

Smiths Group plc

HY2026 Financial Results

Friday 20th March 2026

Opening remarks

Roland Carter

Chief Executive Officer

Good morning, everyone and thank you for joining us.

I hope you enjoyed the video celebrating our 175-year anniversary which highlights many significant events over our history. My career at Smiths represents more than a fifth of this time and I have been fortunate enough to work on many projects where we have made important contributions to engineering, and to our customers.

2026 is yet another momentous period in our history as we re-shape the portfolio, and I am delighted at the execution of this strategy so far.

Agenda

Turning to the agenda for today, I'll start with the key highlights before handing over to Julian to walk through the numbers in more detail. I'll then come back to you to provide an update on our strategy. And as always, we'll have plenty of time for questions at the end.

Excellent strategic progress, strengthening focus on higher growth and margin

The first half of FY2026 has been a strategically important period for Smiths as we executed major portfolio actions, achieving attractive valuations for both Smiths Interconnect and Smiths Detection.

It marks a period of progress in which we have delivered a solid financial performance, and positioned the company for stronger, more focused growth and an improved margins and returns profile. These outcomes reflect consistent execution and sustained progress.

We have continued to take a disciplined approach to capital allocation – investing organically and in growth-accretive acquisitions. And divestments have enabled enhanced capital returns to shareholders, with a further announcement today of a new £1.5bn programme.

We have updated our FY2026 outlook for Smiths following our change in reporting for discontinued operations. We expect organic revenue growth of 3-4%, reflecting expectations of a stronger second half, with its growth in line with our medium-term target range. And we expect an operating profit margin of around 20% - demonstrating clear progress towards our medium-term financial targets.

With that, I'll now hand over to Julian to talk through the numbers in more detail.

HY2026 Financial Results

Julian Fagge

Chief Financial Officer

Thank you, Roland, and good morning everyone.

I'm pleased to be here today to present our Fiscal Year 26 half year financial results. As usual, I'll take you through our financial performance, provide more colour around the latest developments in our businesses before covering capital allocation.

Before I start I would like to flag that the results include more complicated accounting disclosures than is usual as we transition through the separations of Interconnect and Detection.

"Group" refers to John Crane, Flex-Tek and Smiths Detection – which was the basis of our guidance at the beginning of our fiscal year. "Smiths" refers to John Crane and Flex-Tek – our continuing businesses. And "Total Group" includes all four businesses across both continuing and discontinued operations.

HY2026 – solid financial performance

Starting with Group headline performance. Organic revenue growth was +4%, which was in line with our expectations.

Operating profit grew +7.2% on an organic basis, and +5.6% on a reported basis, resulting in a margin expansion of +50bps.

Revenue for Smiths, grew +0.4% organically, consistent with our expectations for a higher second half weighting. Reported revenue declined (1.0)% including a +1.4% contribution from acquisitions in Flex-Tek, offset by adverse foreign exchange of (2.8)%.

Smiths margin expanded by +20bps to 19.8%, continued progress towards our medium-term target of 21–23%.

Total Group EPS was up +8.4% organically, and +11.7% on a reported basis supported by the share buyback programme.

Return on Capital Employed increased +130bps to 18.4%.

And operating cash conversion was 78%.

Solid organic revenue growth, enhanced with acquisitions

Turning to Group revenue.

The +4% growth was supported by:

- Growing momentum in John Crane, with a strong second quarter driven by growth in energy
- Strong growth in Flex-Tek aerospace offset by softness in Flex-Tek construction

- And strong delivery in Smiths Detection, where we continued to build and convert its strong multi-year order book

This growth was supplemented by a positive contribution from Flex-Tek's acquisitions.

Across the portfolio, there was a good contribution from new products and innovation as well as strong commercial execution.

Continuing operating margin expansion

Operating profit margin expanded +50 basis points for Group. This growth reflected:

- Operating leverage and a positive mix impact from growth in John Crane and Smiths Detection,
- A negative impact from US tariffs, with the largest impact coming through in Detection,
- And 70 basis points of efficiencies coming through from the Acceleration Plan, largely at John Crane, a reduction in central costs, alongside savings from the Smiths Excellence programme.

EPS growth driven by operating profit growth and share buyback

Strong organic EPS growth of +8.4% was achieved by the organic operating profit increase, the share buyback, partially offset by higher tax and interest. Reported EPS grew 11.7% to 62 pence per share reflecting

- accretion from Flex-Tek's acquisitions,
- adverse foreign exchange,
- and the accounting effects related to the sale of Smiths Detection and Smiths Interconnect, which under IFRS 5 are no longer subject to amortisation or depreciation.

Good operating cash conversion reflects decision to increase inventory

Total cash generation was £220m, representing a 78% operating cash conversion. This reflected lower capex at £29m, following the completion of the majority of automation and capacity investment last year. This was offset by working capital outflows in John Crane and Smiths Detection to support second half order book delivery. It is worth noting that last year's working capital benefited from better than usual payables at the end of the period in the context of the cyber incident.

Business Update

Turning now to the continuing businesses — we'll focus today on John Crane and Flex-Tek but you can find performance reviews for Smiths Detection and Smiths Interconnect in today's RNS.

