

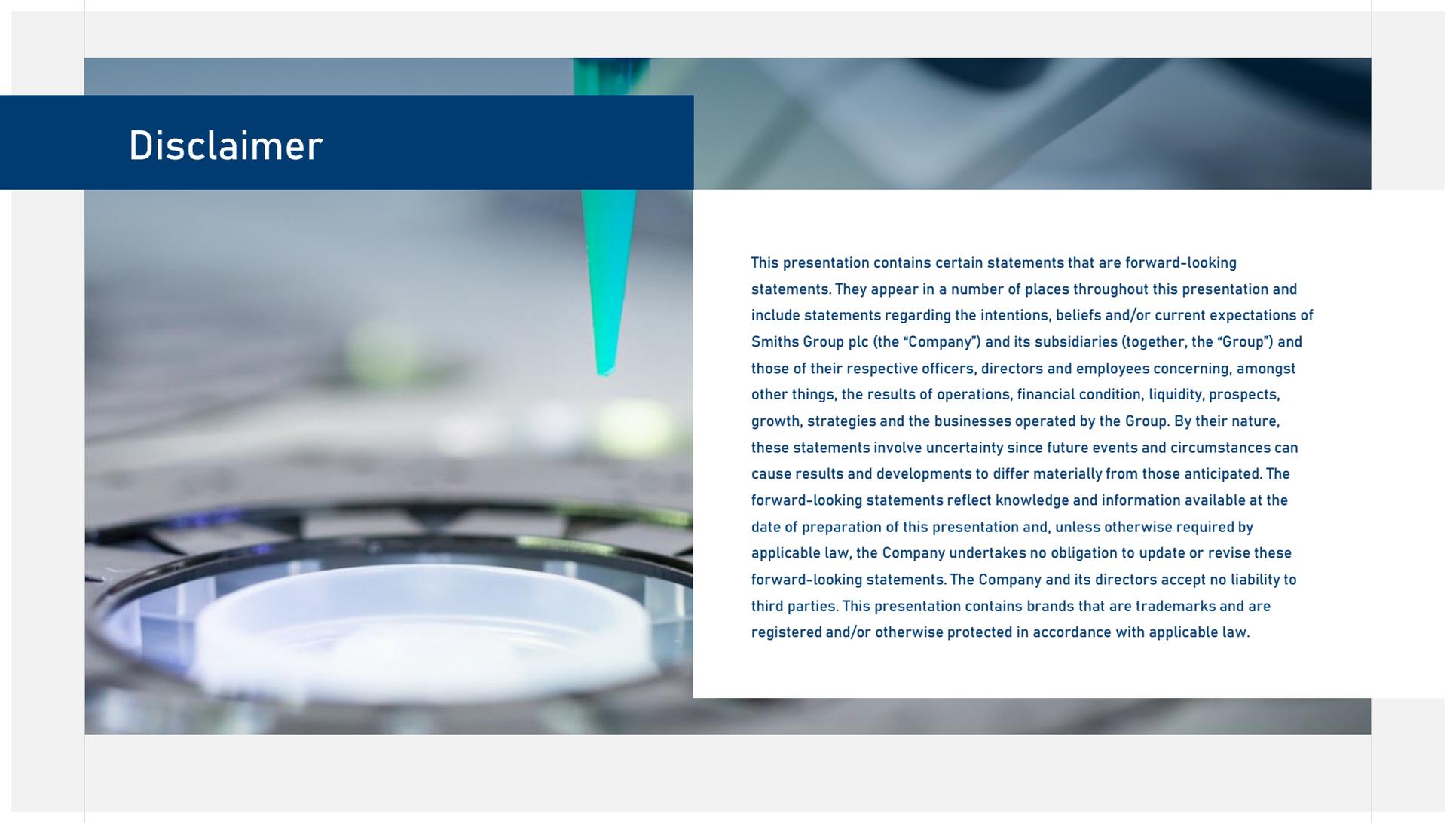
A woman in a factory setting, wearing a dark blue cap, safety glasses, and a blue nitrile glove. She is pointing her right index finger towards a vertical metal rod of a machine. She is wearing a dark blue zip-up hoodie with the 'john crane' logo on the chest. The background shows industrial machinery and a yellow safety floor.

smiths

# IMPROVING OUR WORLD THROUGH SMARTER ENGINEERING

SMITHS GROUP PLC  
HALF YEAR RESULTS FY2024

26 MARCH 2024



# Disclaimer

This presentation contains certain statements that are forward-looking statements. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs and/or current expectations of Smiths Group plc (the “Company”) and its subsidiaries (together, the “Group”) and those of their respective officers, directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. The Company and its directors accept no liability to third parties. This presentation contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.

# Agenda

Opening Remarks  
Paul Keel

HY2024 Financial Results  
Clare Scherrer

Operational Update  
Paul Keel

Q&A



## HY2024 – Solid growth, building on a record year



### Growth

Delivered first half organic revenue growth<sup>1</sup> of +3.9% against record HY23 comparator

Eleventh consecutive quarter of organic revenue growth

Orders<sup>2</sup> +16.5%, driven by John Crane (+10.9%), Smiths Detection (+38.2%) and Flex-Tek aerospace (+11.6%)



### Execution

Execution focus and Smiths Excellence System delivering further tangible benefits

Headline organic operating profit<sup>3</sup> +5.3%; margin expansion of +20bps to 16.3%; ROCE +50bps to 15.7%

Cash conversion up 26 percentage points year-on-year to 89%; more than doubled free cash flow

Announcing new £100m share buyback programme, with first tranche of up to £50m



### People

Actively investing in our people; 1<sup>st</sup> wave of SES leaders completing assignments, 2<sup>nd</sup> wave starting

