

# **Smiths FY2025 Financial Results**

Tuesday 23<sup>rd</sup> September 2025

## Opening Remarks

Roland Carter

*Chief Executive Officer, Smiths Group*

Good morning everyone and thank you for joining us.

Today, I'll open with a reminder of the strategic actions that we announced in January and a few highlights of our FY2025 performance 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.

I would like to start by saying how pleased I am with the excellent progress that we have made this year - operationally, financially and strategically. We are extending our track record of consistent financial performance, and advancing the strategic plans we announced earlier this year, to reposition Smiths and deliver significant value for all stakeholders.

### **FY2025 – strong financial performance; strategic actions underway to maximise value creation**

Turning to our strong financial performance; which came in ahead of our twice-raised guidance.

FY2025 marks our fourth consecutive year of organic revenue growth, with Group organic revenue up 8.9%, ahead of our 6-8% guidance. We expanded operating profit margin by 60 basis points, at the top end of the guided range.

We deployed capital in a disciplined and dynamic way with:

- three accretive acquisitions;
- an enhanced share buyback;
- alongside a 5.1% dividend increase, marking 74 consecutive years of dividend payments.

In January, we announced a number of strategic actions to unlock portfolio value and enhance returns. We are progressing the separation of Smiths Interconnect and Smiths Detection and reflecting this, Smiths Interconnect is reported as discontinued operations in our full year results.

The Acceleration Plan is progressing well, initial benefits are being delivered, and we remain on track for the full benefits in FY2027.

We are well positioned for FY2026 with a strong order book and expect 4-6% organic revenue growth, with continuing margin expansion.

We enter the next phase of our growth journey from both a position of financial strength and strategic clarity.

### **Progressing plan to focus Smiths as a high-performance industrial engineering company**

The strategic actions we announced this year mark a pivotal moment for Smiths.

We set out plans to be a focused industrial engineering company, centred on high-performance technologies in flow management and thermal solutions.

Our businesses are customer-centric, hold market-leading positions, and operate in structurally growing markets.

They have a high quality financial profile with a strong through-cycle track record, and with ample potential for above market growth.

This sharper focus, combined with disciplined capital allocation, positions us to deliver superior shareholder value, through consistent execution, operational and financial performance and strategic delivery.

### **Group FY2025 performance ahead of guidance**

Turning to FY2025 performance.

Keeping our people safe is our number one priority, and I am pleased to see our safety record improve this year, with our recordable incident rate being the lowest for several years.

We delivered strong financial results, with growth across all our key metrics. A great performance when we consider the impact of the cyber incident, particularly felt in John Crane, and the ongoing challenging macro and tariff backdrop.

We invested organically, as well as spending £121m on acquisitions to support and enhance future growth. We also increased returns to shareholders, and are now 80% through our half billion pound share buyback programme. Together with dividends, we returned £460 million to shareholders in the year, taking the total to £1.7 billion over the past 4 years.

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

## **HY 2025 Financial Results**

Julian Fagge

*Chief Financial Officer, Smiths Group*

### **FY2025 – strong performance, ahead of guidance**

Thank you Roland, and good morning.

I'm pleased to present our FY2025 financial results, which extend our track record of consistent performance delivery.

Organic revenue growth for the Group, comprising all four businesses, was up 8.9%, ahead of the already twice raised guidance of 6-8% growth.

Reported revenue increased 6.5%, including a 1.4% contribution from acquisitions in Flex-Tek partly offset by adverse foreign exchange.

Operating profit grew 13.1% on an organic basis, and 10.3% on a reported basis.

Operating profit margin expanded 60 basis points to 17.4% on both an organic and reported basis, at the top of our guidance of 40-60 basis points.

EPS increased 14.8% driven by the strong operating profit performance, supplemented by acquisitions and the benefits of our enhanced share buyback programme.

Return on Capital Employed was up 170 basis points to 18.1%, driven by profit growth and our continuing focus on efficient capital allocation.

And we achieved strong operating cash conversion of 99%.

As a result of the planned separation, Smiths Interconnect, is now reported as discontinued operations with its assets and liabilities classified as held for sale.

This means that, on a continuing operations basis, organic revenue grew 7.2% and operating profit grew 8.5%, with an operating profit margin of 17.3%.

In line with our progressive dividend policy, we are recommending a final dividend of 31.77 pence, resulting in a total full year dividend of 46 pence, a 5.1% increase.

### **Extending track record of Group organic<sup>1</sup> revenue growth, averaging +7.4% over four years**

Now, turning to the results in more detail and starting with organic revenue growth.

Delivering consistent growth above our markets is a key focus for us, and we've now delivered four consecutive years of organic revenue growth, averaging over 7% per year across this time period. This growth has been underpinned by the strong performance of our portfolio of leading brands, our focus on commercial excellence, and innovation and new product development.

### **Continued operating margin expansion, at top end of guided range**

Strong revenue growth translated into even stronger operating profit growth with a 60 basis point margin expansion to 17.4%.

Growth was driven by:

- Operating leverage, particularly in Smiths Interconnect and Smiths Detection;
- Continued price discipline, more than offsetting inflation.
- And efficiency and productivity savings, which delivered 20 basis points of margin improvement. This included benefits from the Smiths Excellence continuous improvement programme, and initial benefits from the Acceleration Plan.

Offsetting this, was a 50 basis point negative effect from mix with higher growth coming from Smiths Detection and some negative product mix, mostly within Flex-Tek.

**Strong EPS growth driven by operating performance**

Earnings per share grew very strongly at 14.8%, driven by the organic profit growth, accretive acquisitions, the share buyback, and lower tax and interest charges. Constant currency EPS grew 19.6%.