John Crane – strong Q2 providing momentum and order book support mid-single-digit H2 growth

John Crane delivered +2.0% organic growth with momentum building across the half. Following the marginal decline in Q1, John Crane delivered mid-single-digit growth in the second quarter, reflecting healthy demand and improvements in operational execution following the automation and machining capacity investments.

Growth was led energy which grew 3.9%, with a strong performance in the second quarter.

Dry gas seal demand remained healthy while systems sales were impacted by some project phasing in Europe and Asia. Performance in Industrial was lower as a result of over-capacity in Chinese chemicals, partly offset by strength in mining and pulp & paper in the Americas.

Aftermarket, which makes around 70% of revenue, was strong, with increased focus on reliability-based contracts. Sales of original equipment performed solidly, particularly in the US and Latin America.

John Crane margin expanded +50bps to 23.2%, reflecting pricing, mix benefits from higher aftermarket growth, Smiths Excellence and Acceleration Plan benefits, offsetting a limited impact from US tariffs.

We continue to invest in innovation that strengthens our leadership in critical flow control. In the first half, we saw positive uptake of the new Type 93AX separation seal that we launched last year, and we also launched a new mechanical seal, designed for ethane and ethylene pipelines. This has already delivered performance improvements for a leading ethane pipeline operator on the US Gulf Coast.

Looking ahead, we expect John Crane's growth momentum to continue, with the second half expected to grow at a similar rate to the second quarter.

Our growth outlook is supported by a strong and expanding order book in both OE and aftermarket. And with a positive book-to-bill, we have good visibility through the remainder of FY2026.

Flex-Tek – strong aerospace growth offset by challenged construction market

Turning to Flex-Tek. To reflect how we run business, we show the performances of Construction, Thermal Solutions and Aerospace. The results exclude certain industrial businesses which have been classified as discontinued operations. This reflects the strategic decision to high-grade the Flex-Tek portfolio to focus on higher growth and higher margin market sub-segments.

Organic revenue for the half declined (2.0)%, largely reflecting market-driven weakness in the US construction market, offset by strong growth in aerospace.

Acquisitions delivered £12m, or +3.4% to growth, which was offset by negative foreign exchange.

In Construction, performance reflected a challenging period for US residential construction, where housing starts and building permits remained negative over the six-month period. This continuing market downturn has had a knock-on effect on customer inventories which has impacted order levels particularly in residential heat kits.

Second-half performance is dependent on the pace of recovery in US housing, which remains uncertain and where builders confidence remains well below 50. We have taken a cautious view on this.

The Thermal Solutions business declined (7.8)% in the period, largely related to customer destocking of heat kits that I just mentioned. This was partly offset by the completion of a large ultra-high heating contract. The pipeline of projects in this space remains healthy.

Aerospace grew strongly at +10.1%, supported by healthy demand and a full and growing order book across both commercial and defence aircraft build programmes. Alongside renewed long-term agreements, these provide good visibility for the second half and beyond.

Regarding acquisitions, the integration of Modular Metal is largely complete, and Duc-Pac is progressing to plan. In Thermal Solutions, the integration of Wattco is also largely complete, and the business is now focused on accelerating growth from expanded capacity in its new manufacturing facility.

Operating margin was 20.4%, a 60 basis points decrease compared with last year. This reflected negative drop through from lower volumes, the completion of the higher-margin ultra-high heat contract and higher materials costs. This was partly offset by efficiency savings and the initial benefits from the Acceleration Plan.

Disciplined use of capital

Our approach to capital allocation continues to support growth, returns and balance-sheet efficiency.

We invested a total of £101m in RD&E and capex, investing for future growth and efficiency.

We increased our interim dividend by +5.4% to 15 pence per share and we paid £104m in dividends in the first half, continuing our track record of consistent dividend growth.

We completed the £500m buyback at the beginning of December and we started executing the £1bn buyback related to the sale of Interconnect. This is expected to be substantially complete by the end of calendar year 2026, with the first tranche of £600m to be completed by the end of this fiscal year.

We recently announced the acquisition of DRC for £164m, at an attractive valuation of 10x adjusted EBITDA. The transaction is expected to complete in the third quarter of the fiscal year.

Finally, today we announced we expect to return £1.5bn of the Smiths Detection proceeds via the combination of a tender offer or special dividend, accompanied by a share buyback

programme. This will commence upon the completion of the current programme and continue through calendar year 2027. We will update further on the precise mechanism and timing once the divestment completes.

Our balance sheet remains strong, with a leverage of 1.2x as of the end of January, giving us good flexibility to continue investing for growth.

FY2026 outlook updated to exclude discontinued operations

We have updated our FY26 guidance for continuing operations, or Smiths.

We expect organic revenue growth of 3-4%, with momentum building to deliver stronger growth in the second half, which is expected to fall within our medium-term target range.

John Crane enters the second half with good momentum, which combined with a strong order book in both OE and aftermarket, supports an improving second half and we expect growth of mid-single digits, similar to the second quarter. A positive book-to-bill gives us good visibility through FY26 with the recent investments in advanced manufacturing and testing starting to bear fruit.

In Flex-Tek, we expect a stronger second half driven by continued strength in Aerospace supported by order book visibility and new contract positions. The pace of recovery in US residential construction remains uncertain. However, Flex-Tek is well positioned to benefit when the market returns.

