

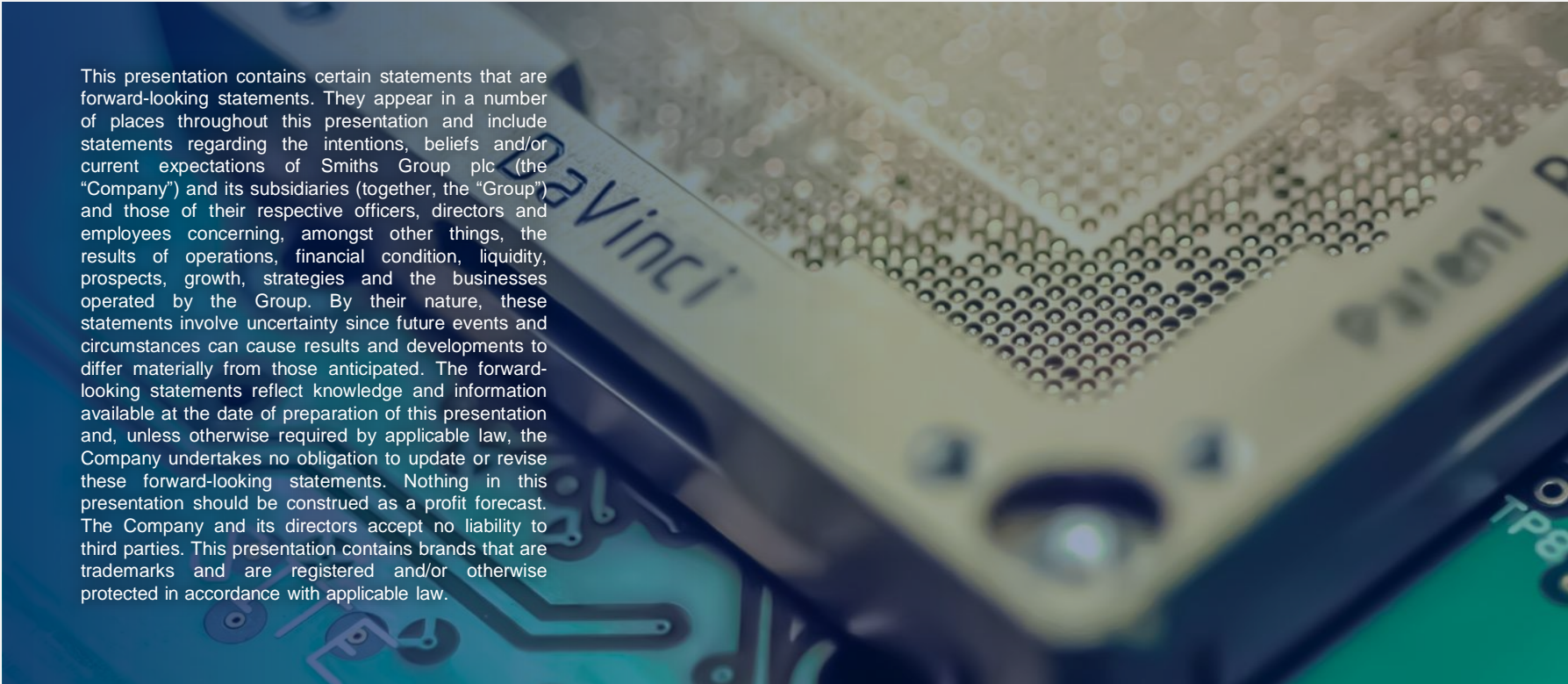
smiths

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SMITHS GROUP PLC Interim Results

6 April 2020

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. Nothing in this presentation should be construed as a profit forecast. 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.

Introduction



ANDY REYNOLDS SMITH
CHIEF EXECUTIVE

A technical drawing of a mechanical component, possibly a valve or a part of a turbine, is overlaid on the left side of the slide. The drawing is in light blue and shows various circular and rectangular features, including a central circular opening with a grid pattern and several smaller circular holes around the perimeter. The drawing is framed by four corner brackets.

Agenda



Opening remarks & COVID-19

Andy Reynolds Smith



FY20 Interim Results

John Shipsey



Smiths: strong and resilient

Andy Reynolds Smith

Opening remarks



Good set of results



Smiths strong and resilient



Well positioned for long term growth

COVID-19: what we can see today



Safety of our people



Managing disruption to maintain supply and service



Increasing disruption with demand reduction

MAXIMISING BUSINESS CONTINUITY

Prepared for uncertainty



John Crane

- c.50% Oil & Gas - negligible upstream exposure
- c.70% aftermarket and service
- Critical facilities and products



Detection

- Passenger airports closing or running at reduced rate
- c. 50% aftermarket
- Governmental and regulatory underpin