**Strong operating cash conversion and free cashflow**

Cash generation was very strong at £576m, representing a 99% conversion, reflecting disciplined cash and working capital management.

Capex was £80m, £12m higher than depreciation and amortisation, but lower than originally guided, with a good amount reflecting higher investment in automation, capacity, and testing in John Crane.

Finally, we generated £336 million of free cash flow, a conversion rate of 58%.

Generating free cash flow remains a key focus for us as we execute our strategic plan.

**Business update**

Turning now to the businesses.

**John Crane – growth constrained by operational challenges; Q4 and order book support outlook**

John Crane delivered organic revenue growth of 3.0%, against a strong prior year comparator of 9.8% growth. Growth was led by Original Equipment, whilst aftermarket, having been more affected by the cyber incident, recovered in the fourth quarter.

Second half growth was impacted by operational challenges associated with upgrades to our machining and testing capabilities, and exacerbated by a longer-than-anticipated recovery from the January cyber incident. However, we saw sequential quarterly improvement, with fourth quarter growth of 3.9%.

Notable contract wins in the second half included

1. a large scale retrofit Energy project in the Middle East
2. AND a large managed reliability programme in Asia

In June, John Crane launched its Coaxial Separation Dry Gas Seal, helping customers cut emissions, boost reliability, and lower costs

John Crane operating profit grew 6.3% on an organic basis, with margin expanding 80 basis points to 23.8%. This margin expansion reflected productivity and cost efficiency improvements, price, and initial savings from the Acceleration Plan.

Looking ahead, healthy market demand, strong order intake, alongside improved execution, supports our positive outlook for FY2026.

**Flex-Tek – solid growth despite challenging US construction market**

Now turning to Flex-Tek.

Organic revenue grew 4.4%, with a marked strengthening in performance in the second half. The acquisitions of Modular Metal, Wattco and Duc-Pac added a further 5.4% to growth.

Flex-Tek's industrial segment grew 4.0% despite challenging conditions in US construction, reflecting increased demand for heat kits and flexible ducting products, and new customer acquisitions.

Revenue in the industrial heat segment was flat year-on-year, reflecting the phasing of a large industrial contract which is due to conclude in the first half of FY2026. The business is well positioned for future wins, strengthened by the acquisition of Wattco. A recent highlight includes a contract to supply electric heaters for a low-carbon electro-fuel project in North America.

And Aerospace grew 6.3%, supported by a strong order book reflecting ongoing aircraft build programmes, and renewed long-term agreements that position the business well for the future.

Operating margin was 19.5%, down versus the prior year's strong comparator, which benefited from higher margin industrial heat contracts.

This underlying performance reflected positive pricing and efficiency savings, a positive contribution from acquisitions of 20 basis points, offset by mix impacts.

In the fourth quarter, we identified a non-material balance sheet overstatement at a stand-alone US industrial site which had an £8m in-year impact on headline operating profit and a £15m impact on statutory profit relating to prior years. The issue was isolated to a single site, has been independently investigated and is now fully resolved.

Looking forward, the US construction market remains subdued, although we are well positioned to take advantage from its recovery, should mortgage rates moderate and given the meaningful US housing inventory deficit. For aerospace, the strong orderbook underpins a healthy demand for the coming year.

**Smiths Detection – significant volume growth in aviation; continued margin expansion**

Moving to Smiths Detection.

Revenue increased 15.2% organically, and we successfully converted a strong order book into revenue in both original equipment and aftermarket.

We delivered significant growth in Aviation with strong demand for checkpoint CT scanners where we continue to secure a good win rate. Smiths Detection has now sold around 1,800 CTiX products globally, and is the first to receive the 'up to two litres' re-certification in the UK and the EU. It is anticipated that the global upgrade programme will continue with the current level of cabin baggage activity into FY2026, along with the associated longer-term aftermarket revenue stream.

The business is well positioned for the next upgrade cycle in hold baggage screening supported by the first X-ray diffraction-based system in the aviation sector. With four units already in operation and regulatory certification underway, this innovation marks a significant step forward in detection technology and reinforces our leadership in the sector.

Other Detection Systems delivered improved performance in the second half with growth of 5.2% following a first half decline on a strong comparator. The business had significant contract wins, particularly in ports and borders, including for large mobile scanners for customs and road cargo in the Americas. Looking ahead, a growing focus on border security is expected to drive growth.

Operating profit grew 23.3% and operating margin expanded 80 basis points, reflecting the good operating leverage, improved pricing, a positive mix effect and efficiency savings.

Underscoring the business' commitment to innovation, our iCMORE Automated Prohibited Items Detection System became the first AI-driven platform to receive regulatory approval for live deployment, now implemented in Schiphol Airport.

Looking ahead, our multi-year orderbook remains strong, supporting a positive outlook for FY2026. Growth will continue to be supported by the aviation upgrade programme, albeit at a more moderated pace.

### **Smiths Interconnect – above expected growth driven by innovation and execution**

Finally, Smiths Interconnect increased sales by 22.5% organically.

All business units grew, with particular strength in the semi-conductor test business where we achieved large wins, particularly in high-speed GPU and AI programmes. This performance reflected the strength of our product innovation, most recently the DaVinci Gen V high-speed test socket, designed to test advanced chips used in AI, data centres and computer processing.

Aerospace & defence revenue grew 15.1% with strong demand for our differentiated technology in fibre optic, radio frequency and connector products. Here Smiths Interconnect launched the EZiCoax interposer connector for high-value aerospace and defence applications, enabling secure, precise and reliable communications in systems like satellites and advanced radar.

Operating profit was up 57.2%, with margin expanding 390 basis points to 17.8% as a result of the notably higher volumes, as well as pricing, positive mix and significant benefits from efficiency programmes.