We expect operating profit margin of around 20%, progressing nicely towards our new medium range target, driven by operating leverage, benefits from the Acceleration Plan, and ongoing efficiencies from Smiths Excellence.

We expect cash conversion to be around the low to mid-nineties percent, reflecting continued investment for growth, and strong underlying cash generation.

Finally, one word on what is happening in Iran and surrounding countries. Our main priority is the safety of our people who work in the region. In HY2026, the Middle East region contributed to around 7% of revenue for Smiths, primarily in John Crane. We are mindful of the uncertainty these events bring and we continue to monitor developments, alongside the potential size and duration of any impacts on performance, which are not incorporated in our current guidance.

In summary, our HY26 financial results demonstrate a solid delivery, expanding margins and continued discipline on capital allocation.

And with that, I'll hand back to Roland.

Strategy update

Roland Carter

Chief Executive Officer

Strategic actions to unlock significant value and enhance returns to shareholders

Thank you, Julian.

Firstly, I'll provide an update on our strategic progress, then I'll turn to the Smiths businesses and the opportunities for continued growth and margin expansion, and I'll end with our people and culture.

Value-creating transactions for Smiths Interconnect and Smiths Detection

The defining feature of the first half was the value-accretive transformation of our portfolio. We agreed the sales of Interconnect and Detection ahead of schedule, for a total value of £3.3bn at highly attractive multiples that were above market expectations. These transactions reflect our ongoing commitment to maximising value for shareholders, and to sharpen our strategic focus.

The regulatory processes are progressing well, with Interconnect close to completion, and we remain on track to complete Detection before the end of the calendar year.

I would like to express my thanks to all my colleagues for delivering such a great outcome.

Enabling enhanced returns to shareholders

The proceeds from these two transactions support substantial capital returns.

We have already begun returning the Interconnect proceeds through the £1bn share buyback programme initiated in December, building on the £500m buyback completed last calendar year.

For the Detection proceeds, as Julian mentioned, we expect to return a further £1.5bn. We look forward to sharing the details in due course.

In the past four and a half years, we have returned more than £2.3bn to shareholders via dividends and buybacks. With the remainder of the current buyback and the new programme announced today, there is still more than £2bn to be returned, continuing through calendar year 2027.

Our approach is consistent: invest for growth, allocate capital smartly and return surplus capital to shareholders efficiently.

Smiths - a focused industrial engineering company

Following the separations, Smiths will be a focused industrial engineering company. We specialise in high-performance technologies in flow control and thermal solutions. We hold leading positions in attractive market sub-segments, that are aligned with long-term structural megatrends. We are well regarded for the quality of our products, our technologies and solutions, and we are admired for our skills in customisation, customer service and our ability to help solve customer problems.

We have a portfolio of well-known, leading brands with a reputation for innovative and reliable products. We have valued customer relationships, which together with our high performing culture, and a strong financial profile, mean we are well positioned to grow faster than the markets in which we operate.

Let me drill a little bit deeper into the growth opportunities in each of our businesses.

Portfolio focused on strategic growth pillars supported by structural megatrends

Around 60% of John Crane operates in the flow control segment of the global energy market where growth is underpinned by demand for energy security, energy transition and a continuing demand for efficiency and reliability. 40% of John Crane serves other industrial markets, such as mining, which also enjoy similar characteristics.

Our growth strategy for John Crane is focused on our particular strengths in downstream and midstream energy, where we see considerable runway before the world reaches peak oil and gas. We also have a leading position in energy transition, and are well positioned to take advantage of the high level of growth in areas such as hydrogen, geothermal, and carbon capture and storage.

In Flex-Tek, while the construction market is soft in the near-term, its future prospects remain favourable. We see increased demand for housing which is expected to expand with population growth and the shortage of single and multi-family homes in the US.

In Thermal Solutions, the industrial electrification trend is a key driver supporting emissions reduction, improved safety and efficiency and spans industrial markets. Here too, demand is underpinned by customers' desire to have a single, integrated, customised solution. Energy demand is also a key underpin, especially for higher performance and efficient heating and cooling. The addition of DRC broadens our position, by expanding our heating business into cooling technologies. This adds high-growth data centre exposure, with AI demand supporting the expansion in digital infrastructure.

In aerospace, rising air travel driven by increased trade, GDP, and population growth supports a continued increase in commercial aircraft production. And heightened security concerns support an increase in defence spending, also increasing demand for new aircraft.

In our key end markets, these trends underpin a market CAGR forecast of 4-5% over the next decade.

Our customer and market-led approach ensures we fully leverage our leading market positions and the underlying growth trends to drive performance and take advantage of these multi-year tailwinds.

Driving above-market growth through strategic growth initiatives

Our aim is to continue to deliver above-market growth over the medium term, underpinned by a resilient and recurring revenue base. This provides a strong foundation for sustainable performance.

We have set out the initiatives we are focusing on to drive this enhanced growth:

- Leveraging our existing portfolio and long-term customer relationships;
- Driving innovation through new product development and commercialisation;
- Driving commercial and operational excellence; and
- Accessing higher growth and higher margin market adjacencies – both organically, and through targeted acquisitions.