Flex-Tek & Interconnect

- Diversified end markets

RESILIENT BUSINESS MODEL

Smiths Medical

→ Sustaining growth and improvement

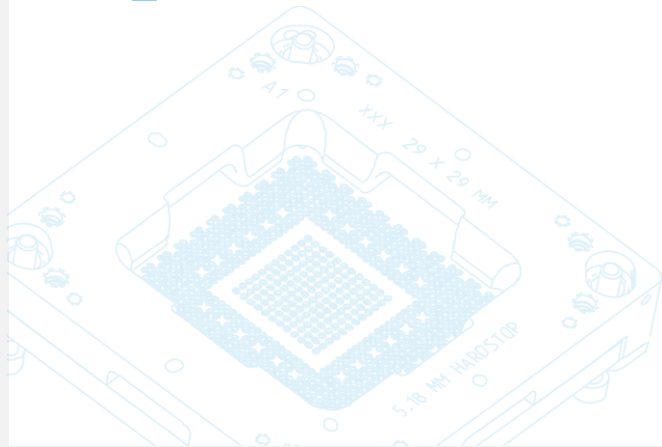
→ Separation delayed due to uncertainty; strategic intent unchanged

→ Playing a critical role in the global fight to combat COVID-19

FURTHER GOOD PROGRESS

Interim Results 2020

JOHN SHIPSEY
CHIEF FINANCIAL OFFICER



Further good growth and cash¹

	H1 2020	H1 2019 ²	Reported change	
Continuing Operations³				
Revenue	1,240	1,143	+8%	+3% underlying
Operating profit	186	175	+6%	+1% underlying
Profit before tax	160	146	+10%	
Operating cash	202	109	+85%	Cash conversion 109%
Discontinued Operations⁴ - Profit after tax	70	54	+30%	Underlying revenue and OP +1%
Total Group				
Profit for the year	187	160	+17%	
Total basic EPS	46.9p	40.2p	+17%	+3% underlying; +7% including M&A
Free cash-flow	132	71	+86%	

1 Headline excludes non operating items as defined in note 3 of the accounts. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; and exclude the effects of foreign exchange, acquisitions, and adds back depreciation and amortisation of discontinued operations for comparability purposes

2 HY2019 has been restated for Smiths Medical reclassification as discontinued operations

3 Continuing operations exclude Smiths Medical which is accounted for as 'discontinued operations – businesses held for distribution', given the intended separation of Smiths Medical

4 Discontinued operations as defined in note 17 to the financial statements

H1 revenue by Division¹

JOHN CRANE



+6%
£474m

Continued good growth led by OE

Energy	+c.11%
Industrials	c.(2)%
OE	+8%
Aftermarket	+5%

SMITHS DETECTION



+4%
£378m

Good growth led by OE

Aviation	+5%
Other Security Systems	+3%
OE	+8%
Aftermarket	+1%

FLEX-TEK



+3%
£248m

Continued growth led by Aerospace

Aerospace	+5%
Industrials	+2%

SMITHS INTERCONNECT



(7)%
£140m

Decline primarily driven by previously communicated market slowdown

¹ Headline excludes non operating items as defined in note 3 of the accounts. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; and exclude the effects of foreign exchange and acquisitions

H1 operating profit by Division¹

JOHN CRANE



OP **£101m** +4%
Margin **21.3%**

- Volume growth
- Higher OE mix

SMITHS DETECTION



OP **£57m** +4%
Margin **15.0%**

- Positive volume growth
- Higher OE mix

FLEX-TEK



OP **£46m** +9%
Margin **18.4%**

- Continued strong performance

SMITHS INTERCONNECT



OP **£9m** (50)%
Margin **6.5%**

- Lower volumes
- Addressing cost base
- Growth investment

¹ Headline excludes non operating items as defined in note 3 of the accounts. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; and exclude the effects of foreign exchange and acquisitions

Smiths Medical sustaining growth¹

Revenue



£434m +1%

- *Infusion systems* (3)%
- *Vascular access* +3%
- *Vital Care* +2%

Continuing momentum

Operating Profit



£94m +1%

- Continued strong gross margin
- Restructuring and one-off costs

¹ Headline excludes non operating items as defined in note 3 of the accounts. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; and exclude the effects of foreign exchange, acquisitions and supplemental sales for divested businesses, and adds back depreciation and amortisation of discontinued operations

Strong operating and free cash-flow

£m		H1 2020	H1 2019	
CONTINUING OPERATIONS	Operating profit ¹	186	175	
	Capex net of depreciation and amortisation	(10)	(3)	
	Change in working capital	(2)	(73)	
	Other	28	10	
	OPERATING CASH-FLOW¹	202	109	109% cash conversion
TOTAL GROUP	OPERATING CASH-FLOW¹	252	180	98% cash conversion
	Interest ¹	(16)	(25)	
	Taxation ¹	(60)	(52)	Headline¹ ETR 26%
	Pension	(16)	(15)	See next slide
	Other investment and non-headline	(28)	(17)	
	FREE CASH-FLOW	132	71	+86% year-on-year

¹ Headline excludes non operating items as defined in note 3 of the accounts

Strong well-managed balance sheet

→ Pension

Two UK plans:

- Accounting surplus of £486m; overall fully funded on technical provisions basis
- Over 35% of UK liabilities de-risked through buy-ins
- 90% of assets in government and investment-grade bonds