As part of the drive to maximise value through the separation process of Smiths Interconnect, we have agreed the sale of its US sub-system business. A non-cash impairment on disposal of £30m was recorded.

Strong market conditions, combined with key programme wins, underpin our growth expectations for FY2026.

**Disciplined use of capital**

We take a disciplined approach to our use of capital. In FY2025, we continued to demonstrate consistency in line with our framework:

1. Organically, we invested £219m in capex and RD&E, which includes customer-related engineering;
2. We invested £121m in value-accretive acquisitions in Flex-Tek, at attractive multiples and higher margins;
3. We increased our total dividend by 5.1% to 46 pence per share and we paid £152m in dividends in the year;
4. AND we have now executed £398m of our £500m enhanced buyback programme, which is on track to complete by the end of the calendar year.

Overall we have returned £1.7bn to shareholders in the form of dividends and buybacks over the last four years.

We did all this whilst maintaining a strong balance sheet, with net debt to EBITDA ending the year at 0.6x.

**Clear capital allocation priorities with enhanced returns**

Our disciplined approach to capital allocation, combined with a clear focus on sustainable value creation, is designed to maximise long-term returns and drive shareholder value.

We will continue to prioritise disciplined investment for organic and inorganic growth, and deliver enhanced returns to shareholders, whilst maintaining a strong and efficient balance sheet.

1. First. We are committed to supporting innovation and expect to invest 3-4% of revenue in RD&E, enabling new product development and commercialisation.
2. Second, value-accretive acquisitions. We will continue to pursue disciplined acquisitions in core and adjacent markets, augmenting our organic growth and strengthening our competitive position.
3. Third, a progressive dividend policy. We balance the cash flow needs of the business with our commitment to delivering consistent and meaningful returns to shareholders.
4. And fourth, returning excess cash to shareholders. Where we generate surplus cash, we will return it to shareholders through share buybacks or other appropriate mechanisms, ensuring capital is deployed efficiently.

We intend to maintain an investment grade credit rating, and we will balance this alongside our desire to have an efficient balance sheet. Our credit rating is underpinned by our strong and consistent financial track record, leading market positions, and significant share of recurring revenue.

As we progress the separation of Smiths Interconnect and Smiths Detection, we remain committed to returning a large portion of disposal proceeds to shareholders.

The scale of this return will be determined once we have clarity on the timing and magnitude of the proceeds. Importantly, this decision will be made in the context of our broader capital allocation priorities — organic investment, acquisition pipeline, dividend policy and leverage target.



**FY2026 outlook**

Finally, let me take you through our outlook for FY2026 before handing you back to Roland.

We expect organic revenue growth, on a continuing operations basis, of 4-6%, noting the strong first quarter comparator.

This outlook reflects the strength of our order book, as well as the ongoing macro environment, with tariffs and increased geo-political risks causing market uncertainty:

- In John Crane, growth is supported by a strong order book, solid momentum, and improving operational delivery.
- For Flex-Tek, our outlook reflects a continued subdued view on US construction balanced against a strong aerospace order book.
- Smiths Detection will continue to grow albeit at a moderated pace, supported by the aviation upgrade programme.

We expect continuing margin expansion, driven by operating leverage, benefits from the Acceleration Plan, and ongoing efficiencies through Smiths Excellence.

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

In summary, while the external environment is challenging, our strategic positioning, operational discipline, and strong order book give us confidence in delivering growth, margin expansion, and robust cash flow in FY2026.

With that, let me hand back to Roland.

**Strategy Update**

*Roland Carter*

*Chief Executive Officer, Smiths Group*

Thank you, Julian.

**Strategic actions to unlock significant value and enhance returns to shareholders**

Firstly, I'll give a brief update on the separation processes, then I'll turn to Smiths businesses and the opportunity for continued growth and margin expansion, and I'll end with our purpose, people and culture of high performance.

We are fully focused on executing the strategic actions that will enhance returns to our shareholders and position Smiths for long-term success.

**Progressing separation of Smiths Interconnect and Smiths Detection, with pace and purpose**

We announced the separation of Smiths Interconnect and Smiths Detection earlier this year and are progressing these with pace and purpose, balancing value maximisation with execution certainty.

We continue to expect to announce a transaction in relation to Smiths Interconnect by the end of the calendar year, with completion anticipated in 2026.

For Smiths Detection, we are progressing both the sale and demerger options, ahead of a decision on the preferred route.

Workstreams are underway internally for both businesses to set them up for the separations.

### **Smiths - a focused high-performance industrial engineering company**

Following the separations, Smiths will be a focused industrial engineering company, specialising in high performance technologies in flow management and thermal solutions, with leading positions in these growing market segments, aligned with long-term structural mega-trends.

Our competitive advantage stems from our leading brands and engineering capabilities, our targeted investment in innovation, and our product development and commercialisation to meet customer needs.

We have valued customer relationships based on our customised technologies, products and solutions with more than 70% aftermarket, recurring or repeatable revenue.

Our businesses have:

- high-performance cultures centred on safety, our values, innovation and excellence;
- they have a strong financial profile of sustainable growth;
- with high returns and good cash generation;
- as well as organic and inorganic expansion opportunities.

Empowered decision-making across our businesses ensures we remain focused on supporting customers to capture growth opportunities, and deliver attractive and resilient growth with high returns.

We operate a lean corporate centre, delivering core competencies including strategy, capital allocation, M&A and compliance.

Here we also present Smiths pro-forma financial metrics. Smiths generated £1.95 billion in revenue in FY2025, with a pro-forma operating profit margin of 19.6% and a 22.8% return on capital employed. We operate in the broad end markets of energy, industrial and construction, with 36% of revenue in energy, 38% in industrial and 26% in construction.