We lay out here our strategic approach within each of our businesses and highlight a few examples:

In John Crane,

- We continue to leverage our core energy offering and recent product launches to access new OE investment, especially in gas and energy transition;
- We see opportunity to drive further aftermarket growth, by leveraging our global service network, transitioning a higher proportion into reliability management contracts, and applying digital solutions;
- And, we are targeting faster growing geographies such as Latin America.

In Flex-Tek, despite the current low-growth environment, we continue to drive the business forward to capture market opportunities:

- Leveraging our portfolio through our strong distributor relationships, for example, through widening the product lines we offer;
- We see opportunity to expand our position into more white space in parts of the US and Canada;
- And developing new products like our Blue Series sealed duct system.

In Thermal Solutions, the addition of DRC brings cooling technologies, widening our addressable market.

- Here, customers seek tailored solutions, and our recent acquisitions position us well.
- We see greater opportunities for growth as we evolve from a focus on heat and components, to systems and integrated platforms to target higher growth areas like data centres.

And finally,

in Aerospace:

- Leveraging our portfolio with aircraft and engine manufacturers to add share on new programmes,
- Accessing higher growth sub-segments, for example defence or repair and service,
- Renegotiating long-term agreements with key aircraft and engine manufacturers, enabling better price capture to augment growth.

In fact, across all the businesses, pricing is another key area of focus - to ensure we capture price that reflects the value we deliver for our customers and also underpins future growth.

This multi-faceted approach ensures that we remain well positioned to outperform in our markets over the medium term, supporting our 5-7% organic revenue growth target.

Actioning our growth levers to drive above market growth

On this slide, we have set out some examples of initiatives we have recently executed:

- John Crane signed a multi-year reliability management agreement with a major energy company, improving equipment reliability and standardising performance across their global operations;
- Flex-Tek extended a 30-year partnership with a space customer and is renegotiating its long-term agreements with major aircraft engine manufacturers;
- These agreements grow and sustain recurring revenue and customer intimacy across the cycles;
- In innovation, John Crane recently launched its coaxial separation seal which sets a new benchmark in its category and has had positive take-up; Flex-Tek's Blue Series offers enhanced emissions control and ease of installation, and has been well received by customers;
- Operationally, investments in automation and machining upgrades, most notably at John Crane, improves delivery and lead times. This helps us capture orders, earn price and expand market share, supporting growth;
- And finally, market adjacencies – here we have initiated our 'Thermal Solutions' strategy to access high-growth market sub-segments.

Let me turn to our recently announced acquisition, which supports this approach.

Flex-Tek – expanding into high growth adjacencies with acquisition of DRC Heat Transfer

We are scaling Flex-Tek into high-growth cooling applications with the agreement to acquire DRC Heat Transfer.

DRC designs custom heat transfer and cooling solutions for data centres, general industrial, transit and energy. It serves blue-chip customers and brings deep engineering expertise and a strong service culture.

It builds on last year's acquisition of Wattco which expanded our heat business across the temperature spectrum.

Strategically, DRC adds heat-removal and cooling to Flex-Tek's industrial heat portfolio. It increases our addressable market and creates clear cross-selling opportunities for our heating technologies. It is aligned with data centre expansion and power back-up applications — both attractive structural trends with a strong growth outlook.

This is disciplined, accretive growth and aligned with our strategy of accessing high-growth market adjacencies.

Actioning our initiatives to drive margin expansion

Turning now to margin. Supporting the delivery of our medium-term target of 21-23% is our Acceleration Plan, where we have updated the benefits and costs for Smiths.

We expect £30-35m of annualised benefits in FY2027 and beyond, for £40-45m of costs. Around half of the benefits are expected to be achieved this fiscal year.

We highlight here some of the initiatives underway in both John Crane and Flex-Tek, and we are also working on programmes to maintain our central costs at 1.5-1.7% of revenue.

These are all examples of our strategy in action that will propel us towards our medium-term targets.

Enhanced medium-term targets – reflecting further growth and higher return profile

We are reshaping Smiths into a focused, faster-growing, higher-margin company — with clear growth pillars, higher margin and returns, disciplined capital allocation, and substantial value-creation potential.

FY2026 represents a transition year as we re-position the portfolio, and we remain confident in our ability to reach the enhanced through-cycle, medium-term targets.

We continue to make progress towards these targets, supported by our disciplined and balanced approach to capital allocation.

This is how we will deliver enhanced returns and support a premium rating for Smiths.

Enduring foundations underpin our success

Our performance rests on the same foundations that have driven us forward throughout our history.

Firstly, product and service innovation that delivers reliability, efficiency and safety for our customers.

We are bolstering our approach here to be even more agile and purposeful – deploying innovation roadmaps by product, technology, processes and materials to ensure we capture market opportunities. For example, capturing electrification momentum and rising

high-temperature applications for Flex-Tek, and leveraging John Crane's extreme-condition seals and energy transition applications.

Second, a high-performing culture with clear accountability and ownership. As part of this, a strong safety culture is critical and keeping our people safe is our number one priority. I was not satisfied in our safety record performance in the half. A number of targeted activities, including safety stand downs, are being implemented to drive improvements for the second half to ensure that we focus on delivering a zero-harm culture.

