Smiths Group plc

FY2026 Financial Results

Tuesday 22nd September 2026

Opening remarks

Roland Carter

Chief Executive Officer

Good morning, everyone, and thank you for joining us for our fiscal year 26 results.

2026 has been a significant year in the company's 175-year history. We have executed the portfolio transformation – delivering on our commitments to create significant value for our shareholders. We have proactively supported our customers against the backdrop of challenging external market conditions, and we have invested in our businesses to deliver a resilient financial performance, both now and into the future. None of this would have been possible without our people. Thank you for your dedication, hard work and commitment.

Agenda

Moving to our agenda for today. I will start with the key highlights from the year. Julian will then take you through the financial results and the outlook for fiscal year 27. I will then return to outline the path to higher growth, further margin expansion and continuing value creation.

We will then be pleased to take your questions.

Excellent strategic progress, strengthening focus on higher growth and margin

Fiscal year 26 was a year of significant strategic progress for Smiths. We completed the sales of Smiths Interconnect and Smiths Detection at very good prices, crystallising £3.3 billion of enterprise value. These transactions have repositioned Smiths as a focused, premium industrial engineering company. We have a stronger financial profile and a clear strategy for growth around 4 vectors of accelerate, innovate, execute and compound which I will explain more later.

We have also made good progress high-grading our portfolio, exiting lower growth and margin businesses in Flex-Tek and adding exposure to high-growth data centre opportunities with the acquisition of DRC.

In addition, today we are announcing the launch of a process to divest the John Crane US legacy asbestos liability, to enhance cashflow and strengthen our balance sheet.

We delivered operationally and financially – we grew organic revenue, expanded margins and generated strong cashflow. This was despite significant disruption arising from the conflict in the Middle East, ongoing weakness in US residential construction all alongside continued investment for growth. I am pleased with our performance given this backdrop. Our results illustrate the underlying strength and resilience of our business, the quality of our technology and the strength of our customer relationships.

As we enter fiscal year 27, the near-term underlying market conditions remain challenging, but with opportunities for growth. Our robust order book and business momentum underpin our expectation of organic revenue growth of around 4%, and further progress on our operating profit margin entering our target range of 21 to 23%.

The positive addition of DRC and data centre exposure, the opportunities in John Crane from the structural tailwinds in global energy resulting from the focus on energy security, and the repositioning of the Flex-Tek portfolio, underpin our strong conviction that that we will more quickly deliver our medium-term 5-7% organic revenue growth target, and support our 21-23% margin target.

Our outlook is supported by self-help initiatives and strategic execution. We are not relying on a broad market recovery to deliver that outlook, but purposely investing in and driving the business forward.

With that, I will hand over to Julian.

FY2026 Financial Results

Julian Fagge

Chief Financial Officer

Thank you, Roland, and good morning, everyone.

As usual I'll take you through our financial performance, capital allocation and our outlook for fiscal year 27.

Before I start, I would like to clarify the reporting perimeter. Smiths, or continuing operations, means the businesses within John Crane and Flex-Tek, excluding the Flex-Tek general industrial businesses as well as Detection and Interconnect that have been classified as discontinued operations. Total Group includes the performance of all businesses for the periods during which they were owned.

Resilient Financial Performance

Starting with headline performance. Smiths delivered organic revenue growth of 1.2% to £1.9 billion, a resilient performance in the context of the challenging backdrop in two of our largest markets.

Smiths headline operating profit increased by 1.9% organically to £399 million. Headline operating margin was 20.6%, an increase of 20 basis points. This absorbed the impact of the disruption in the Middle East, tariffs, lower volumes and continued investment in growth.

Return on capital employed was 23.5%, comfortably above our medium-term target of more than 20%, and reflecting a higher capital base from increased investment in John Crane and the DRC acquisition in Flex-Tek.

Smiths headline EPS increased by 6% to 86.8 pence. Total Group headline EPS increased by 12% to 135.7 pence, with growth in underlying earnings enhanced by the share buyback programme.

Smiths operating cash conversion was 96%, reflecting the strong cashflow characteristics of the company.

The Board is recommending a final dividend of 33.5 pence, taking the full-year dividend to 48.5 pence, an increase of 5.4%.

Resilient organic revenue growth, enhanced with high-growth acquisitions

Turning to revenue, organic growth was supplemented by 2.6% of growth from acquisitions, including the contribution from DRC since April. Growth improved in the second half versus the first, as originally guided, but was impacted by a £20 million effect in John Crane from the conflict in the Middle East.