Science Based Targets initiative validated our Net Zero targets and plans

Smiths Group Foundation awarding first grants to charitable causes that align with our Purpose

**Reaffirming FY24 organic revenue growth within 4-6% medium-term target, with continued margin expansion**

# Smiths Value Engine

## OUR PURPOSE



## PIONEERS OF PROGRESS

Improving our world through smarter engineering

## OUR STRENGTHS



World-Class Engineering



Leading Positions in Critical Markets



Global Capabilities



Robust Financial Framework

## OUR PRIORITIES



Growth



Execution



People

## OUR COMMITMENTS

Organic Revenue Growth 4-6% (+M&A)

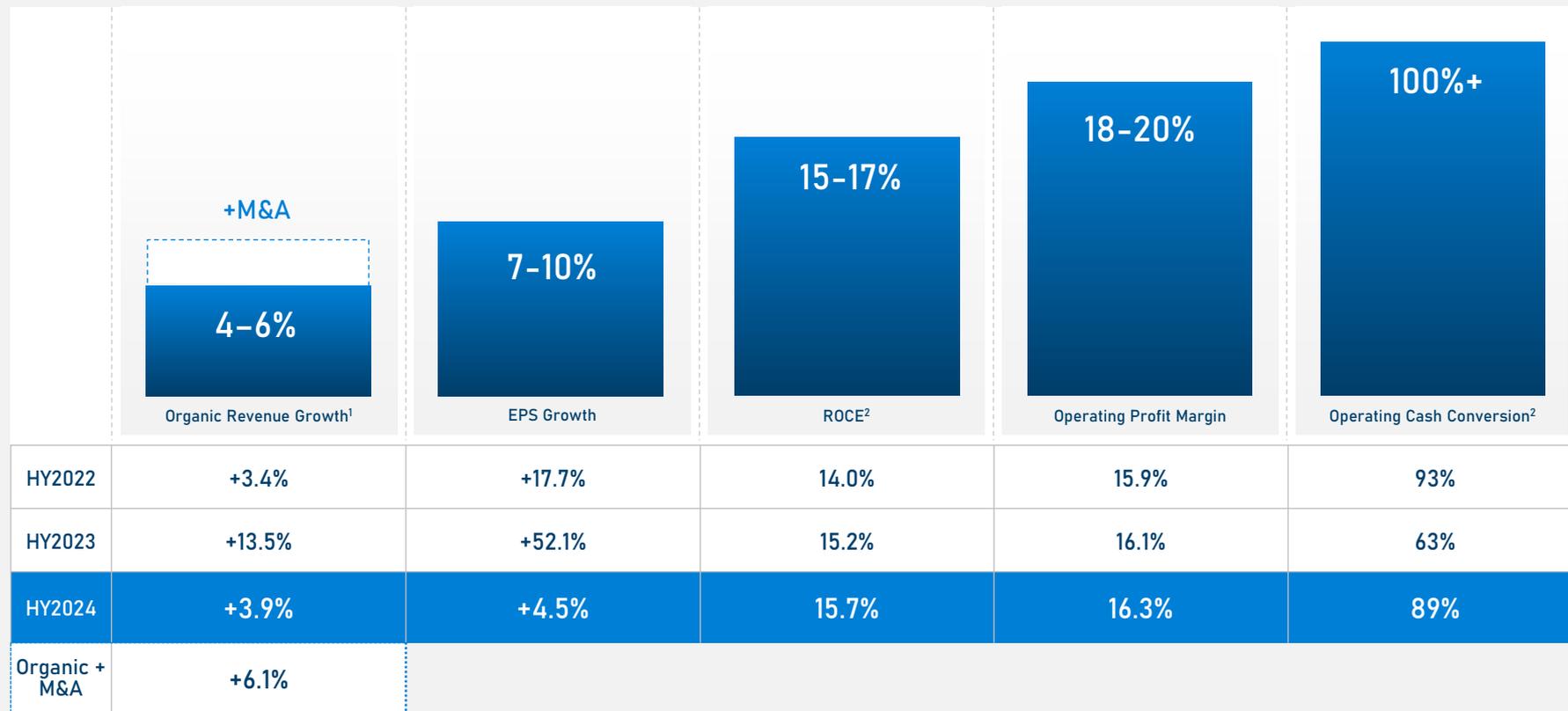
EPS Growth 7-10% (+M&A)