Third, operational excellence – with our Smiths Excellence framework driving continuous improvement to ensure lean and effective operational execution. 1,500 colleagues have taken our Smiths Excellence Yellow Belt training, broadening the reach wider and deeper into the business.

And all of it, underpinned by our Smiths Values which we have recently refreshed.

These foundations are what bind us together to remain focused on delivering value for all our stakeholders.

A growth and returns focused premium industrial engineering company

So, in summary, we have delivered excellent strategic progress, unlocking notable value in the portfolio.

We delivered another solid half in terms of financial performance, with momentum into the second half, also supported by our strong order book. We expect full-year organic revenue performance of 3-4%, with second half growth ahead of that in the first, and within our medium-term target range. We expect an operating profit margin of around 20%.

We are deploying capital in a disciplined manner in growth and value-accretive acquisitions, and see further opportunities on this front, while enabling sizeable capital returns.

We are well positioned in structurally growing end markets with attractive demand trends and are leveraging our strengths and capabilities to outperform this market growth.

We are confident that Smiths is well positioned to continue unlocking significant value and enhance returns to shareholders.

Thank you for listening. Julian and I are now happy to take your questions.

Q&A

Operator: Please press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. Once again, please press star one, one to ask a question and wait for your name to be announced. To withdraw your question, please press star one, one again. We are now going to proceed with our first question. The question comes from the line of Lushanthan Mahendrarajah from JPMorgan, please ask your question.

Lush Mahendrarajah (JPMorgan): Morning guys and thanks for taking my questions. I've got two, please, both on John Crane. The first is just on the guidance, the second half and the mid-single digit growth. You've talked about broad momentum in OE and aftermarket. I'd just be interested to hear what you're seeing in energy and industrial as well amongst that? Also, does the order book that you have fully underpin the second half? Is there more that needs to come in? Can you just give us some comfort around that mid-single digit guide for the second half.

The second question which is linked is just on the Middle East. I know your guidance doesn't include what's happening there, but I guess it's been a couple of weeks since that kicked off. So, I guess any early thoughts on what are you seeing there currently? What are you seeing more broadly, globally, elsewhere and how should we think about both the short-term and the mid-term potential implications as well?

I guess also on the aftermarket there, I guess with the oil price where it is, I know you've historically talked about a range on that sort of below where the oil price is today, where activity is stronger. So, if you think you can see any impact there as well, that would be interesting. Thank you.

Roland Carter: Thank you very much for the questions. So, I think picking up on that first part of your question about H2 and the momentum that we're seeing coming into H2 in John Crane. So, we saw the strength of Q2. We're definitely seeing that momentum carrying into the second half. We see that visibility through our order book. So, that's our order book, both for OE, but also for aftermarket. One needs to recall that, actually, we see a lot more than just our order book because we're being asked to quote on aspects, we're being asked to be involved in the designs as well.

So, we've got a robust order book supporting that. Our operational performance, as you've seen, has now really picked up after the challenges we had had earlier. So, that combination of our ability to deliver within the lead times that we wanted to get to and the fact that we've got that order book both in OE and aftermarket and we still see a lot of activity in the market gives us that visibility.

So, heavily underpinned. There is always a book and burn as I would say. So, orders that do can't come in associated with aftermarket, associated with spares. So, that continues at a healthy rate as well. So, you can see why that we are entering this period within the context that isn't the Middle East crisis in a very robust position for John Crane. So, finally, we've dealt with our operational issues and moving forward robustly on that. So, we're very pleased with that and you've already seen and we've evidenced that in Q2 and we believe that in the world that doesn't have the Middle East in it, that's a very robust aspect.

I think on the Middle East obviously the thoughts first go to our people. We have many hundreds of people in the Middle East both within John Crane and within Smiths Detection. Though those are people who are based in our service centres, they're people who are based – service engineers who are based at airports in the case of Smiths Detection and customer sites in the case of John Crane. So, we are doing everything that we can in the situation going forward.

From the point of view of Middle East for Smiths, as a whole in H1 to give you a sense of where we are, represented 7% of our revenues. For John Crane itself, it represented 12% of revenues. There's no doubt that on a – if one was quite myopic about energy and the impact on John Crane, there is noise. We've got customers who need things very quickly. We've got customers who are focused on maintaining their operations. We've got customers who are shutting down their operations in a managed manner.

So, there will be noise coming into the system within the very short term. In the long term, I think we've pretty much moved past the energy trilemma, and it really is all about how you deliver that energy security. I think if you think of that as a backdrop for John Crane which is all about reliability, safety, security for our customers supply over time. We're going to have to be there for the demands that are coming from our customers whether those are customers in the Middle East trying to repair, rebuild and maintain or whether that's our customers globally who will have to deal with short term, medium term shortages.

So, that ultimately means that we will have to work harder and we'll have to deliver more to our customers. In the short term, I think we're all grappling with all the different messages coming out from the Middle East. I think if you step back though, I think that's the more important part of perspective which is what does this have as an effect on the globe from the point of view of the industrialisation and GDP.