→ Net debt

- Net debt of £1.3bn (including £134m of leases)
- Net debt: EBITDA 1.8x¹
- Average debt maturity is 4.6 years, with no maturities until October 2022
- No covenant obligations on bonds

¹ EBITDA is based on 12 months rolling for continuing and discontinued operations. Please refer to note 18 of the accounts for detailed calculation

→ Liquidity

- Cash generative business - track record of ~100% cash conversion
- c.£250m of cash
- Undrawn c.£600m RCF - interest cover covenant
- Liquidity of over £850m
- Based on rating, eligible to access further £600m under CCFF

WELL PLACED TO NAVIGATE THE CURRENT ENVIRONMENT

Smiths – a strong and resilient company



ANDY REYNOLDS SMITH
CHIEF EXECUTIVE

Well-positioned to navigate short-term challenges

- Critical nature of our products and services
- Flexible and resilient operating model
- Financially strong
- Actions to cut costs and preserve cash

PROUD OF OUR PEOPLE

Designed to outperform

- Well-positioned in long term, attractive growth markets
- Highly-differentiated, market-leading products and services
- Organic growth complemented by disciplined M&A
- World-class operational excellence
- A culture of innovation, entrepreneurship and relentless execution

LEADING NOW AND IN THE FUTURE

smiths

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QUESTIONS & ANSWERS



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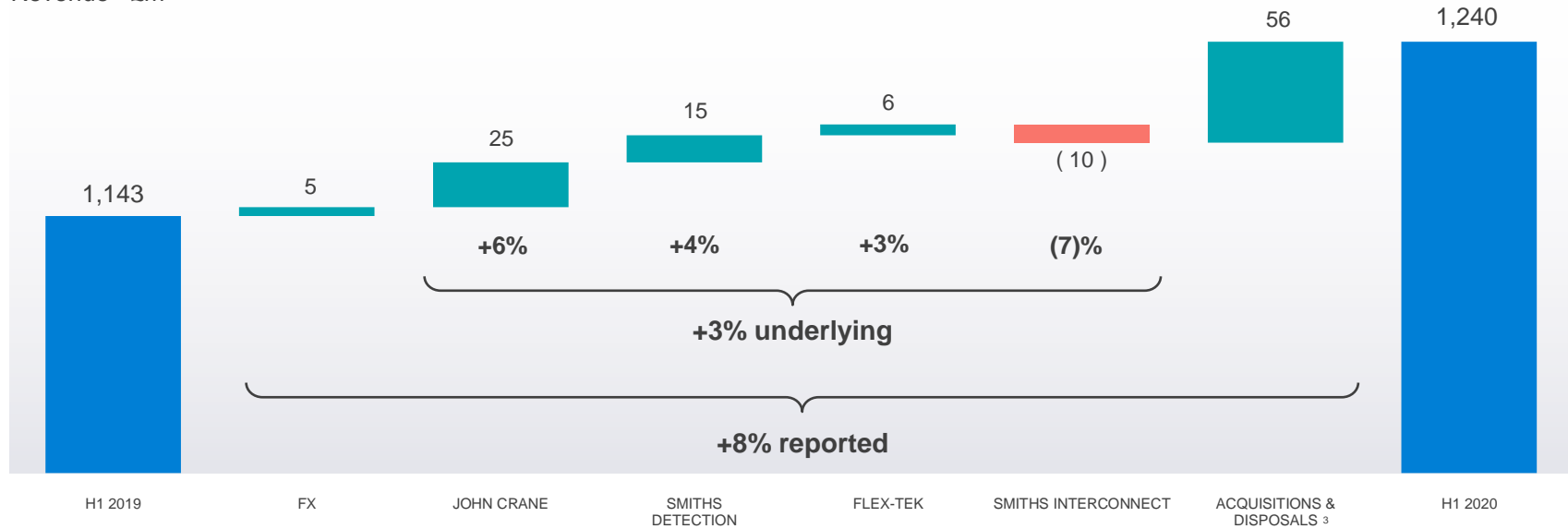
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APPENDIX