Flex-Tek Aerospace achieved an excellent performance, but the challenging US residential construction market, and customer destocking and project phasing in Thermal Solutions had a negative effect on performance.

Yet despite these headwinds, we achieved good operating momentum, we demonstrated resilience against the challenging market backdrop, and we added acquisitions / new businesses to the portfolio that enhance the growth potential of the business.

Operating margin expansion with good operating profit growth

Headline operating profit increased to £399 million, and margin expanded 20 basis points to 20.6% organically - good progress towards our 21-23% medium term target range.

Pricing initiatives, particularly in John Crane and Flex-Tek Aerospace, were positive, as were the benefits from the Acceleration Plan, including a £5 million reduction in central costs, as well as Smiths Excellence savings.

Operational gearing, tariffs and increased strategic growth investments were a headwind to margin, and we continue to balance near-term margin delivery with investment for sustainable growth.

Strong EPS growth reflecting operating profit growth and share buyback

The increase in Total Group headline EPS reflected the organic operating profit growth, the performance of the discontinued operations, and the share buyback programme, partly offset by higher tax and finance costs.

Reported EPS grew 12% to 135.7 pence, 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.

You can find the Smiths EPS analysis in the presentation's appendix.

Strong operating cash conversion

Operating cash flow for Smiths was £384 million, representing cash conversion of 96%, slightly ahead of guidance and demonstrating the strong underlying cash-generative quality of the company.

This was driven by higher operating profit and lower capital expenditure, although ahead of depreciation reflecting continued investment in growth and efficiency. For example, John Crane's machining, testing, automation and capacity upgrades last year. Offsetting this, we recorded higher inventory to support the order book and maintain service through geopolitical and supply-chain disruption; and an increase in receivables, in part due to slower collections in the Middle East.

Business Update

I will now turn to the performance of our two businesses.

Beginning with John Crane.

John Crane

John Crane grew revenue +2.3% with the conflict in the Middle East impacting second half performance by £20m. Excluding this, growth would been around +4% in the year, and more than 5% in the second half.

Growth was led by original equipment sales, particularly in dry gas seals. The US and Latin America performed strongly, growing mid-single digits. Aftermarket was up 1% but held back by the impact of the Middle East.

Industrial revenue grew 2%, with strong growth in mining and water, offset by weakness in chemicals, largely related to the Middle East and overcapacity in China.

Headline operating profit increased +3.5% organically to £270 million, and margin expanded 30 basis points to 23.9%. Pricing, mix, the benefits from the Acceleration Plan more than offset inflation, and an £8m increase in investment in strategic projects.

Middle East in focus

Taking a moment to address the Middle East directly, where the safety of our people and their families remains our first priority. They have been doing an incredible job supporting our customers in the region.

Our facilities have remained operational and our focus has been on supporting our customers day-to-day through difficult circumstances.

We have experienced delays in maintenance programmes and OE projects have moved to the right.

We have also seen a corresponding impact on order intake as customers have reduced capex and optimised opex.

Working capital has also been affected as we maintained stock availability and experienced slower collections.

As we look forward, our fiscal year 27 outlook assumes disruption continues at least through the first half.

However, John Crane is well placed to support customers as activity normalises and recovery projects begin, given our local presence, broad installed base and extensive service capability.

We are already working hard to put ourselves in the strongest position, so that we are commercially and operationally ready and flexible to support our customers when this demand returns. For example, we are rebalancing production capacity, optimising our supply chain, as well as investing to increase our local manufacturing and service capability in the region.

Longer term, the heightened focus on energy security and reliability is likely to have lasting implications, supporting investment across energy security and infrastructure markets globally. This encompasses capacity expansion and supply diversification, additional backup infrastructure, with increased maintenance and reliability spending. This is where the largest opportunity lies.

We continue to practically engage and support our customers, and our leading technology capabilities, unrivalled service network and deep customer intimacy, place us ideally to win.

Flex-Tek

Flex-Tek revenue declined 0.4% in the year.

Construction declined 3.6% against the backdrop of a weak US residential construction market where housing starts and building permits declined 0.8% and 2.1%, respectively, across the same period. Performance improved across the year, returning to growth in Q4 at +2.9%. supported by new customer wins, particularly in flexible-ducting and multi-family projects.

Thermal Solutions declined by 6.2% largely due to the destocking of residential heat-kits experienced in the first-half, and the completion of an ultra-high-temperature project. In April, we acquired DRC, which adds cooling and heat-removal technologies with exposure to fast-growing data centres and power generation markets. As a result, Thermal Solutions now represents around a third of Flex-Tek revenue on a pro-forma basis.