ROCE 15-17%

Operating Profit Margin 18-20%

Operating Cash Conversion 100%+

## Sustained progress against our medium-term targets



# HY2024 Financial Results

CLARE SCHERRER

CHIEF FINANCIAL OFFICER



## HY2024 – Growth across all key metrics

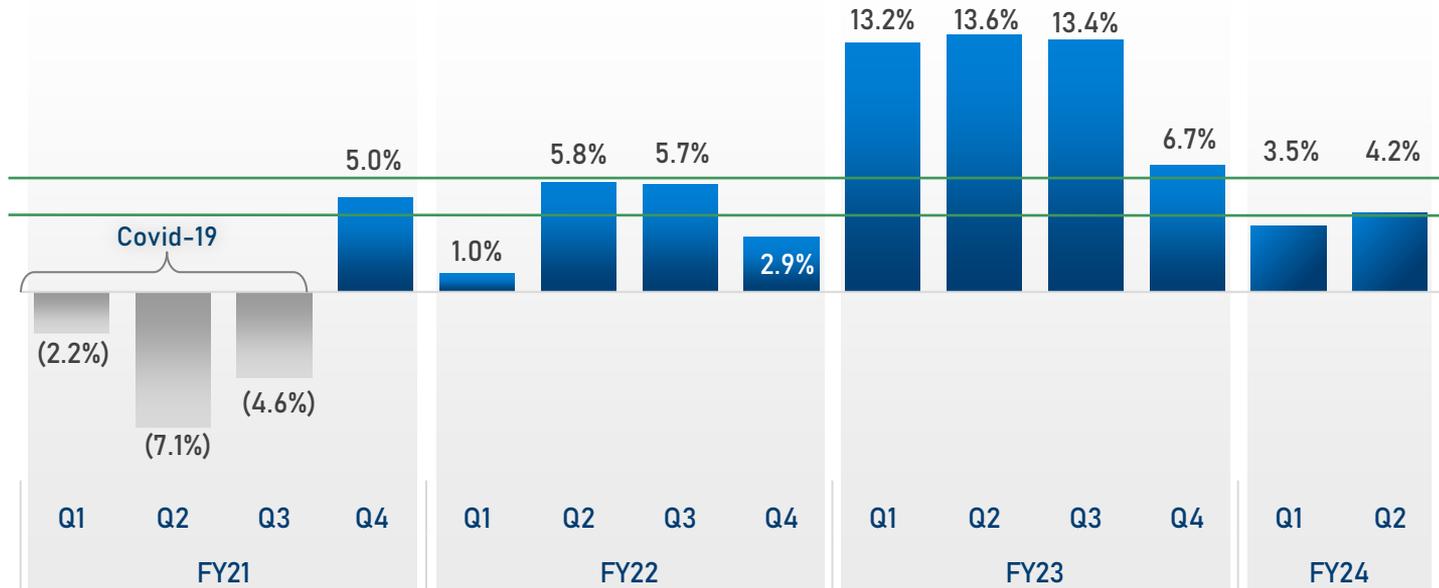
	HY2024 <sup>1</sup>	HY2023 <sup>1</sup>	Reported change	Organic change
<b>Smiths Group</b>				
Revenue	£1,507m	£1,497m	+0.7%	+3.9%
Operating profit	£246m	£241m	+2.1%	+5.3%
Operating profit margin	16.3%	16.1%	+20bps	+20bps
Basic EPS	48.7p	46.6p	+4.5%	
Operating cash conversion	89%	63%	+26pps	
ROCE	15.7%	15.2%	+50bps	
Dividend	13.55p	12.9p	+5.0%	

### Summary:

- 11<sup>th</sup> consecutive quarter of organic revenue growth
- Tracking to FY guidance
- 5.3% organic operating profit growth and moderate margin progression
- EPS growth driven by operating profit growth and benefit of share buyback, partially offset by FX
- Cash conversion increased 26 percentage points to 89%; reflecting working capital improvement
- Continued ROCE expansion, driven by profit growth
- Dividend per share +5%
- New £100m share buyback programme; first tranche up to £50m

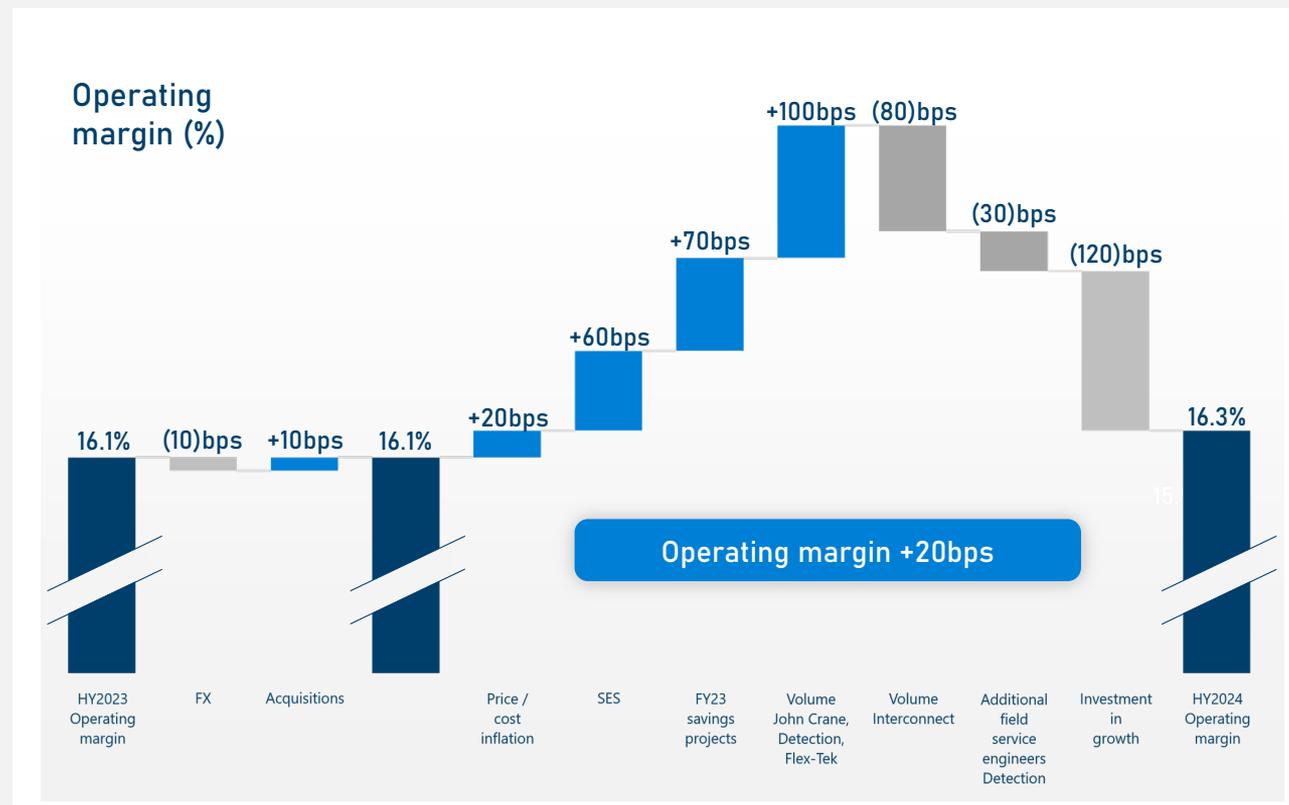
# Building a track record of consistent growth