Good revenue growth^{1,2}

Revenue - £m

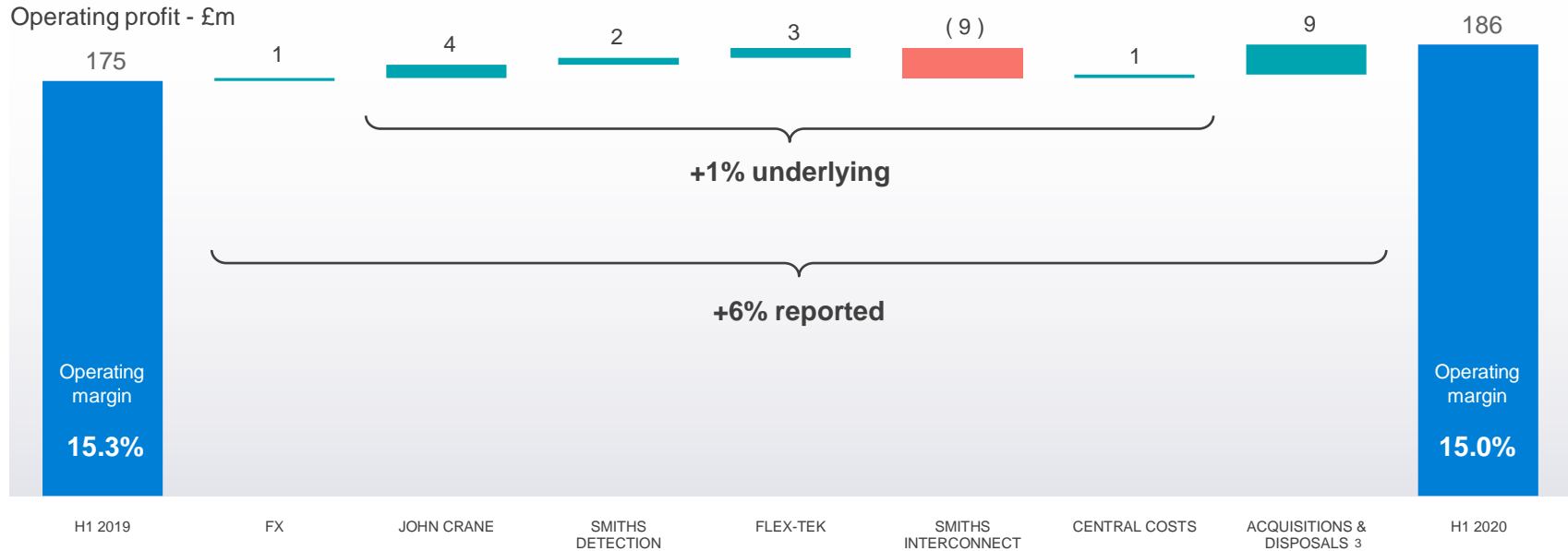


1 Headline excludes non operating items as defined in note 3 of the accounts. Underlying modifies headline performance to: adjust prior year to reflect an equivalent period of ownership for divested businesses; and exclude the effects of foreign exchange and acquisitions

2 Continuing operations exclude Smiths Medical which is accounted for as 'discontinued operations – businesses held for distribution to owners', given the intended separation of Smiths Medical

3 Includes HY2020 performance from acquisitions that do not have comparators for the prior year

Operating profit growth complemented by acquisition^{1,2}



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3 Includes HY2020 performance from acquisitions that do not have comparators for the prior year

Income statement¹

£m	H1 2020	H1 2019	Reported change
Revenue	1,240	1,143	+8%
Headline ² operating profit	186	175	+6%
Amortisation of acquisition related intangible assets	(28)	(16)	
Legacy pension scheme arrangements	8	(29)	
Post acquisition integration costs and fair value adjustment unwind	(3)	(5)	
Acquisition and disposal related transaction costs and provision releases	(2)	(2)	
Non-headline litigation provision movements	(16)	4	
Total non-headline items	(41)	(48)	
Statutory operating profit	145	127	+14%

1 Continuing operations

2 Headline excludes non operating items as defined in note 3 of the accounts

Organic growth: R&D investment¹

Cash costs



■ John Crane ■ Smiths Detection ■ Flex-Tek ■ Smiths Interconnect ■ Central

Income statement costs (expensed and amortised)