So, I think we're all sitting there wondering what does that mean in terms of supply chains, in terms of energy costs, in terms of raw materials that are reliant on energy. So, I think that's a broader question, which I'm not really the best person to ask on that. But I think we are very ready for those challenges. If you recall the Acceleration Plan, which we're a substantial way through and we're already seeing half the benefits in this fiscal year, and we'll see the full benefits in next fiscal year.

I think you've seen us build a resilient but agile cost base within that as well. So, we feel very well set up not only to support our direct customers, but also to flex with their needs whether that moves to the US, whether that's more deliveries into the Middle East or Asia. So, absolutely our short-term focus here is supporting the customers and making sure that where their infrastructure has been damaged, impacted, that we make sure that we're as responsive as possible. There will be some sort of movements within that robust order book. We recognise that and we will be flexible to that.

I would then step back and say think about John Crane as the shape of the business that aftermarket is over 70% of the business. So, I think what you're seeing there is the fact that's the most resilient part of the market. It's difficult not to look after your equipment. Even when it's not being fully utilised or even when you're going through shutdown or bringing those back up.

So, that's a very robust piece of our business model. Then stepping through, you asked about industrial and we should look at that from the aspect of 40% of John Crane is industrial. So, not directly related to that oil and gas and energy market. So, we saw weakness again in oversupply in China for the chemicals.

We're seeing that – actually, we're seeing recovery there for the second half notwithstanding we obviously need to get a better understanding from the point of view of feedstocks and the like. So, we believe that the industrial will be a positive for us within our present guidance. Hopefully that answers your question.

Lush Mahendrarajah (JPMorgan): No, that was great. Thank you, guys.

Operator: We are now going to proceed with our next question. The question comes from the line of Jonathan Hurn from Barclays. Please ask your question.

Jonathan Hurn (Barclays): Hey guys, good morning. Just two questions for me. Firstly, can I just come back to John Crane and the Middle East. Obviously, you're talking to 5% growth in John Crane in the second half. Can you just tell us how much of the order book that's going to be delivered in H2 actually comes from the Middle East? That was the first question.

The second question was just coming back to your revenue bridge and obviously pricing within that. I think you talked about John Crane pricing being positive, but obviously you're seeing headwinds in Flex-Tek pricing. Can you just talk us through what you're seeing in Flex-Tek and are we going to continue to see a headwind for pricing going forward, please? Thank you.

Roland Carter: Yes. So, as I think we all know, I'm not keen on talking specifics on order books apart from giving you guidance about whether they're strong or not, because they can be misleading. But I will give you the guidance of what I mentioned earlier, which is 12% of the first half was in the Middle East for John Crane. So, that gives you the kind of

indication of what happens for us, which is essentially 7% of Smiths. So, that's the guidance I'll give you on the order book.

We've seen a mixture of order intake over the half. We saw very strong growth, for example, in Latin America. We saw growth in the US. So, we already had a little bit of a quiet time in the Middle East. So, I think we feel that that order book has enough substance to take us through to our guidance on that. But obviously we're not guiding for that particular Middle East part of that.

On revenue, yes, we still are very active. I mean, we really do have those muscles very well exercised on pricing, ensuring we are getting paid for appropriate levels of prices, as I mentioned, for our product and the value that we bring for the customer. We do see positive pricing going through the John Crane business. We believe that we will continue to see that pricing go through the business. So pleased there.

If you then go through the aspects of Flex-Tek, yes, our pricing is the thinnest in Flex-Tek construction. We'll see that continue to be very thin because of the market conditions, while the market conditions continue as they were. We haven't put any guidance or any upturn in construction in our second half, although you saw us overperform against the market in financial year 2025. You saw a sort of level with the market in the first half of fiscal year 2026.

So, that you could see that as headwinds in there. We also had a mixed effect in there, which you'd have seen the Midrex contractors as well. But the other aspects of Flex-Tek, so thermal and the aerospace, we're seeing positive price in those aspects and specifically, we're seeing not only significant growth in the aerospace business, but we're also seeing significant pricing power within that growth as well.

Jonathan Hurn (Barclays): Great. Thanks very much.

Operator: We are now going to proceed with our next question. The question come from the line of Martin Wilkie from Citi. Please ask your question.

Martin Wilkie (Citigroup): Yes, thank you. Good morning. It's Martin from Citi. Just to come back to Flex-Tek, and obviously you've made an acquisition this morning with DRC and also a small exit. But you've also given some better disclosure, more disclosure, I should say, in terms of that split of revenue, now splitting out thermal solutions separately. Is there a signal here in terms of more acquisitions in terms of growing that business?

I mean, obviously, in the past, people thought about Flex-Tek as being very driven by structure and aerospace. There is obviously quite a structural improvement in some of the other thermal markets, like data centres and so forth. Just understand just this combination of both the acquisition plus this increased disclosure inside Flex-Tek, is there a signal there that we should expect more capital to go into that area just in terms of looking at some of these faster growth areas or Flex-Tek? Thank you.

Roland Carter: So, if you step back and review what we said in our strategy, our strategy is all about moving into this very focused industrial business and pointing ourselves to those higher margin, higher growth parts of the portfolio. We also stated that we would go through that high grading, and you saw that action, and we've been very transparent now. So, you can see through into Smiths going forward. So, that's what we've said. What do we believe that the growth trends, the mega trends are?