11 consecutive quarters of organic revenue growth



Medium-term target: 4-6%

## Moderate operating margin expansion

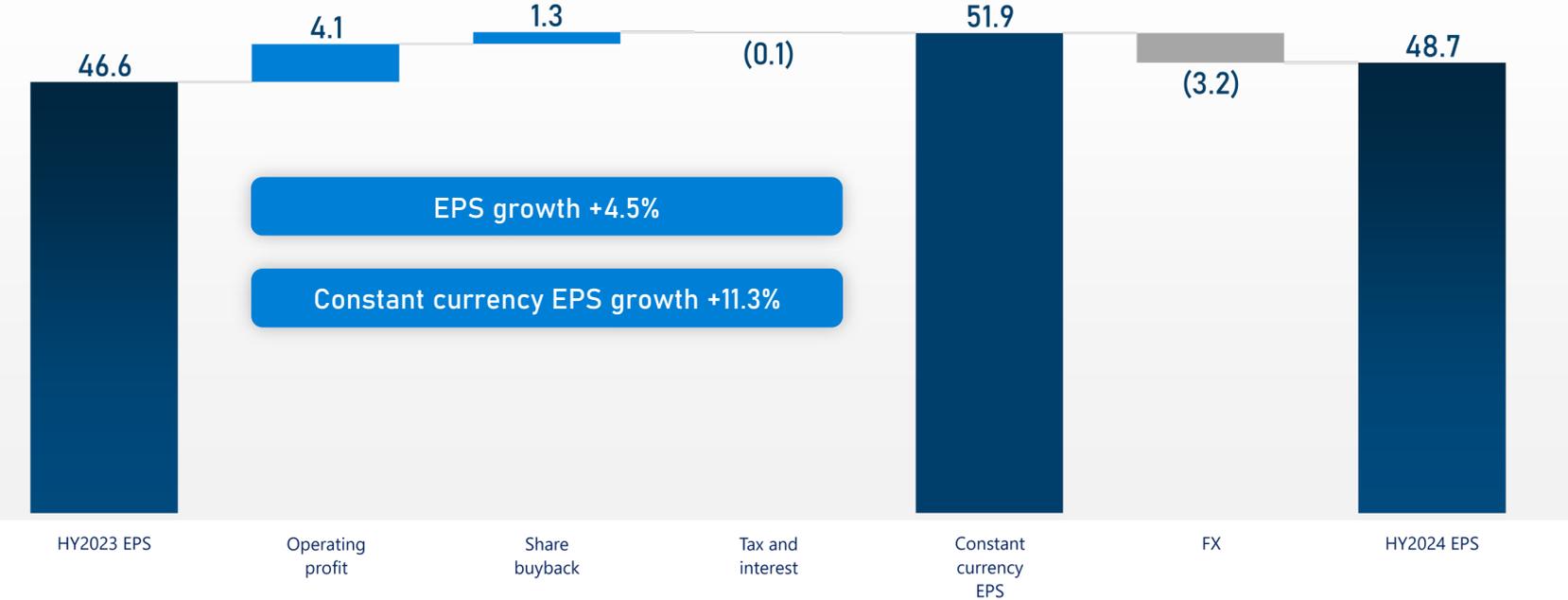


### Summary:

- Margin expansion
  - Capturing price in excess of input inflation
  - SES delivering further benefits
  - FY2023 savings projects
  - Volume growth
- Margin compression
  - Volume decline in Interconnect
  - Additional cost to hire Detection field service engineers to support record activity
  - Investments to fuel future growth, primarily John Crane

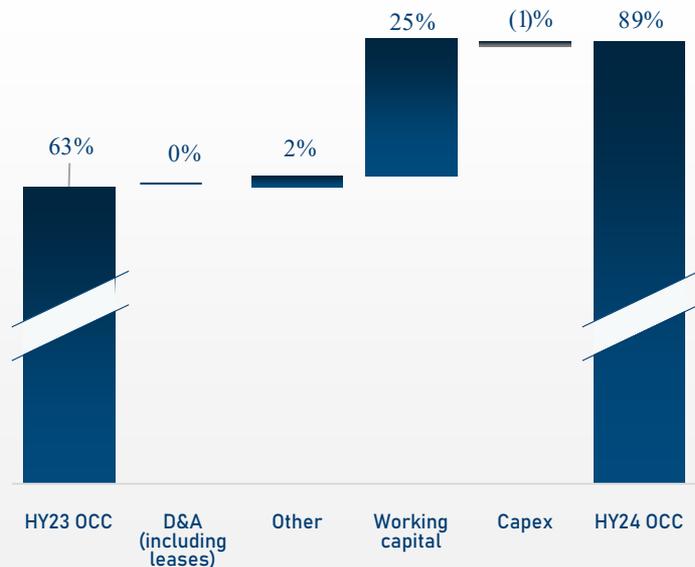
# Delivering EPS growth

Earnings per share (pence)



## Improving cash conversion

### HY23 to HY24 - Operating cash conversion (OCC)



Actuals	HY24 £m	HY23 £m
Operating profit	246	241
D&A	26	26
Lease depreciation	17	17
Other	12	9
Working capital	(45)	(106)
Capex	(38)	(36)
Operating cash flow	218	151