£46m



H1 2020

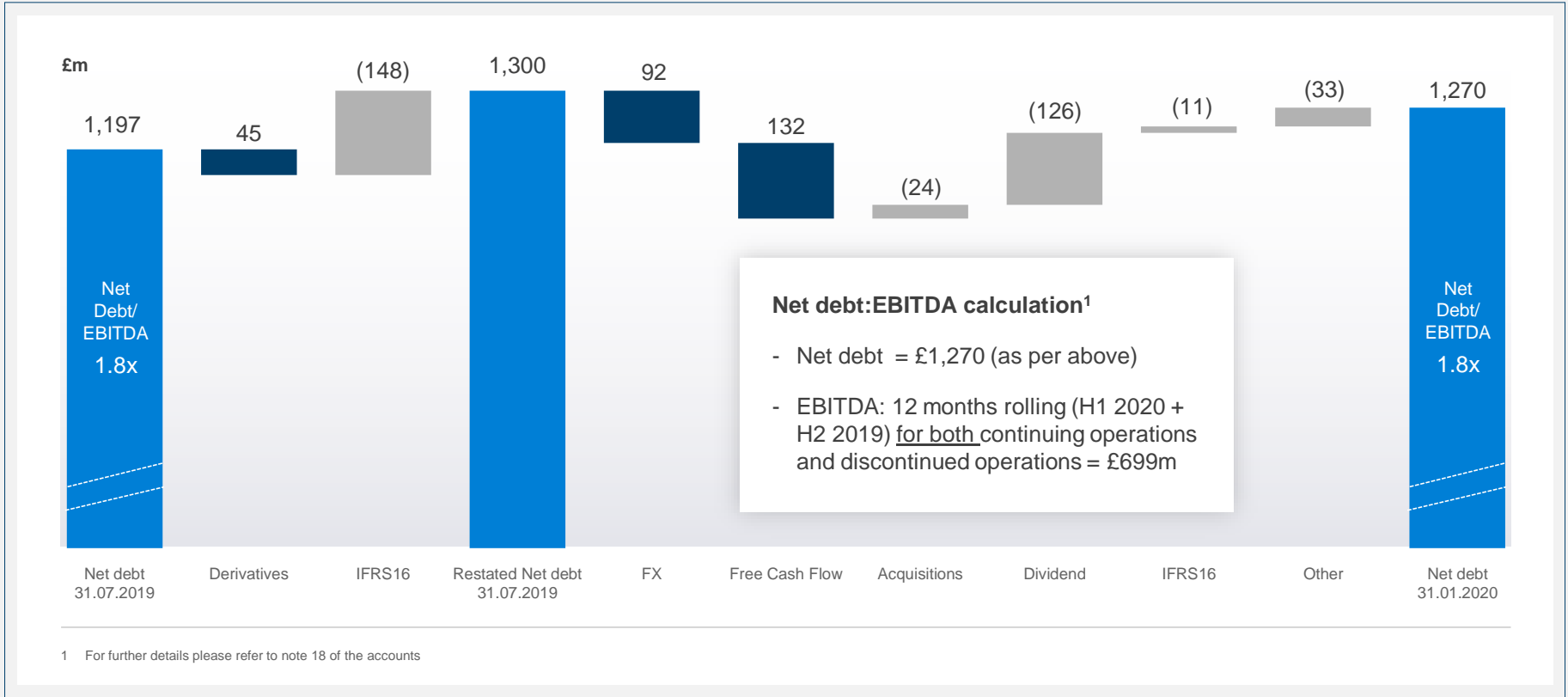
£45m



H1 2019





¹ Continuing operations

Total Group - Strong balance sheet



ESG external accreditations & metrics

→ External recognitions supporting strong ESG fundamentals

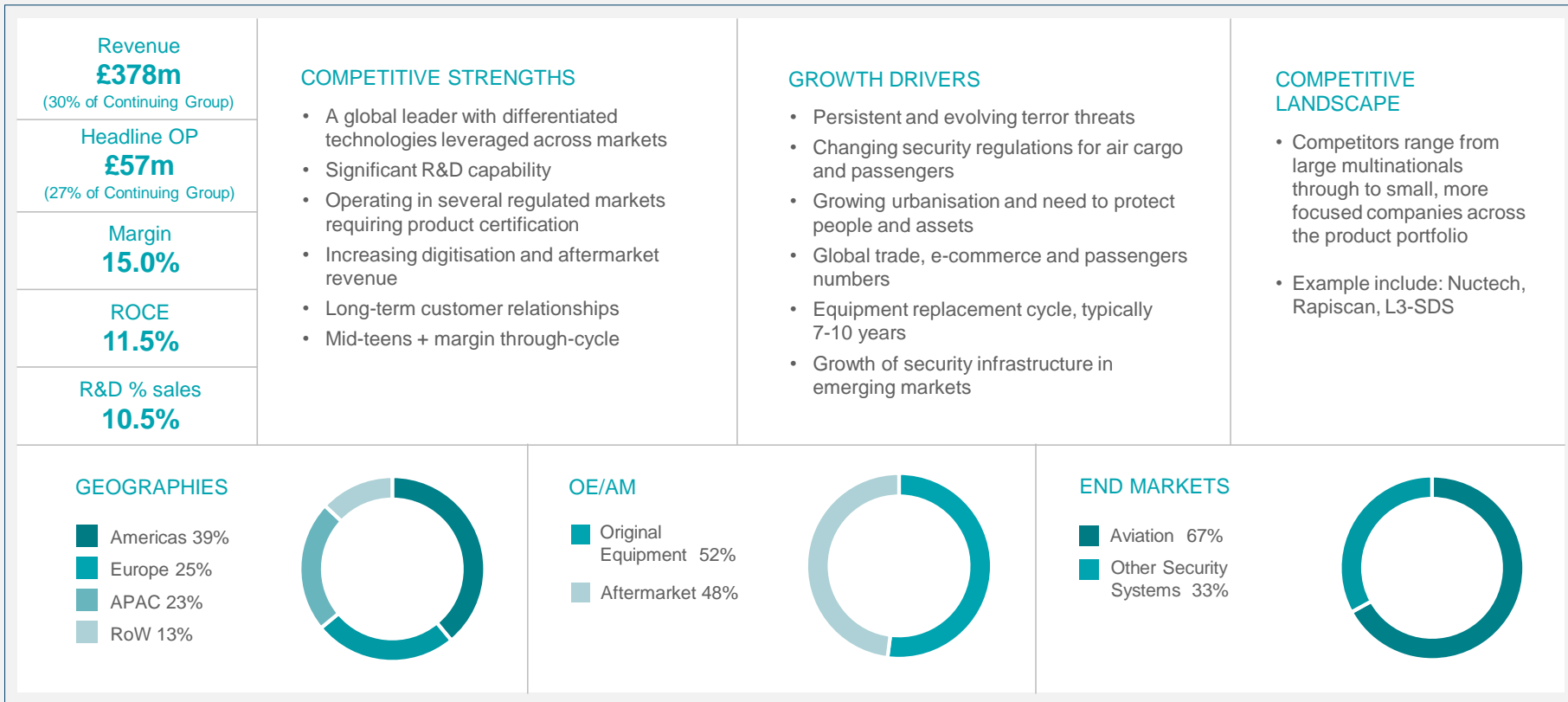
External recognitions	Score	Environmental	Social	Governance ¹
	Governance 1 Environment 2 Social 1	⇒ FY2007 to HY2020 reductions <ul style="list-style-type: none"> Greenhouse Gas (GHG): (63)% Energy: (60)% Water: (53)% Non recycle waste: (61)% 	⇒ Our People are our most important sources of sustainable competitive advantage: <ul style="list-style-type: none"> Safety first (HY2020): <ul style="list-style-type: none"> RIR 0.29 (FY2018: 0.39) LTIR 0.14 (FY2018: 0.17) Engagement score 73 (FY2018:73) translating into tangible actions to make Smiths a better place to work for 	⇒ Average tenure on the Board c.3.5 years ⇒ Diversity of the Board: <ul style="list-style-type: none"> Gender (33%) Ethnicity Geographies
	B Above average	⇒ Further commitment to reduce our impact on the environment: <ul style="list-style-type: none"> 75% renewable electricity commitment by 2040 	⇒ Customers & suppliers <ul style="list-style-type: none"> We adhere to our code of business ethics as well as provide regular anti-bribery and corruption training 	⇒ Diverse expertise: MedTech, engineering, automotive, financial services
	34 8 points improvements, 67 th percentile	⇒ Technology and innovation as a solution for our customers		⇒ Regular sites visits
	AA Leader in the sector			