### **Leading positions in attractive, large and structurally growing end markets**

With our strategic positions in these markets, we are aligned to some of the most powerful structural mega-trends shaping the global economy - energy security and transition, resource efficiency, and industrial productivity and sustainability - that underpin long-term growth.

These markets are expected to grow at a 4-5% CAGR over the next decade. Drilling down further into the sub-segments of these markets, we are typically positioned in faster growth areas, including flow control, HVAC and industrial process heat.

In energy, our mechanical seals enhance reliability across the oil and gas value chain, where we are seeing robust demand for traditional energy, as well as increasing opportunities in new energy segments, such as CCUS, hydrogen, and biofuels.

For industrial markets,

- the rising demand for process efficiency and emission reductions also supports growth in our flow control business;
- aerospace continues to perform strongly, with new aircraft build programmes supporting demand for our fluid conveyance products; and
- investment in industrial heat electrification is providing significant potential upside for our process heat portfolio.

The construction market growth fundamentals remain strong given the US housing inventory deficit, and our deep customer relationships and growing US footprint, positioning us well to capture future demand in this highly fragmented market, despite some short-term market challenges.

Across all market segments, our solutions help customers reduce emissions, improve efficiency, and use fewer raw materials, delivering both sustainability and performance.

In summary, we are excited about the opportunities in our markets, to deliver long-term consistent and sustainable growth.

### **Above market growth over the medium term, underpinned by significant recurring revenue**

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.

Our enhanced medium-term financial targets, announced in March, reflect our plans and strategic initiatives for above market growth, and include:

- Leveraging our installed base, brand reputation, customer intimacy and leading product expertise to deepen relationships with customers and expand our share of wallet;
- Commercial excellence – we will continue to enhance operational processes, to deliver exceptional customer service; enhancing customer value, incumbency and retention versus peers;
- Innovation - new product development and commercialisation are key to sustaining growth. As examples, John Crane this year launched a new co-axial separation seal and is scaling digital solutions including Sense Monitor and Turbo.
- Market adjacencies – we continue to target higher growth and higher margin sub-segments, geographies, products and customers, both organically, and through targeted acquisitions.

This multi-faceted approach ensures that we remain well positioned to outperform in our markets over the medium term.

**Flex-Tek – delivered above-market growth in FY2025**

Let's look at what we are doing in Flex-Tek, where we delivered robust growth in our construction business in FY2025, despite the challenging US market conditions.

Building on the strength of our portfolio, we are leveraging our flexible ducting product platform to drive deeper and wider penetration through our distribution channels, and are adding new customers.

We saw increased demand for heat kits, with notable growth in key accounts, illustrating the importance of customer intimacy and higher-performing products.

And our innovation remains a core growth driver. During the year, we launched the 'Blue Series', a redesigned sealed metal duct system that sets a new standard in performance and is already contributing to revenue. In our heat business, another launch this year supports ultra-low carbon emissions fuel with electric heaters that are being tailored for a cutting-edge electro-fuel project. Both are great examples of how our innovative approach leads to new product design which solves a key customer challenge.

Our organic growth strategy is augmented by a disciplined and value-accretive approach to M&A. Acquisitions since 2018 supported a more than 13% CAGR in both revenue and operating profit at Flex-Tek, alongside a 60-basis point margin uplift.

This year's acquisitions - Wattco, Modular Metal and Duc-Pac - strengthen our capabilities in heat transfer technologies and broaden our reach in US construction.

These acquisitions also allow us to scale into adjacent markets with our existing product portfolio. Adding new metal ducting businesses this year has increased our addressable market for our flexible ducting products by opening up new geographies and customers.

So they are already contributing to growth and margin uplift, and we expect further benefits as we scale and integrate these businesses.

For FY2026, we expect the construction market to remain subdued, although we will continue to drive the business forward to deliver against this backdrop.

**Driving margins towards our medium-term target range**

Turning to margin. Our journey to our medium-term target of 21–23%, is supported by a series of structural and tactical initiatives - a combination of operational discipline, cost optimisation and portfolio focus:

- First, operating leverage - actively driving a higher contribution margin as we grow revenue, for example through pricing and product mix;
- Second, delivering efficiency savings and productivity improvements through Smiths Excellence. This year, through our Smiths Excellence Academy, we expanded our Lean and Six Sigma programmes, to reinforce our high-performance culture and scale operational best practice globally;
- Third, implementing our Acceleration Programme which is on track for £40-45m annualised benefits in FY2027 and beyond, for a total of £60-65m costs, whilst ensuring central costs remain at 1.5-1.7% of revenue. Two-thirds of the costs and benefits relate to the retained businesses;

- And finally, evolving our portfolio towards higher margin products and market sub-segments, including targeting a greater share of aftermarket, repeat or recurring revenue.

### **John Crane - operational excellence initiatives underpin organic growth and margin expansion**

Here we show how operational excellence is supporting both revenue growth and margin expansion.

Through our Acceleration Plan, we are simplifying, standardising, and automating core processes across engineering, manufacturing, and supply chain functions in John Crane, including investment in advanced manufacturing technologies.

We have upgraded automation and machining across multiple sites, with a focus on high-precision applications. We have installed 72 new CNC machines and are adding nine dry gas seal test rigs. These investments are enhancing throughput and quality, improving lead times, reducing waste and enhancing customer satisfaction.

Our supply chain is being optimised to improve agility, resilience, and cost competitiveness. We are consolidating manufacturing locations and centralising transactional procurement and finance.

These initiatives are delivering measurable benefits, including reduced lead times, improved pricing power, and enhanced scalability, and all contribute to growth and improving profitability for the business.