### Summary:

- 89% cash conversion, up from 63% in HY23
- Improved working capital
- Capital expenditure focused on increasing capacity and automation
- £112m of free cashflow generated (+143.5% YoY)

# Business Update

JOHN CRANE

SMITHS  
DETECTION

FLEX-TEK

SMITHS  
INTERCONNECT

# John Crane – strong organic revenue and operating profit growth

## Revenue

£555m

+12.7%<sup>1</sup>

Broad-based growth across both end markets

Energy  
+16.6%:

- Original equipment: +0.3%
- Aftermarket: +22.5%

Industrial  
+6.5%:

- Original equipment: +5.0%
- Aftermarket: +7.4%

## Revenue breakdown

Aftermarket 73%

OE 27%

Energy 63%

Industrial 37%

## Operating profit

£128m

+18.3%<sup>1</sup>

## Operating margin

23.0%

+110bps<sup>1</sup>

Strong operating profit growth and margin expansion:

- Good operating leverage on higher volumes
- Pricing actions more than offsetting cost inflation
- SES delivering benefits
- Continued investment in growth to access market opportunities and service strong demand

## Business update

- Record order book with orders up +10.9%
- Increasing demand for energy efficiency and emissions reduction solutions
- Energy transition wins continue across multiple markets – CCUS<sup>2</sup>, blue hydrogen, environmentally advanced battery manufacturing



Improving our world through mission-critical flow control solutions

## Smiths Detection – significant growth in order book

### Revenue

£404m      +8.9%<sup>1</sup>

Strong growth across both segments:

Aviation  
+7.0%:

- Original equipment: +5.7%
- Aftermarket: +8.0%

Other Security  
Systems (OSS)  
+12.8%:

- Original equipment: (0.1)%
- Aftermarket: +34.1%

### Revenue breakdown

Aftermarket 54%

OE 46%

Aviation 66%

OSS 34%

### Operating profit

£43m      +10.3%<sup>1</sup>

### Operating margin

10.7%      +20bps<sup>1</sup>

Good operating profit growth reflecting:

- Strong revenue growth
- SES benefits and targeted actions on costs
- Expanded field service engineers to support high installation activity

### Business update

- Multi-year orders up +38.2%, supporting growth for H2 and beyond
- OE aviation wins globally – now sold more than >1,200 CTiX scanners, with >50% win rate
- Strong order intake in defence for chemical detection – multi-year awards for US DOD and UK MoD



Making our world safer through detection and screening technologies

# Flex-Tek – soft construction market impacting growth

## Revenue

£384m (4.1)%<sup>1</sup>

Strong growth in aerospace offset by weakness in US construction

- Industrial: (7.6)%
- Aerospace: +12.1%

### Revenue breakdown



HVAC products: 61%

## Operating profit

£81m +2.6%<sup>1</sup>

## Operating margin

21.2% +140bps<sup>1</sup>

Margin performance reflects:

- Lower year-on-year volumes
- SES benefits and cost control initiatives
- Positive mix impact reflecting industrial heating contracts

## Business update

- Slowdown in construction market; expecting H2 improvement
- Continued aerospace expansion supported by strong order book
- Heating & Cooling Products integration ahead of plan and accretive to margin
- Expect a return to growth in H2



Improving our world through fluid movement and temperature management

# Smiths Interconnect – quarter-on-quarter momentum, with orders returning to growth in Q2

## Revenue

£164m

(13.7)%<sup>1</sup>

Improvement in market conditions after double-digit decline in Q1:

- Industrial: (23.8)%
- Aerospace: (7.8)%
- Safety & Security: (2.1)%

## Revenue breakdown



Semiconductor: 19%

## Operating profit

£20m

(33.3)%<sup>1</sup>

## Operating margin

12.2%

(370)bps<sup>1</sup>

Profit performance reflects:

- Lower year-on-year volumes
- Challenging conditions in the semiconductor and connectors markets
- Pricing actions offsetting inflation
- SES benefits and cost control initiatives
- R&D investment maintained to advance strong new product pipeline

## Business update

- Double-digit contraction in Q1, followed by flat Q2
- Orders returned to growth in Q2, with a book to bill ratio greater than 1x
- Product launches in the medical, space and defence markets
- c.£2m UK Space Agency funding to enhance space grade component capabilities



Improving our world through smarter connectivity

## Capital allocation

1

Organic investment



- £83m invested in the business through capital expenditure and R&D supporting new product development

2

Portfolio changes



- £90m across three bolt-on acquisitions in last four quarters
- HCP integration progressing ahead of plan, and with accretive margins
- Strong pipeline of M&A opportunities
- c.£70m (approx. 1/3) of ICU Medical stake monetised

3

Returns to shareholders



- +5.0% dividend increase
- Announcing new £100m share buyback; with first tranche of up to £50m to be completed by end of September

Strong and flexible balance sheet (net debt to EBITDA of 0.9x) to support growth strategy

## H2 outlook reaffirms our FY guidance

### Tailwinds

- Record order books in John Crane and Smiths Detection
- Gradual recovery in Flex-Tek and Smiths Interconnect markets
- New product launches driving growth
- SES gaining momentum with further benefits in H2
- Energised organisation executing at a faster pace

### Headwinds

- Strong prior year comparators
- Pricing growth moderating

FY24 organic revenue growth within our medium-term target range of 4-6%, with continued margin expansion