Aerospace grew strongly at +10.6% with order book execution, contract renewals with major aircraft engine manufacturers delivering pricing and volume growth. We achieved strong double-digit growth in the strategic growth areas of India and MRO.

Acquisitions added +6.4% to growth, reflecting our capital allocation decisions targeting higher-growth adjacencies.

The operating profit and margin performance largely reflected the market impact on Construction volumes, and a small impact from tariffs, partly offset by pricing in Aerospace and operational efficiency savings.

Our capital allocation framework – deploying cashflow to deliver growth and returns

Our approach to capital allocation remains disciplined and focused on value creation.

Growth is the main priority and we continue to allocate capital to opportunities that have the potential to accelerate revenue performance. In fiscal year 26, we invested £64 million in RD&E, or 3.3% of revenue. Capex was £39 million, 2% of revenue. We also invested in our commercial and strategic growth initiatives.

We acquired DRC for £165 million, consistent with our strategy of building into higher growth adjacencies.

In a further move to high-grade the portfolio, we agreed sales for three non-core Flex-Tek industrial businesses for £40 million, and with these changes, Flex-Tek is now a more balanced growth portfolio with exposure across a broad range of attractive end-markets with strong growth prospects.

Our portfolio management approach also encompasses initiatives to improve the balance sheet and enhance cashflow, with two major pension transactions completed during the year. And today, we announced that our US John Crane business will begin a marketing process for the divestiture of its legacy asbestos liability. These transactions will ultimately remove these liabilities from the balance sheet, significantly increase free cashflow and available capital. As a reminder, the annual net cash outflow related to asbestos has averaged around £20m in the last five years.

In relation to shareholder returns, as I have already mentioned, the Board continues to support a progressive dividend policy.

We completed the previously announced £500 million buyback. And in line with the commitment to return a large portion of sales proceeds, we have now completed the £1bn Smiths Interconnect buyback, with a further £1.5 billion related to Smiths Detection still to execute. We expect this to be substantially completed be end of calendar year 27.

Our strategy is clear, and our actions demonstrate that we make sensible capital allocation decisions to drive growth, financial returns and free cashflow, while retaining a strong balance sheet and a solid investment-grade credit rating.

FY2027 Outlook

For fiscal year 27, we are guiding to organic revenue growth of around 4%, supported by operating momentum and our robust order book.

John Crane is expected to be weighted towards the second half. We assume continued Middle East disruption during the first half, alongside stronger growth in other parts of the world.

In Flex-Tek, we assume a continuation of the subdued US residential construction market, although we will continue to drive performance. We expect a continuing strong performance in Aerospace, a return to growth in Thermal Solutions and a positive organic contribution from fast growth in DRC. As a result, Flex-Tek growth is expected to be weighted towards the first half reflecting in part the year-on-year comparator and also our active customer engagement to drive performance.

We expect headline operating profit margin of approximately 21%, entering our medium-term target range of 21-23% sooner than expected.

And we expect operating cash conversion in the low nineties range.

We have also provided some further technical guidance in the appendix to aid your modelling.

We are confident in achieving our medium-term targets. The structural tailwinds in global energy resulting from the anticipated response to energy security, our expanded exposure to cooling and data centre applications through DRC, and the evolution of the Flex-Tek portfolio, alongside continued underlying performance, give us strong conviction in more quickly delivering our 5-7% organic revenue growth over the medium term, and underpin our 21-23% operating profit margin target.

With that, I will hand back to Roland.

Strategy update

Roland Carter

Chief Executive Officer

Thank you, Julian. I will now turn to our strategy and the opportunity ahead. In January last year, we took the decision to reposition the portfolio and the completion of the divestments of Interconnect and Detection this year have been a defining moment for Smiths.

Portfolio focused on strategic growth pillars

The result is a more coherent portfolio, with a stronger financial profile, allowing greater management focus and a clearer capital allocation model. Our portfolio sits across the clear growth pillars of flow control, construction, thermal solutions and aerospace, and is well placed to deliver sustainable growth, high returns and strong cash generation, underpinned by structural growth trends.

Well positioned in attractive markets supported by structural growth trends

First, in energy, growth is driven by the long-term global demand for energy, and is expected to accelerate further with the increased need for energy security and resilience, all of which support greater investment in critical infrastructure. 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 either peak oil or gas. Our leading positions in gas and energy transition position us well to take advantage of the higher level of growth in areas including LNG, hydrogen, geothermal, and carbon capture and storage.