Realising these performance improvements underpin our confidence in the outlook for John Crane for FY2026, and beyond.

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

As already mentioned, we set out new enhanced medium-term targets for FY2027 onwards.

These targets are ambitious yet achievable and reflect our confidence in our ability to deliver premium returns through the cycle and support a superior rating for Smiths.

### **Enduring foundations underpin our success**

At Smiths, our long-term success is built on enduring foundations - our purpose, people, values, and commitment to excellence and sustainability.

Our purpose is clear: engineering a better future, and is embedded in our strategy, culture, and decision-making.

Our people are always at the heart of our business and I would like to thank them for delivering the strong financial performance this year. Your dedication is very much appreciated.

Our culture is built on our values and reflected in our high-performance mindset and commitment to delivering for our customers, communities, and all stakeholders.

We are making meaningful progress on sustainability. Our approach is informed by a double materiality assessment, ensuring our strategy reflects both financial and societal impact.

These foundations are central to our pledge to create long-term value for all our stakeholders.

### **Well positioned to deliver superior value over the medium and long term**

So, in summary, in FY2025 we delivered strong results, extending our track record of consistent financial performance.

We have made great progress advancing our strategic plans to focus Smiths as a high-performance industrial engineering company.

As a result, Smiths is very well positioned to deliver superior value over the medium and long term.

We are growth and returns focused, highly cash-generative and have a disciplined approach to capital allocation.

We are confident that these strategic actions will unlock significant value and enhance returns to shareholders.

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

## **Q&A**

**Lush Mahendrarajah (J.P. Morgan):** Morning, guys, thanks for the presentation and for taking my questions. I've got three, if that works. The first is on John Crane. I think that the H2 organic growth is perhaps a bit lower than the expectations at the Q3 point. Is that being driven by some of those operational issues being worse than expected? If so, where – and I know that Q4's picked up, but how far are we from that returning to normal and how does that feed into your confidence for growth in FY26? It sounds like the orders are still positive there, so just how that all fits in, I guess, in terms of 2026.

The second question is just on the margin guidance. Obviously, continuing margin expansion is the phrase you use. Can you help us just quantify that a little bit and what some of the puts and takes are? I think the acceleration plan should be quite a notable tailwind within that, but just to help us build that bridge, I guess.

Then the third is on detection. I think you'll probably have about three halves now of very strong growth on the OE side with the CT scanner upgrade. I think you said before it's over two, three years of this. Where does the OE side peak in that two to three-year timeframe, and then how should we think about the aftermarket associated with those OE deliveries coming through over the next two, three years and I guess how that plays into the margin pick up and detection over those years as well?

**Roland Carter:** Thank you very much. I'll try and answer those questions. So, from the point of view of John Crane, yes, we saw that the second half in John Crane – what was comforting in that is Q3 was better than Q2 and Q4 was better than Q3. So, that was very positive for

us. The operational issues have been a challenge; we highlighted that with the cyber, that exacerbated – as I said, 72 CNC machines were being put in place and we're heading towards nine new dry gas seals. That was exacerbated by the cybersecurity issue. We have been monitoring the key performance indicators, though, within the business, machining hours, both external and internal machining hours. Those are improving. We've been monitoring the number of engineering hours that we need, because these are highly engineered products, and that's also improving.

We did surge those hours and now they're back to a very manageable level. We continue to monitor the on-time delivery, lead times, supplier performance, and these are all moving in the right direction. So, that associated with that strong order book that we're bringing into the year and the fact that we've seen a positive book-to-bill, and we have quite a view out into the marketplace of the activity in the marketplace, we feel positive that we'll see improvement on John Crane in fiscal year 2026.

So, pleased with how that's moving forward. Did it move forward slightly slower in the second half than I thought it would, absolutely, but the long term health is still there within the business.

On the margin, as we said, continuing, and we mean continuing margin expansion on that. We're seeing that inflation has somewhat moderated, but we still see that we have price in our portfolio. We've learnt a lot of lessons about price through the inflationary period, so we see that as very positive.

We also saw the initial stages of the acceleration plan and you'll recall two thirds of the acceleration plan is around the future of Smiths. So, we saw the early stages of that acceleration plan coming through, which was gratifying. We'll see about half of that coming through in fiscal year 2026 as well. That will continue to build.

Not forgetting that underlying all this, although we don't call out the number, the Smiths Excellence number was strong this year. That was good. It grew again. Smiths Excellence really is starting to bed into the organization and so that will be another benefit going forward.

There are headwinds, and we recognize that there are headwinds of the broader macroeconomic environment and tariffs. Our guidance takes account of tariffs and our current understanding, so we have those mitigations around that as well. You can see why we're confident in saying that continuing margin expansion.

Coming on to your third question, which was about Detection. Detection is in a very positive area. You saw that the growth that we recorded this year – we'll see that somewhat moderate going forward in fiscal year 2026 because it has been exceptional, as you point out. The program on CTiX, it's important but not the only piece of business that Smiths Interconnect does, so it's an important part of the business but one shouldn't forget the rest of the business, which is also doing relatively well.

From that point of view, we're still in the midst of that program. It still continues. I think last time we spoke, we'd shipped about 1,600 of those. Now we've shipped about 1,800 of those. The win rate is at as good as we highlighted. So, that still has a way to run, as we pointed

out, through '26 and into '27, is what we're seeing there. So, we're pleased with that going forward.

Obviously, aftermarket, we've never been shy about talking about the stability of aftermarket. We've never been shy about talking about the margin of aftermarket which are both are very positive for us. So, we see the aftermarket will come through, not only on the CTiX but as we roll forward with all the products that we install. Hopefully those answer your questions, Lush, thank you.