We are believers in the electrification. We see the benefits of electrification, not only from the efficiency, but also from the effectiveness that electrification gives people in their processes. So, we believe that electrification is continuing to drive forward and that's definitely an area where I'm very excited from the point of view of how do we differentiate ourselves so we will continue to develop and pick up new technologies within that area.

So, we're very positive about all our markets. We are specifically positive about the area of thermal. So, this heating, cooling aspect of the business. DRC, we saw the multiple. We thought we paid a good multiple for a business which will be accretive to us over the long term, but both in growth and in margin.

So, we're excited that we've got exposure to data centres, which I think everybody is, but we're really more excited that we're starting to offer – we started with heating elements and then we did subsystems and now we do systems for people really to support their processes. We see that we bought Wattco, we have SureHeat, we had Farnam, all building off that really solid TUTCO foundation and now we've added DRC. We're very positive in this area of the market and it does deserve focus, which is why we brought it out.

We're also very positive that over the long term construction will recover and also, we're experiencing exceptional performance, both market driven, but also because of our customer focus and intimacy in Flex-Tek aerospace as well. So, we keep making good capital allocation decisions, whether those are capital allocation decisions on internal R&D or whether those are capital allocations all the way through to acquisition or as you've seen to returning capital to our shareholders.

Martin Wilkie (Citigroup): Thanks, and in terms of potential further acquisitions, I mean, I guess simplistically, if you've got £1.85 billion of net proceeds from Detection, the £1.5 billion buyback, you've obviously done the deal today. I mean, it seems like you still have some firepower for some similar sized deals. Is that the right way to think about it? Or how should we think about your pipeline for M&A over the next year or so?

Roland Carter: I think I'll let Julian, as we haven't heard from Julian yet, answer that.

Julian Fagge: Yes, I mean, thank you, Roland. I mean, the model of using small bolt-ons to enhance our strategic focus, to drive accretive growth and profitability has been successful over the last few years and particularly in Flex-Tek. So, we do anticipate that model continuing as evidenced by DRC. Yes, within our balance sheet, we've got the

flexibility to do that whilst delivering an appropriate level of leverage and balance sheet efficiency. So, that's the model and we hope to continue with it.

Martin Wilkie (Citigroup): Great, thank you very much.

Operator: We are now going to proceed with our next question. The question comes from the line of Christian Hinderaker from Goldman Sachs. Please ask your question.

Christian Hinderaker (Goldman Sachs): Morning, Roland. Morning, Julian. Thank you for this time. I want to start with Flex-Tek, if I may, and the results obviously taking us up to the end of January. I appreciate we're now starting the spring season in US construction, or at least normally would be. I wonder if you could perhaps share any thoughts on the run rates you've seen as we've entered Feb/March. Have we seen a pickup in terms of the spring activity levels? Or perhaps, has there been any issues in terms of the challenging weather over in North America?

Roland Carter: So, our guidance that we put out there about the growth rate is well aligned with what we're seeing in the order intake from Flex-Tek. I mean, yes, we have had a little bit of weather, but I think that's behind us. As you know, there is seasonality, less seasonality than there was because of the way that the house building has moved down into the more temperate areas of the US. We specifically have driven both our organic and our inorganic approach to take advantage of that. So, we believe that the business is performing as we anticipate to be able to deliver our guidance on that.

Christian Hinderaker (Goldman Sachs): Thank you, Roland. Maybe to come back to the Middle East exposure in John Crane. I appreciate it's obviously a complex and concerning scenario in particular for the people on the ground. My question is less around the guidance and maybe more how we should think about the mechanics or operational effects.

I'm sure the John Crane business over the years has supported many clients with managing force majeure in the past. What does that look like operationally? If we have a downstream facility that's shutting operations, do you need to have people move in to support that? What impact does that have on seal wear typically? How do we think about the mechanics in such events?

Roland Carter: Yes, so absolutely. We should think about our people, but also, excuse me, their families there as well. So, that is absolutely, as you say, Christian, top of our minds. It is complex, but one can simplify this to a great extent. We've all experienced this personally, I'm sure. When you shut things down and when you turn things back on, that is the point. Things don't generally break as they run. Things break when they are switched on and when they are switched off, notwithstanding wear and tear.

So, this is a point where it's very important for us to be there with our customers to make sure we're not only talking about efficiency, we're talking about safety, safe shutdowns

and trying to protect the equipment as much as possible. If one imagines that this system, a good analogy for this, is the fuse in many of these plants is essentially what we make. We make the seal.

If they want to sacrifice something within the plant, it is going to be the seal. They don't want to sacrifice the compressor or the pump because of the relative costs. So, we are there as almost a safety valve from that point of view. So, any exposure of this to damage from heat, damage from the fact that it hasn't been run correctly, that the support system hasn't been fully operational, which is our system's business, will cause the seal to have to be refreshed or replaced. So, that's the business.

So, we are in a much, much better position than we were operationally on our machining, on our lead times, on our agility. So, we will be working with those customers who will want more spare parts just in case, because they feel they might be cut off for a while. They might have to shut something down and bring it back up. That's, for John Crane, a very important part of our model, this customer intimacy, the knowledge that we are always there for them and the fact that we will produce these spare parts for them and keep them running. So, much as one would never like to say this is a positive situation, ultimately, from a commercial point of view, this is relatively positive for us.