¹ Includes Karin Koenig who joined the Board on April 2nd 2020

JOHN CRANE: Mission-critical solutions for global energy and process industries

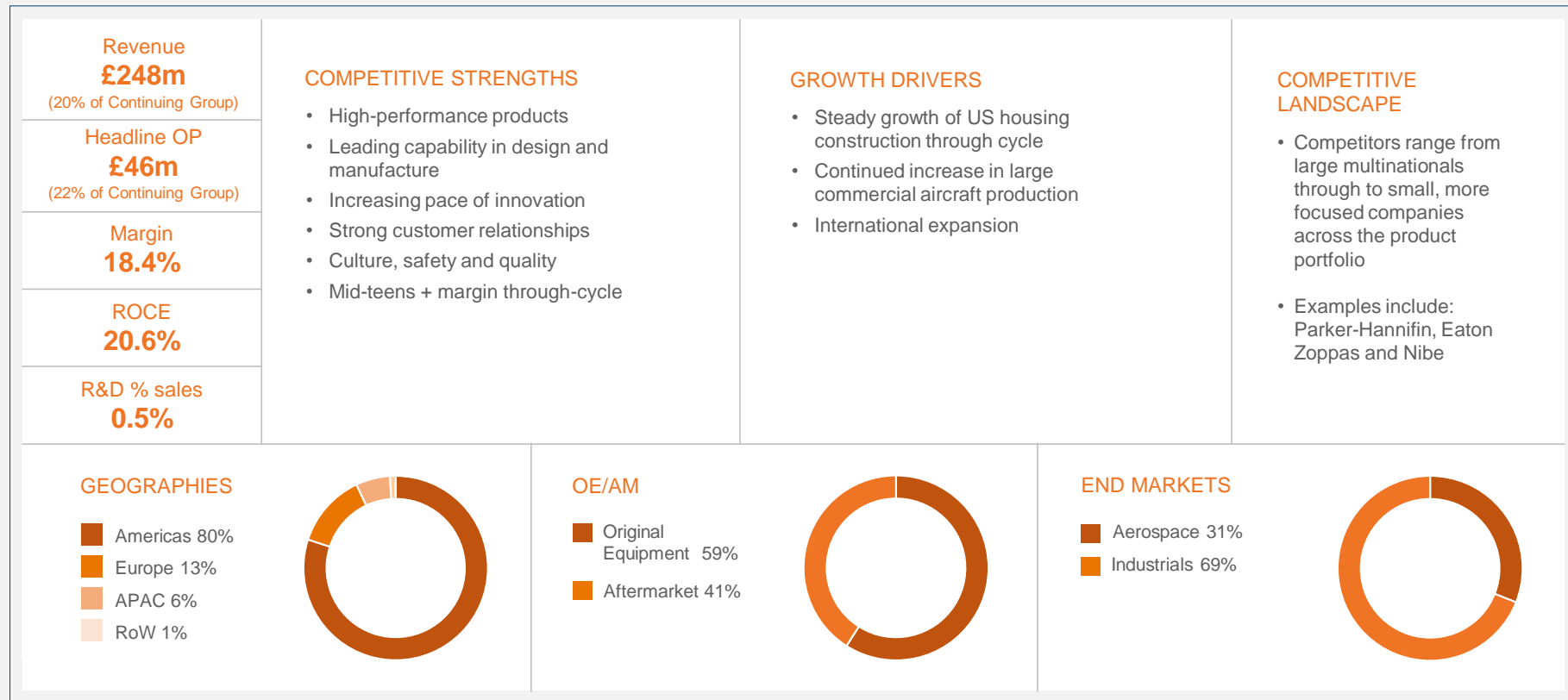
<p>Revenue £474m (38% of Continuing Group)</p> <p>Headline OP £101m (47% of Continuing Group)</p> <p>Margin 21.3%</p> <p>ROCE 23.3%</p> <p>R&D % sales 1.9%</p>	<p>COMPETITIVE STRENGTHS</p> <ul style="list-style-type: none"> • A strong presence in flow control for rotating equipment • Strong proprietary technology and expertise in applied engineering • Broad installed base • Strong aftermarket service offering with c.200 sales and service centres • Long-term customer relationships • Margins at 20%+ through-cycle 	<p>GROWTH DRIVERS</p> <ul style="list-style-type: none"> • Oil & gas markets recovering driven by underlying energy demand • Expansion in high-growth markets • Pent-up demand for maintenance and upgrades in oil & gas and petrochemical • Need for operational improvements in non-oil and gas process industries • Disruptive innovations including material science advancements and digital transformation 	<p>COMPETITIVE LANDSCAPE</p> <ul style="list-style-type: none"> • Competitors range from large multinationals through to small, more focused companies across the product portfolio • Examples include: Flowserve, EagleBurgmann, Danaher, Hydac, Rexnord
<p>GEOGRAPHIES</p> <ul style="list-style-type: none"> ■ Americas 43% ■ Europe 24% ■ APAC 19% ■ RoW 14% 	<p>OE/AM</p> <ul style="list-style-type: none"> ■ Aftermarket 67% ■ Original Equipment 33% 	<p>END MARKETS</p> <p>c.63% ENERGY Mainly downstream exposure</p> <p>c.37% INDUSTRIALS</p> <ul style="list-style-type: none"> - Pharmaceutical - Chemicals - Pulp & paper - Water treatment 	