**Lush Mahendrarajah:** Thank you, guys.

**Christian Hinderaker (Goldman Sachs):** Good morning, Roland. Good morning, Julian. Thanks for the opportunity. I want to start with Interconnect, if I can, 18.9% organic growth for the half. I think that was an acceleration from a low double-digit cadence in Q3. I just wonder if there's any change to note in the comp Q-on-Q, or if that's all underlying.

Then secondly, if I look all the way back to page 85 of the report, APAC revenues for Interconnect have effectively doubled, for the full year, that is. Is that all driven by the strength in semi-test, and I guess interested in how we think about that regional dynamic for Interconnect, given the same table implies more than 90% of its assets sit in the Americas.

**Roland Carter:** Thank you. So, from the point of view of Interconnect, we were very pleased with the growth in Interconnect. It continues to be a very strong and well-balanced business. In fact, I think we shouldn't forget – yes, the headline is semiconductor test and the leading position and the excellence of products that we have within that are helping us move with the market, not forgetting that this is also an operational challenge. The fact that we've set ourselves up incredibly well for delivering this amount of growth, which one should understand, so that mixture between operational excellence and product excellence has really delivered for us on that.

We continue to see strong orders in that area. But, as I said, not forgetting that this business is exposed – over half of it, is exposed to aerospace and defence, and we're seeing broadly across the business that that market is definitely being positive going forward on that.

I will let Julian comment on Interconnect as he's close to the business, having previously run it very recently, but the growth in APAC also does reflect growth in semiconductor, but we don't see that that changes the shape of the business particularly. Julian, perhaps you want to add some more colour.

**Julian Fagge:** Thanks, Roland. Not much to add. We were particularly pleased with the semiconductor performance and particularly the strength of the business in AI, where we performed particularly strongly. It's true that a large portion of the business is in the Americas and we've had that strength in aerospace and defence particularly coming through in the US. But no, very pleased with where Interconnect is as we go into the new year.

**Christian Hinderaker:** Thank you both. The second one, maybe for Julian, is just clarifying the charges on the balance sheet restatement in Flex-Tek. If I'm reading that correctly, £8 million of the charges within the adjusted earnings line and a further £15 million one-off that further reduces your reporting earnings for the business. I just want to understand a little bit, the rationale for that split, and whether I've got that well understood.



**Julian Fagge:** Yes, so Christian, in quarter 4 we discovered what ended up being a non-material balance sheet misstatement in one of our Flex-Tek businesses. When we dug into it, it was effectively covering multiple years which guided our treatment with £8 million, as you say, as a headline charge, or indeed reflected in our reported numbers for 2025. Then we had the £15 million charge to non-headline reflecting the balances for previous years.

We thought that was the best presentation of the effect of this through our numbers, so that we could show an appropriate organic performance in the year. I will just add that whilst unfortunate and something that we didn't want to have, this particular event has now been fully investigated. It is now fully resolved and the learnings from this have been taken forward into the rest of the business.

**Christian Hinderaker:** Thank you.

**Mark Davies-Jones (Stifel):** Thank you very much. Morning, both. Can I just ask a bit more about the moving parts of Flex-Tek and the different end markets addressed? At the risk of being picky, is 6% growth in aerospace relatively modest, given the current trend in that industry? Is that related to the supply chain issues we're hearing about in engines?

Julian, I think you mentioned a big industrial electrical heat project coming to a conclusion in the first half of next year. Is that causing any gap in the outlook for that aspect of the business?

Thirdly, I note that recent acquisitions are being weighted more to the construction end of the business, despite the fact that that market looks relatively soft – short-term, anyway. Is that just availability, in terms of where the opportunities consolidate the market fit at the moment, or do you think we should see acquisitions in other parts of the business too?

**Roland Carter:** Thank you for those. From the point of view of the aerospace business, we are actually very pleased with the growth rate we're seeing there. We're working through any supply chain challenges that we have. They're not major for us at all. We're pleased with the continuing growth rate there. We're pleased with those relationships with the customers. As we said, we're coming into the year on aerospace with a very robust order book and a positive book-to-bill ratio, so we see that coming through very strongly and that's reflected in that 6%, which we think is a good number to think about on that one.

On the industrial engineering projects, yes, we had the large project which we continue to execute against. We have a funnel of other projects in that area, so this is the programmatic part of Flex-Tek. We will continue to build those programs going through, and you can see that we've indicated for Flex-Tek we anticipate growth going forward in the fiscal year 2026. Is it programmatic? Yes, absolutely. Do we have other projects coming in through the process? Absolutely.

That leads on to construction. I think much as the numbers might not call it out to such an extent, the standout performance is construction because we know the US market is very muted. We know it continues to be muted. We're not predicting an upturn in how we've looked at our numbers for fiscal year 2026. We're recognizing the market for what it is. There might be some good news but we're not baking that in from the point of view of the rates and the putative rate changes that might happen.

However, we think that we're in an advantage position within that market. Why? Well, we've got some empirical evidence. We continue to grow in spite of the market. We've got the new products coming through which – we mentioned the Blue Series. That will be a changer. We've got Python coming through as well. We've got the new products, but just as important as the innovation, we've got the customer relationships and the alignment with the correct customers to really make sure that we continue to outperform that.

As part of the acquisitions, there were acquisitions in construction, and we see that the megatrend – there is a deficit. We know there's a substantial – several million homes are missing in America. We know it's going to take them perhaps a decade to fill that deficit, from that point of view. The megatrend is correct for us, so our strategy is aligned with the megatrend. We're advantaged because of the way we play in that market, as we are the people who are consolidating, which gives me comfort about the R&D spend that we've got there because of the new products as well.