# Operational Update

PAUL KEEL



# Our priorities



Growth



Execution

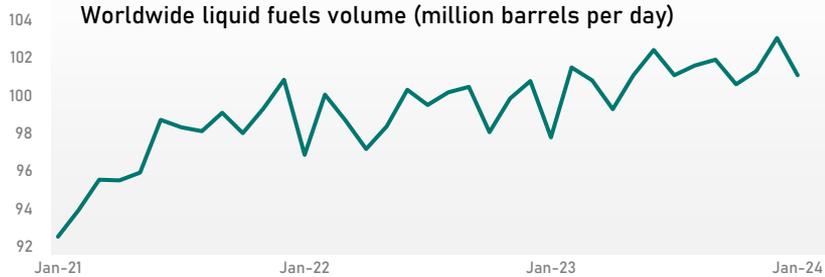


People

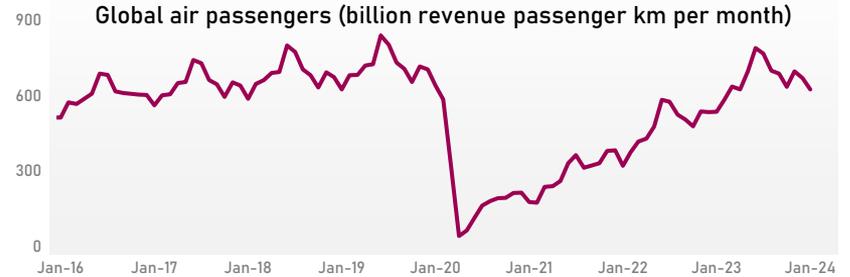


## Growth – market update

### John Crane



### Smiths Detection



### Flex-Tek



### Smiths Interconnect





## Growth – H1 progress against long-term megatrends

### Energy transition



Dry gas seals for large-scale blue hydrogen project



Wet seals for major zero-emission EV battery manufacturing facility

### Insatiable data demand



Significant order growth for satellite communications products



Funding to enhance space qualification facility

### Ever-rising security needs



US DOD and UK MoD awards for next-generation chemical detection



Sold >1,200 CTiX scanners to date in global upgrade programme; strong increase in orders in H1

**New products, contract wins and strategic progress to support future growth**



## Growth – organic investment and acquisitions support geographical build-out at Flex-Tek

### Core Flex-Tek HVAC

- Headquartered in South Carolina - footprint focused on regions of fastest housing growth, and heaviest use of central HVAC systems

### Organic expansion

- Added capacity in higher-demand US construction regions
- Opened greenfield locations in Florida, Arizona and, most recently, Texas

### Bolt-on M&A

- Access to new product adjacencies and/or geographies
- Acquisition of Royal Metal Products – expansion in the south-east (H2 FY21)
- Acquisition of Heating & Cooling Products – expansion into the midwest and north-east (H1 FY24)

### Further geographic penetration

- Continue to look for additional organic and inorganic opportunities to deepen market penetration in fast-growth markets



### Case study video: Medical connector scale-up at Smiths Interconnect

#### Opportunity

- £10m contract win with major medical device customer
- Gross margin improvement possible, benefiting both Smiths and customer
- Potential for significant carry-on business in future

#### Solution

- Value stream and production process mapping to assess value-flow and remove bottlenecks
- Established an optimised production line layout
- Standardised processes and documentation
- Implementation of visual management

#### Results to date

- Increased production capacity from 1,500 cables per annum to >20,000, with improved first pass yield
- Improved gross margin by 480bps
- Booked an additional £4m order, with potential for additional business moving forward





# Execution/People

## Smiths Excellence Awards: Advancing our high-performing and inclusive culture



### Smiths Excellence System

- SES improves results
- SES advances our culture
- SES develops our talent

### Awards categories directly linked to the Group's key priorities

Growth	New product development
	Pricing
	Sustainable growth
	Customer service
Execution	Best site improvement
	Productivity
	Quality
	Working capital
People	Dedication to health, safety & environment
	Excellence in inclusive leadership
	Inspiring individual
	Outstanding contribution to our communities



## People - Smiths Group Foundation awarding first grants

- Launched Smiths Group Foundation in August 2023, with initial £10m commitment
- Supports activities in 3 key areas:
  - Expanding access to STEM education and skills
  - Improving safety and connectedness within communities
  - Improving the environmental sustainability of communities
- Employees nominated almost 100 good causes around the world
- Smiths Group Foundation awarding first grants totalling c.£1m

Charities include:



Global



INSPIRE

UK



USA



Nigeria



Mexico



Costa Rica



**SMITHS GROUP**  
FOUNDATION

CONTRIBUTING TO OUR COMMUNITIES

Improving our world through smarter engineering

# Double-digit order growth and gradually improving market conditions – reaffirming full-year guidance

## H1 delivery

## Good momentum for FY2024



### Growth

- Delivered eleventh consecutive quarter of organic revenue growth

- Strong order growth in H1, alongside gradually improving market conditions
- Reaffirming guidance of 4-6% organic revenue growth for FY2024



### Execution

- 20 bps of margin expansion
- 26 percentage points of cash flow improvement
- 50 bps of ROCE growth

- Operating leverage, alongside benefits from SES and 2023 savings projects
- Reaffirming guidance for continued margin expansion in FY2024
- Announcing new £100m share buyback