SMITHS DETECTION: A global leader in the detection and identification of security threats and contraband

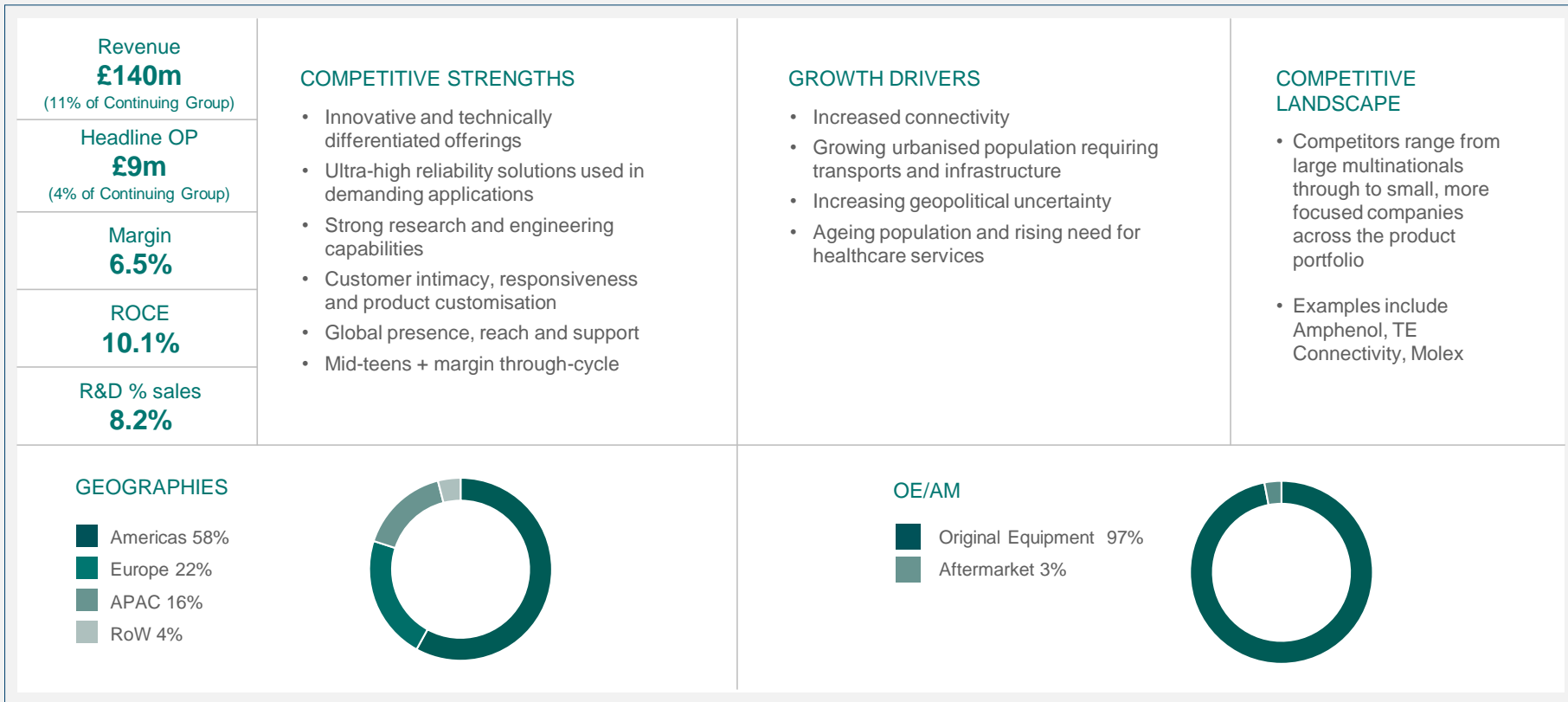


All figures are based on H1 2020

FLEX-TEK: Innovative components to heat and move fluids and gases

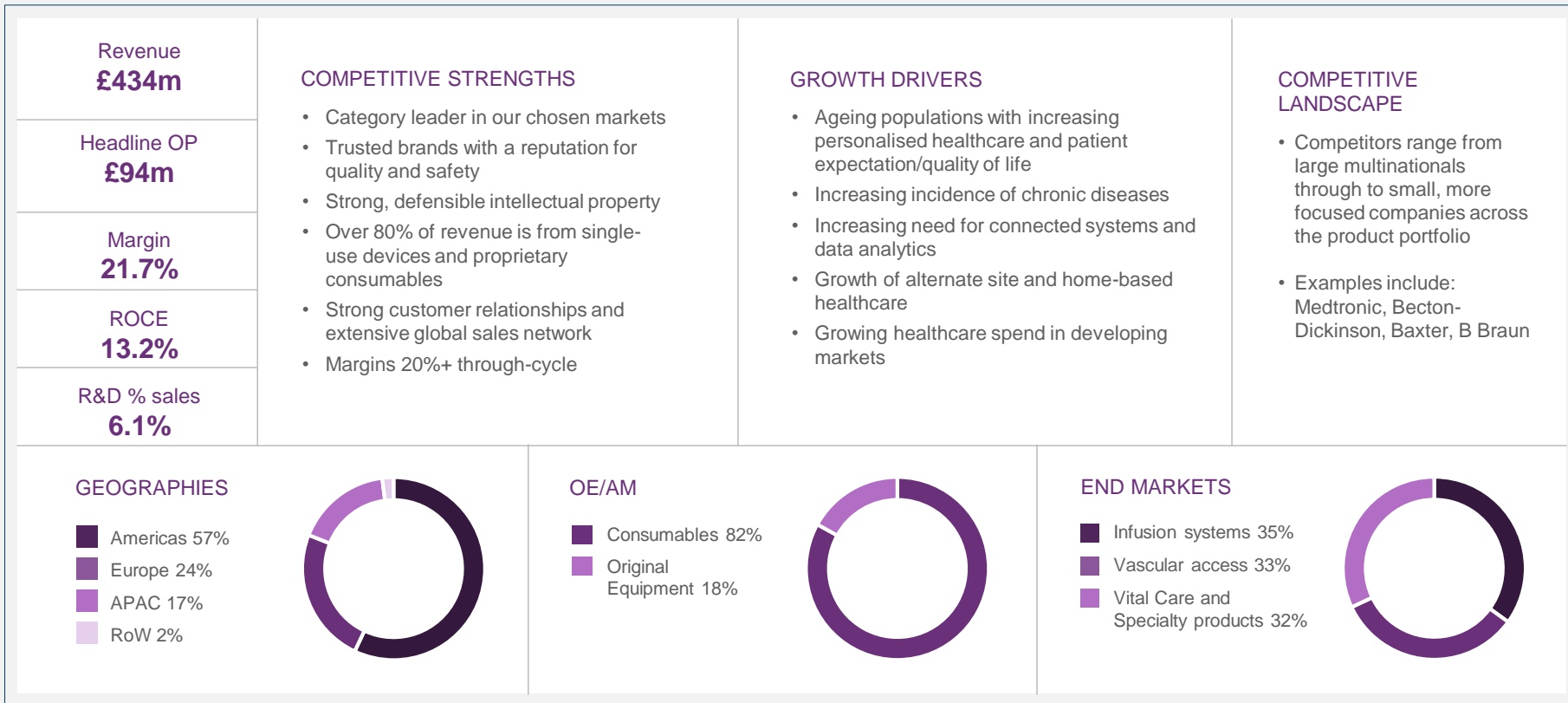


SMITHS INTERCONNECT: Solutions for high-speed, secure connectivity in demanding applications



DISCONTINUED OPERATIONS

SMITHS MEDICAL: High-quality, cost-effective medical devices and consumables that are vital to patient care globally



All figures are based on H1 2020