You start to put those things together and now is a good time to continue our strategy because when it does turn, you'll see the exceptional performance coming through from that – the strategy being essentially long-term. One of the acquisitions that we recently announced wasn't in construction; it was in heat. Heat is also another market which obviously we touched on with the larger program there, but we're very keen to both develop our presence and our routes to market within heat, but also, to fill in technology gaps that we see within that, either through organic investment, but in this case, inorganic investment.

**Julian Fagge:** I would just add there, Mark, we do have a very active pipeline in Flex-Tek and we continue to work that pipeline and we do expect to see more acquisitions in this space as we go into the new year.

**Mark Davies-Jones:** Excellent. Thanks very much.

**Margaret Schooley (Redburn Atlantic):** Morning, gentlemen. Thank you for taking my question. I actually have two, if you would. The first one I'll just put out there. In terms of John Crane again, organic growth, can you give us some indication of the split between what was volume and price?

**Roland Carter:** Yes. So, from the point of view of where we've been in the past, to contextualize it, essentially, we did experience a lot of price growth in the past. That's also helped us develop the skills and the disciplines we need for managing price growth. What was pleasing this year, it was actually more about volume growth. That, I think, is important to me say, yes, we're managing pricing, yes, it's not quite such an inflationary environment, however people are willing to pay for the John Crane brand. Really, we're now driving through volume. Julian, would you like to give us some guidance on the split?

**Julian Fagge:** Yes, just to say that we've taken some additional price to reflect tariffs, but as Roland said, the dynamic of the volume and price has been positive this year.

**Margaret Schooley:** Thank you. Then my second one. You mentioned several new products in Flex-Tek, which is driving through growth. In the presentation, you also mentioned in John Crane the coaxial separation dry seal. Can you just give us a little understanding on the John Crane new product introductions, what markets you're actually targeting to further exploit, or

what other new products and adjacencies we should look forward to in FY25 to continue to support your growth expectations?

**Roland Carter:** Yes. I think it was pleasing to see and it does get a lot of focus from both Julian and myself, because I think John Crane is an area where we can definitely improve the way we introduce products. We can improve what we're doing with our new product development pipeline. I think I'm very keen on new product development, new technology development, new process development and new materials development, and I think John Crane – it will take time for these things to crystallize.

But we can already see with the separation seal that the focus on getting products out there, getting products aligned with key customers and getting products aligned with key accounts to make sure they're adopted relatively quickly. I think there is that commercialization, which you'll see us focus on more, about how do we improve the products that are already out there, so the products – introducing new technologies, increasing their specifications and then these new products, which you saw in the separation seal.

So, you'll see that mixture coming through. Some of the new products will be longer-term. The upgrade to products will be shorter-term and more easily adopted, meeting customers' requirements. Underlying all that, what are the broad fundamentals? Because the great thing about the John Crane seals is they're not necessarily end market specific. Obviously, the end markets do drive it, but all these seals need similar characteristics and similar improvements in characteristics.

What do I mean by that? I mean they need higher pressures, so we're developing the technologies that allow us to have higher pressures and the products that allow us to have higher pressures. They're looking towards higher temperatures, so we're developing the products and the platforms, I should really say, that allow us to higher temperatures. Then the third one, which is very much a focus, is high speeds.

Then if you mix those three ingredients together, that can go for very traditional energy, that can go for hydrogen, that can go for LNG. So, you can see all those markets enjoy the benefits of those improvements. So, I think we're becoming much more coherent on how we develop those products which I think will benefit our customers ultimately.

**Margaret Schooley:** Thank you. One last one, if I may, which might be slightly difficult to answer given where you are, but, since the announcement of your strategic actions, in particular on Detection, has your thinking evolved at all as you go through this exercise in separating some of the assets? Can you give us any indication of the level of interest, or how the market backdrop has changed, or in any way changed your thinking since the point you announced the strategic actions on Detection specifically?

**Roland Carter:** Detection specifically? Yes. So, on the broad approach we're very pleased with the performance of those assets that we've highlighted for separation. So, we knew it was a good time, and we knew they were performing well, we're pleased to see that continuing performance. So, absolutely, the timing is working well for us on that. As we said, Interconnect, we'll announce something at the end of the calendar year, that we've seen. We're continuing on that track, and we're working through that to announce something at the end of the calendar year.

On Detection, again, we did a lot of the desktop and role playing on this to see how it would work. You saw the outcome of what that said, the clear sale of Interconnect, that was obvious. But we wanted to make sure that we were value creating. Value creation is what this is about, and surety of delivery. That's where you see that the demerger. We're running the twin track of demerger and sale process. For that, the work that we're doing behind the scenes on separation is progressing as we anticipated.

So, I'm not going to give you a sort of blow-by-blow account. But, that's essentially where we are. So, yes, obviously, we're always thinking about the value creation and the surety, but the strategic direction was well set, and we're very sure that that is the right strategic direction.

**Margaret Schooley:** Excellent. Thank you very much for your time.

**Roland Carter:** Thank you.

**Alex O'Hanlon (Panmure Liberum):** Good morning, gentlemen. Well done on a great set of results. Just one question from me. Could you give us an idea of the level of employee churn at Smiths and how that compares to recent history? I guess, what I'm trying to get at is how are you managing the culture of the business during a time of transition? Is it a case that employees don't feel unsettled given that the businesses are already run very separately, and maybe feel empowered, but just any colour you can give us on that would be greatly appreciated.