### People

- Investing in our people, supporting our communities, improving our world

- Continuing to advance our inclusive and high-performing culture



# Questions & Answers



# Appendix



## Bridge – reported to organic

£m - Smiths Group	HY2023 Headline <sup>1</sup>	Foreign exchange	HY2023 Organic <sup>2</sup>	Organic movement <sup>2</sup>	Acquisitions	HY2024 Headline <sup>1</sup>
John Crane	519	(26)	493	62	-	555
Smiths Detection	390	(19)	371	33	-	404
Flex-Tek	395	(22)	373	(15)	26	384
Smiths Interconnect	193	(9)	184	(25)	5	164
<b>Headline revenue</b>	<b>1,497</b>	<b>(76)</b>	<b>1,421</b>	<b>55</b>	<b>31</b>	<b>1,507</b>
John Crane	114	(6)	108	20	-	128
Smiths Detection	41	(2)	39	4	-	43
Flex-Tek	77	(4)	73	2	6	81
Smiths Interconnect	32	(2)	30	(10)	(0)	20
Central costs	(23)		(23)	(3)		(26)
<b>Headline operating profit</b>	<b>241</b>	<b>(14)</b>	<b>227</b>	<b>13</b>	<b>6</b>	<b>246</b>
John Crane	22.0%	(0.1)%	21.9%	1.1%		23.0%
Smiths Detection	10.5%		10.5%	0.2%		10.7%
Flex-Tek	19.5%		19.5%	1.4%	0.3%	21.2%
Smiths Interconnect	16.6%	(0.2)%	16.4%	(3.7)%	(0.5)%	12.2%
<b>Headline operating margin</b>	<b>16.1%</b>	<b>(0.1)%</b>	<b>16.0%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>16.3%</b>

# Income statement<sup>1</sup>

£m	HY2024	HY2023	Reported change
Revenue	1,507	1,497	+1%
<b>Headline<sup>2</sup> operating profit</b>	<b>246</b>	<b>241</b>	<b>+2%</b>
Amortisation of acquisition related intangible assets	(25)	(26)	
Legacy pension scheme arrangements	(3)	(12)	
Non-headline litigation provision movements	(15)	(10)	
Restructuring costs	-	(8)	
Irrecoverable VAT on chain export transactions	-	(2)	
Other non-headline charges	(1)	(1)	
Post-transaction gains/(losses), integration costs and fair value adjustment unwind	(10)	5	
<b>Total non-headline items</b>	<b>(54)</b>	<b>(54)</b>	
Statutory operating profit	192	187	+3%

## FX sensitivity

Currency	HY2024 average rate	HY2023 average rate	% change
USD	1.25	1.18	6.1%
EUR	1.16	1.15	0.6%

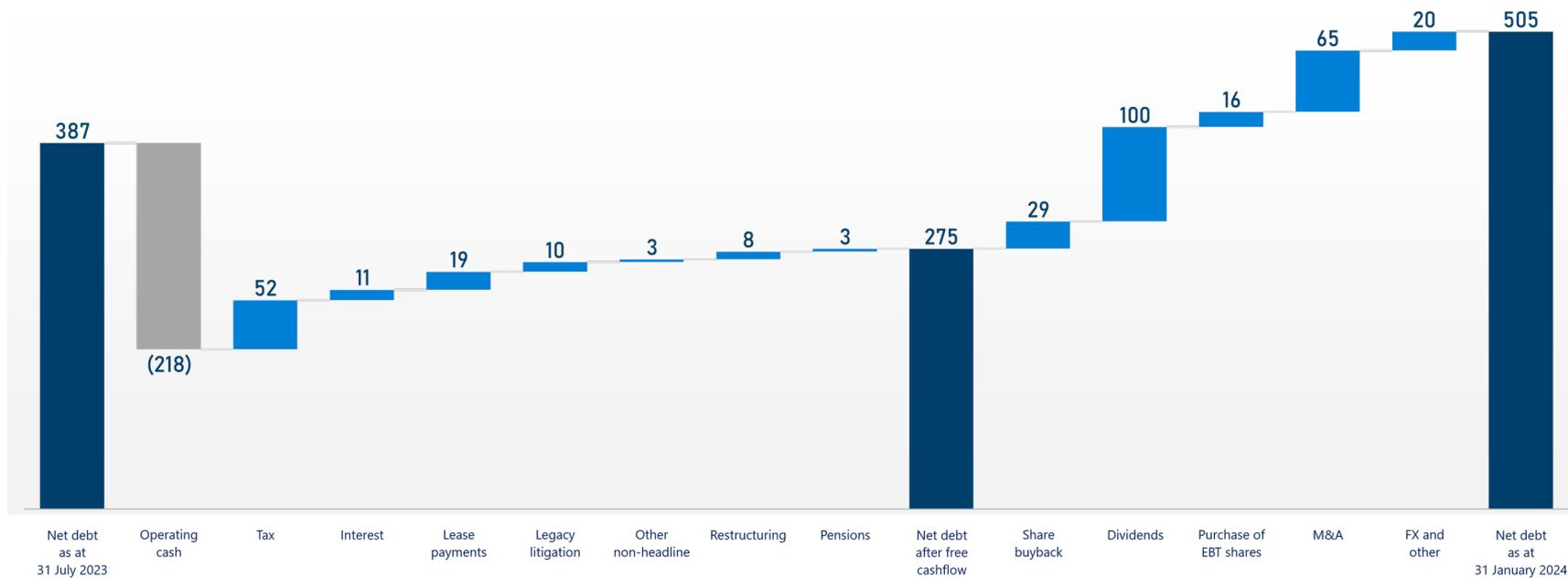
Translation impact	HY2024
Revenue	£(76)m or (5.4)%
Operating profit	£(14)m or (6.1)%

- For each \$0.10 move, the annual operating profit impact is c.£22m

- For each €0.10 move, the annual operating profit impact is c.£6m

# Net debt movement

## Net debt movement (£m)



# John Crane – Improving our world through innovative technologies, services and energy transition solutions



## COMPETITIVE STRENGTHS

- Strong and differentiated proprietary technologies and expertise
- Largest installed base is in the Energy and Industrials end markets
- Innovation focused, growing digital capability
- Customer intimacy and strategic alignment with end users through a network of ~200 service and support centres, and unique capabilities of field service engineers

