basis, despite a recent slowdown driven by disruption to customer service.
- Smiths Detection performed strongly thanks to delivery of original equipment (“OE”) programmes. We continue to win new OE programmes, but tender activity and service revenues have slowed.
- After a good performance in the first half, Flex-Tek is being impacted by the downturn in commercial aerospace, as well as disruption to US construction. The rest of the business continues to perform well.
- Smiths Interconnect revenue was impacted in the first half by global connector market weakness, but more recently both orders and revenue have improved.

Smiths Medical

Smiths Medical² sustained its growth, with revenue up +1% on an underlying¹ year-to-date basis.

Underlying¹ revenue growth in the second half to date was up +2%, with the pandemic driving increased critical care demand and restocking. However, lower volumes of non-COVID-19 procedures held back revenues later in the half.

Driving growth opportunities

The Group continues to drive growth opportunities made available by its technological, commercial and financial strengths.

Smith Detection has today announced a bolt-on technology acquisition (PathSensors Inc), which will complement and accelerate its biological capability to detect pathogens for broad end-market applications.

Liquidity

Operating cash conversion has been strong and cash balances have increased from c.£250m to over £300m. Alongside an undrawn revolving credit facility (“RCF”) of £640m, the Group therefore has access to surplus liquidity of around £950m.

Issued debt has an average maturity of over 4 years and no maturities before October 2022. The only financial covenant relates to the undrawn RCF, where interest cover must be greater than or equal to 3 times (HY2020: 13 times).

Forward Guidance

In its trading statement on 31 March 2020, the Group withdrew forward guidance for FY2020 due to the uncertainties of the COVID-19 crisis.

Strategic restructuring programme

The Group announces today a strategic restructuring programme that will ensure it emerges stronger from the crisis and better able to deliver consistent outperformance. This will support the achievement of our goal to deliver operating margins of 18-20%.

The programme is Group-wide and has an operating cash cost of c.£65m which will be spread across FY2020 and FY2021. Savings will substantially offset costs in FY2021 and deliver the full annualised benefit of approximately £70m from FY2022 onwards. Further detail will be provided at the full year results on 24 September 2020.

Andy Reynolds Smith, Group Chief Executive, commented:

“Market-leading positions and a flexible business model have enabled the Group to continue to perform through crisis disruption.

Our immediate focus is the safety of our people and business continuity for our customers. We will continue to take the actions necessary to safeguard our long-term competitiveness. I very much regret that this will result in some job losses. My sincere personal thanks go to the amazing Smiths employees around the world for their dedication and commitment.

The Group has a resilient business model; market-leading positions, a culture of innovation at its heart, combined with relentless execution. We are confident that we will meet the challenges of the current crisis - and emerge stronger, better able to outperform long-term.”

Management will be holding a webcast call for analysts and investors at **9.00am (UK time) today**.
<https://edge.media-server.com/mmc/p/upf9fqnh>

Definitions

¹ Underlying modifies headline performance to adjust prior year to reflect an equivalent period of ownership for divested businesses, and excludes the effects of foreign exchange and acquisitions.

² Continuing Operations exclude Smiths Medical which is accounted for as ‘discontinued operations – businesses held for distribution to owners’.

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Photography

Original high-resolution photography is available to the media from the media contacts above or from <http://www.smiths-images.com/>

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