Next, industrial process electrification is supporting emissions reduction, improved safety and greater efficiency across industrial markets. Here too, demand is underpinned by customers' desires to have a single, integrated, customised solution which our Sureheat, Wattco and Farnam businesses are well positioned to support.

AI demand is supporting the expansion in digital infrastructure, and the subsequent data-centre developments drive power and thermal-management demand. Wattco and DRC broaden our heat, cooling, controls and systems capability to access this high growth market, and we are excited by the size of this opportunity.

Next, the structural housing shortage, together with a growing population, drive the growth prospects in US residential construction. We see increased demand for housing over the medium term, and our Flex-Tek HVAC products are well positioned to capture this growth, as we expand our portfolio and geographical coverage.

And finally aviation, where trade, GDP and population growth are underpinning the continuing increase in commercial aircraft production, in a market where high qualification barriers and durable supplier positions support resilient growth. Alongside this, the geopolitical backdrop is driving an increase in defence spending, and demand for new military aircraft.

Also underpinning these trends, is the ongoing focus on productivity and sustainability. Customers' desire to improve resource efficiency, drive production and reduce emissions also supports demand for our products.

Customer-centric operating model with high-quality aftermarket and recurring revenue

Our customer-centric model, underpinned by a high degree of customer intimacy and a strong understanding of customer needs, allow us to be true experts in developing customised solutions. This creates strong incumbent positions and drives high-quality aftermarket and recurring revenue.

John Crane has a large installed base that has been built up over many decades. This drives a substantial aftermarket revenue stream across the operating life of a facility, provides recurring demand and sustains our customer relationships. Aftermarket represents more than 70% of the total revenue.

Flex-Tek maintains strong customer relationships across the different parts of the business. Around 70% of Construction revenue is repeatable through sustained distributor relationships. Thermal Solutions designs customised products and systems, in partnership with its customers. And more than 75% of Aerospace revenue is under long-term agreements, contracted positions or repeatable programmes.

These characteristics support resilience through the cycles, retention of customer positions, pricing power, margin quality and cash generation, while allowing us to bring additional products and technologies to customers and channels we already know.

Our priority is to combine these strengths to enable faster, more consistent organic growth.

Smiths Growth Algorithm

Our growth strategy is targeted around four connected priorities which we call the Growth Algorithm – accelerate growth initiatives, innovate with impact, execute relentlessly, and then compound value through disciplined capital allocation into accretive acquisitions.

These initiatives although focused on growth, will support the delivery of all our medium-term targets - revenue and EPS growth, margin, returns and cash conversion – and underpin our strong conviction that we will deliver our 5-7% organic revenue growth target.

Taking each in turn.

Accelerate - commercial initiatives and investment to drive sustainable organic growth

We are accelerating the pace of delivery of our strategic growth initiatives and increasing investment in our highest return opportunities. Alongside our pricing power, these actions underpin our plans to drive above market growth.

In John Crane, we are leveraging our leadership position in gas projects and have signed a number of major new LNG and NGL contracts, continuing to develop our leadership position in this area. LNG investment continues to accelerate globally due to energy security demand, and projects of this scale strengthen our installed-base, supporting long-term aftermarket servicing opportunities.

To expand our aftermarket position further, we have signed new global Performance Plus agreements with customers in both energy and chemicals, with a number of these having been taken over from other suppliers. These agreements provide the customer with a consistent reliability model across their facilities, and for John Crane, provides predictable recurring revenue.

In Construction, we have been successfully expanding the distribution of our full range of flexible and metal ducting products that we have built up through acquisition, and we are now harnessing higher growth opportunities, such as the Canadian market.

In Thermal Solutions, we are expanding our product offering to provide customised systems and integrated solutions, combining heat and cooling across a range of different end-markets, including data centres.

And in Aerospace, we are targeting an increase in market share of shipset on key engine platforms and the strategic growth areas of India and MRO; and our recent contract renewals have strengthened our position and price capture.

Innovate – enhanced approach to drive differentiation and profitable growth

Innovation is critical to differentiation and sustainable growth. Through a more deliberate approach to innovation, our aim is to accelerate the pace of delivery. Our approach combines sustained investment in product development with disciplined commercialisation, ensuring that new product concepts are translated into tangible growth.

Our five-year innovation roadmaps for each business span technology, products, materials and manufacturing processes. These support both the evolution of existing products for new performance requirements and applications, and the development of new, differentiated offerings.