Julian Fagge: I'd just add that in those facilities in other parts of the world that are having to meet the gap in demand, you also see them working to much higher capacity and that is also supportive of our aftermarket business as we support our customers through them doing that process.

Christian Hinderaker (Goldman Sachs): Very helpful. Thank you, both.

Operator: We are now going to proceed with our next question. The question comes from the line of Andrew Douglas from Jefferies. Please ask your question.

Andrew Douglas (Jefferies): Good morning guys, thank you for your time. Most of my questions have been answered but I've just got two quick ones. Can you explain to us how you got to the £1.5 billion in terms of return of cash to shareholders? I appreciate we're going to get more details, hopefully, with the finals but £1.5 billion was a little bit below what I expected, so I would just be keen to understand how you got to that number?

Then just going back to Flex-Tek – I'm sorry to labour the point here – it looks like you did about negative £4 million organic in the second quarter and we're now assuming that goes back to modest levels of growth in the second half of the year. I understand that there's lots of moving parts, destocking coming to an end, but that might be offset by that large contract that finished. Can you just explain to us how we get to that plus £2 million? Is that a combination of commercial aerospace strong, market in US construction flat? I'm just trying to understand the dynamics and potential downside risk if the housing market doesn't come back in the second half. Thank you.

Roland Carter: Would you like to take the first piece about the £1.5 billion return?

Julian Fagge: Yes, so the £1.5 billion, just to be clear, is a reference to the detection proceeds, which we announced as evaluation of £2 billion but, of course, the net proceeds will be lower than that. The return is roughly 75% of the valuation. Clearly, we've used some of that capital for the DRC acquisition and we're trying to model this in such a way that we deliver on all the variables in terms of efficient balance sheet, appropriate level of leverage, continuing our model of bolt-on M&A that we talked about earlier and, indeed, the balance of operating cashflows and dividend outflows that we'd see across the next 18 month period. So, it's largely a balancing act of all of those elements.

Roland Carter: Then I'll pick up on the Flex-Tek question. So, we have a very strong orderbook and very, very high level of very visible orderbook in Flex-Tek aerospace. So we are in very much an operational mode. We're seeing those long-term contracts come in, we're seeing pricing come in on those contracts as well. So, we have a very robust aerospace business, so we will see that continue to accelerate on the deliveries there.

From the point of view of construction, we haven't baked in a massive upturn – well, an upturn in construction, so we believe that we're well-placed to deliver from what we see the run rates that we have. Then with the Thermal Solutions part, we did have that large, single event of destocking that affected some of our heat kits, which won't repeat. So, that's why we end up in that region that you're indicating for the second half and, therefore, for the full year.

Andrew Douglas (Jefferies): Okay, thank you.

Operator: As a reminder, to ask a question please press star one, one on your telephone and wait for your name to be announced. To withdraw your question please press star one, one again. Once again, it's star one, one to register a question.

We are now going to proceed with our next question. The question comes from the line of Alex O'Hanlon from Panmure Liberum. Please ask your question.

Alex O'Hanlon (Panmure Liberum): Good morning gentlemen. Just one question from me on Flex-Tek. On the parts of the Flex-Tek industrial portfolio that you propose to exit, where are you with completing those disposals? Just thinking ahead, are you happy with the Flex-Tek portfolio post those disposals and obviously absent any other acquisitions, or is there more to do? Thank you.

Julian Fagge: Yes, thanks Alex. So, the decision to divest part of the Flex-Tek industrial portfolio is very much consistent with our portfolio model. We want to focus capital in higher growth, higher margin areas. We've got parts of the portfolio that are a little dilutive to us, so this decision effectively reflects us doing that and coming out of some of those non-core businesses.

Of those divestments that we are taking the opportunity to classify as discontinued, one of those processes is reasonably well progressed, the other two will proceed as we come from here but we have the confidence we'll be able to execute those as we go through the next six to 12 months.

To the second part of your question there, I mean look, we'll continue to evaluate the portfolio. We see the opportunities that Roland pointed out before, particularly in the area of Thermal Solutions and that growth accretion that we see there, but equally, the roll up strategy we've had in construction still has opportunity and we'd see opportunity there to push that forward. Equally the same in the aerospace. I think we've demonstrated we know how to run a really high quality aerospace business, so we continue to look for opportunity there. But look, net we're happy with the Flex-Tek portfolio and we'll keep operating as we have been.

Alex O'Hanlon (Panmure Liberum): That's perfect, thank you very much.

Operator: There are no further questions at this time, so I'll now hand back to Roland for closing remarks.

Roland Carter: So, thank you very much for all the questions. So, as you can see, we've delivered excellent strategic progress. We've unlocked notable value in the portfolio. We've delivered another solid half in terms of financial performance, with momentum into the second half. We continue to deploy capital in a disciplined manner, while enabling those sizable capital returns that you've heard, so that further £1.5 billion return announced today. So, we are well positioned in structurally growing and attractive markets and we are well positioned to continue significant value creation for our shareholders.

Thank you very much.

[END]