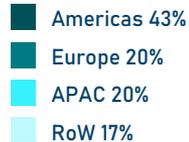
## GROWTH DRIVERS

- Near-term global demand for stable energy supply
- Secular growth in energy and primary resource demand, especially in emerging markets
- Increasing demand for enhanced efficiency, environmental safeguarding and cleaner processes
- Energy transition – environmental safeguarding and cleaner processes. Requirement to reduce emissions, with particular emphasis on methane. Growth of a more diversified and cleaner low-carbon energy eco-system, including hydrogen and renewables, which drive more demanding needs in compression, pumping and filtration
- Long-term customer partnerships and outsourcing

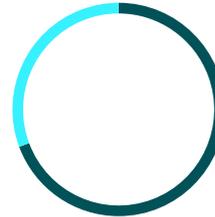
## COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Flowserve, EagleBurgmann, AES and smaller/ local companies

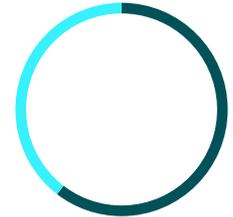
## Geographies



## OE/AM



## END MARKETS



# Smiths Detection – Making our world safer through smarter engineering

HY Revenue

**£404m** (27% of Group)

HY Headline Operating profit

**£43m** (16% of Group)

HY Headline margin

**10.7%**

HY ROCE

**7.9%**

HY R&D % Sales

**7.6%**

## COMPETITIVE STRENGTHS

- Global reach and market-leading brand
- Differentiated proprietary technologies leveraged across a broad range of markets
- Significant R&D and digital capabilities
- Focus on minimising product energy use
- Customer intimacy and loyalty through equipment cycle and aftermarket offer
- Operating in regulated market segments that require product certification
- Network of ~100 locations

## GROWTH DRIVERS

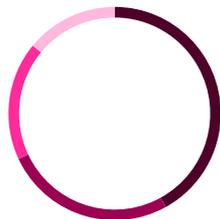
- Persistent and evolving threats to national security, public safety and critical infrastructure
- Changing aviation security regulations and customer requirements across our industries
- Growing populations and urbanisation
- Growth of global transportation infrastructure
- Global growth of international trade and e-commerce
- Need for integrated digital solutions
- Circular economy approach solutions
- Staffing constraints are driving demand for digital image analysis software such as automated threat recognition
- Equipment replacement cycle, typically 8–10 years

## COMPETITIVE LANDSCAPE

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

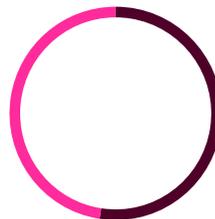
## Geographies

- Americas 42%
- Europe 26%
- APAC 18%
- RoW 14%



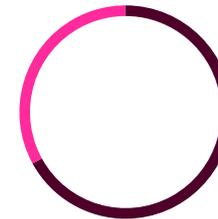
## OE/AM

- Aftermarket 54%
- Original Equipment 46%



## End markets

- Aviation 66%
- Other Security Systems 34%



# Flex-Tek – Improving our world through safer and more efficient fluid and gas management

HY Revenue

**£384m** (25% of Group)

HY Headline Operating profit

**£81m** (30% of Group)

HY Headline margin

**21.2%**

HY ROCE

**26.1%**

HY R&D % Sales

**0.4%**

## COMPETITIVE STRENGTHS

- Leading capability in design, manufacture and cost engineering
- High-performance differentiated products
- Innovation focused
- Strong customer relationships and brand reputation

## GROWTH DRIVERS

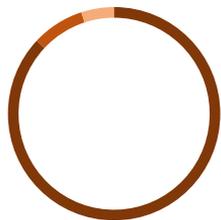
- Through-cycle growth of the US housing construction market
- Expanding international market for construction products
- The electrification of everything, leading to broad adoption of electrical heating solutions across industrial and domestic settings
- Long-term increase in commercial and military aircraft production
- Customer focus on efficient performance and environmental safeguarding
- Growth in use of medical devices

## COMPETITIVE LANDSCAPE

- Competitors range from large multinationals through to small, more focused companies across the product portfolio
- Examples include: Parker-Hannifin, Eaton, OmegaFlex, Warren, Watlow and Southwark Metal

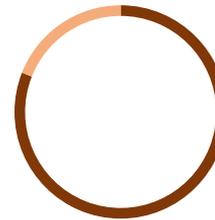
## Geographies

- Americas 87%
- Europe 8%
- APAC 5%



## End Markets

- Industrials 81%
- Aerospace 19%



# Smiths Interconnect – Improving our world through smarter Interconnect solutions

HY Revenue

**£164m** (11% of Group)

HY Headline Operating profit

**£20m** (7% of Group)

HY Headline margin

**12.2%**

HY ROCE

**10.5%**

HY R&D % Sales

**6.8%**

## COMPETITIVE STRENGTHS

- Broad portfolio of cutting-edge technologies and products
- Strong research and engineering capabilities
- Customer intimacy and product customisation
- Global reach and support

## GROWTH DRIVERS

- Increased demand for faster data transmission, greater bandwidth and faster processing power in aerospace, defence and communications
- Growth of connectivity, as the world becomes more connected, driven by trends including the Internet of Things, Big Data, Internet of Space, Industry 4.0
- Development of healthcare technology

## COMPETITIVE LANDSCAPE

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

## Geographies

- Americas 55%
- Europe 27%
- APAC 14%
- RoW 4%