For example, John Crane's recently launched 93AX separation seal has seen a very positive response from customers; we have further developed our dry gas seal products for larger machine needs, higher pressures and speeds and have seen strong sales of these; and our development of materials support new technologies for hydrogen applications.

Capability roadmaps also help identify skills requirements and strategic partnership opportunities.

Our objective is to increase the pace of delivery **and** the commercial impact.

Execute - operational excellence

Operational excellence is foundational to growth and value creation. We continue to execute our plans with discipline and excellence, tracking the key operational metrics that underpin performance and support our strategic priorities.

Smiths Excellence provides a common approach to lean operations, enhanced processes, automation and supply-chain resilience and is embedded and standardised across our businesses. All these actions help us better serve our customers, helping ensure that we are their partner of choice.

We continue to invest in modernising and automating our manufacturing infrastructure and this year we have completed the investment in John Crane machining capabilities and upgrading our testing capabilities. We have also added automation to our Flex-Tek HVAC manufacturing processes to improve efficiency and enhance safety.

During the year, the Acceleration Plan activities continued. These included site consolidation and footprint optimisation, ERP harmonisation and automation. We have delivered £20m of annual plan benefits to date and remain on track for £30 to 35 million of annualised benefits for this fiscal year. These initiatives help us better support our customers, through improved customer service and reduced delivery times, helping to support our growth ambitions.

With the increased focus that the portfolio changes have delivered, we have continued to adapt our culture to encourage a more agile, empowered and accountable organisation focused on delivering for our customers, supported by a lean centre,

A high-performing culture combines pace and accountability with integrity, respect and an uncompromising commitment to safety.

Compound – a strong track record of successful M&A

And finally disciplined M&A, which we regard as an important component of our value creation model by recycling free cashflow to augment and compound organic growth.

Our track record in Flex-Tek demonstrates this. Over the past years, we have invested around £700m of capital into 8 acquisitions, Flex-Tek has more than doubled in size over this timeframe, a double digit compound annual growth rate in revenue. Acquisition returns have notably exceeded the cost of capital, delivering significant value creation under Smiths ownership.

Acquisitions have also shifted the mix of the business over time. Today, Flex-Tek has a lower exposure to US residential construction – around 40% – with a corresponding increased exposure to higher growth thermal solutions and aerospace. These actions demonstrate our active approach to the portfolio and capital allocation, to focus our business on areas of higher growth.

Compound – reinvesting FCF to augment and compound growth

We focus on identifying acquisitions that give exposure to higher-growth adjacencies that strengthen our market positions, add technology, geography as well as customer access. Financially, we prefer capital-light, cash-generative businesses that are growth-accretive, and have an attractive margin and returns profile.

Our opportunity pipeline is across multiple vectors in each of our business areas, offering growth, margin and synergy potential.

We have strengthened our approach to integration with clearer milestones, ownership and contingency planning. This ensures acquisitions get off to a fast start. This plug and play blueprint allows us to maximise synergy delivery and value creation.

DRC - allocating capital into structurally faster-growing markets, with clear scalability

DRC is a great example. DRC designs customised heat-transfer and cooling solutions for data centres auxiliary power. We identified an opportunity to enhance our strategic position by adding heat removal and cooling technologies to our heat solutions. It also brought exposure to attractive higher growth markets, with a strong leadership and engineering team who needed support for their next phase of growth.

Let's hear directly from the team in this video.

It is still early days, but in the four months of ownership, it has performed ahead of expectations, contributing £35.5 million of revenue at a pro-forma growth rate of well over 20%, with an attractive margin.

The data-centre market is expected to grow at more than 20% annually over the next 10 years, supported by AI and cloud demand. We are investing in people, process and capacity infrastructure to support this growth opportunity which we expect to be meaningfully additive to the Smiths Group's performance over the coming years.

A highly compelling investment case

So, in summary.

We have successfully transformed the portfolio into a focused premium industrial engineering company with an improved financial profile, delivering sustainable growth, high returns, robust cash generation and balance sheet strength.

We continue to align our business to attractive end-markets and trends that offer structural long-term growth.

Our business model is resilient, with a high proportion of aftermarket, contracted and repeatable revenue, underpinned by customer intimacy, and leading products and technologies.

Our renewed growth algorithm strategy is focused on accelerating organic growth, driving innovation, value creating execution and disciplined compounding M&A, supported by a high-performing team and culture.

In fiscal year 26, we unlocked over £3 billion of value.

We continue to be focused on creating value today, and into the future.

Thank you for listening. Julian and I will now be pleased to take your questions.

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