**Roland Carter:** Thank you, and thank you for the kind comment at the beginning. So, this is something we look at very, very carefully because it is one of those questions which one has to ask in these situations. What we've made sure is that we've been clear and transparent with people and explained to them what's happening. That's not only within the businesses that have been separated, but also the businesses which are being retained, as well as the head office, which we've spoken quite extensively about this 1.5% to 1.7% that our target is for central costs.

So, we do recognize that this is a moment in time and a difficult moment. I think of it – people talk about transformation. I think this is a continuing journey. For us, we fully intend to be moving at pace and always with purpose. So, we have made sure that we're talking to everybody who we work with on this and preparing people for the necessary sort of questions that would be answered, make sure that we have a unified position to things, to make sure that we're dealing with people with equity as well.

At the moment, what we're seeing in the figures is probably where you'd like me to get to, is we we're actually seeing our attrition at a slightly lower level than we've been seeing previously. I won't give you the exact numbers. But, at the moment, what we're doing seems to be the right thing. Obviously, it does affect individuals, and we are acutely aware that it is a person-by-person thing. But at the moment in the broad, we're not seeing the uptick one might have anticipated.

**Alex O'Hanlon:** That's super helpful. Really appreciate it. Cheers.

**Stephan Klepp (BNP Paribas):** Yes, good morning, gentlemen. I hope you can hear me well. I guess I'm back with a different address now. So, I have two questions. So, the first one is on John Crane. Can we just talk again on the execution? I mean, I know that you have

been very vocal about the fact that it has never been an order problem and execution obviously due to a cyber incident was impacted. Well, your peers, your wider peers have outgrown you.

The question is here, did you lose some market share? Are your clients patient, and should that not mean there's some pent-up demand in the area? Having said that, shouldn't the visibility in John Crane be larger than normal because you couldn't basically get the orders out and shipped?

**Roland Carter:** Right. I struggled to hear that question, but I will repeat it to make sure I've got it. Julian, if you heard it better, then help me with that. So, you're asking about how the execution is affecting John Crane, and particularly if we've lost market share and has that created pent up demand. I think that was the question and has that therefore created more visibility in John Crane. Yes, sorry, the line is bad.

**Stephan Klepp:** Yes, sorry, the line is probably bad. Sorry for that.

**Roland Carter:** That's all right. So, from the point of view of the delivery in John Crane, as I said, Q3 was better than Q2, Q4 was better than Q3. But we are ramping up. The cyber incident was definitely an issue for us around engineering, as I mentioned before, but more broadly for John Crane, and being the most integrated of our businesses. During that period, we obviously were talking to customers, we were obviously making sure that customers were comforted with that. This is a very sticky business, as we know, although there are opportunities to gain market share, as we've laid out. So, we were very aware of that and made sure that we worked through that.

Now, we're on the path to recovery. As I said, our machining hours are both internal and external are up, our engineering hours are now stabilized, having gone through a surge to deal with the heart of what was the issue, which we locked down our drawings to protect them, and then took time to release our drawings back. So, leading indicators on lead time, on supplier delivery, those are all moving in the right direction. So, we will see over time that developing.

The answer to what about the order book, and what about your visibility? What I pointed out through this period, we have a strong order book, so that was a positive. We also are starting to reduce our own lead times in this period, and we have a positive book to bill ratio. As we've talked to previously, yes, there's a book to bill ratio is that the order is actually coming in, but also, we have visibility into our customers' programs which are long term multi-year programs. So, we do have that visibility.

So, we believe if you think about where our guidance is on the 4% to 6%, I think it would be fair to say that John Crane will be the top end of that guidance.

**Julian Fagge:** Roland, I'll just add there that the aftermarket saw some slippage in Q3 around the cyber event. Of course, it's very difficult for anyone else to pick up our aftermarket. So, what we're expecting to see is aftermarket returning as our operational improvement starts to come through. We did see an improvement in aftermarket orders through Q4.

**Stephan Klepp:** Thank you for that. The final question is, on Interconnect, I mean, it is very good news that you are very far in the process and say that at the end of the year, we're

going to see the divestment. Is it right from the capital allocation perspective that in this big transition that you're going through, larger deals on the M&A side are off the table? Should we mentally earmark the proceeds of Interconnect all to be deployed for share buybacks?

**Roland Carter:** Do you want to take that one, Julian?

**Julian Fagge:** Yes, thanks, Stephan. So, yes, just to repeat the point Roland made, the sale process for Interconnect is progressing well and our plan to announce that by the end of the calendar remains in place. In terms of the use of proceeds, again, we've been clear that our intention is to return a significant portion of proceeds to shareholders, although we haven't yet determined or agreed the mechanic.

In terms of our capital allocation, again, we've been pretty clear on this, in that we allocate our capital to develop and generate the very best returns. Of course, that's illustrated in our very strong ROCE performance in '25. We'll continue with that. We'll allocate capital organically, and Roland has given us some insight into some of the organic R&D investments and programs that we're pushing forward with. We have the investment into the acceleration plan, which is delivering the returns that we expect to see next year.

Then inorganically, we will continue to work an active pipeline of inorganic acquisitions. We will continue to see acquisitions as an important part of our story as we go into the future, particularly in higher value, high return adjacencies, in both John Crane and Flex-Tek.

**Stephan Klepp:** Thank you so much, and apologies for the bad line that I'm having. Sorry for that.

**Roland Carter:** No problem.

**Dylan Jones (Kepler Cheuvreux):** Good morning gents, thanks for taking my questions. Hopefully just a few quick follow-ups. The first one, just on the Flex-Tek restatement, the £8 million that goes through the headline number. So, if this is a balance sheet restatement, can we expect to get all of this back in FY26 and going forward? Or is it more of a realisation of an accounting policy that will be applied appropriately and it's going to sort of remain in that sort of cost base in future years?

Then just the second question, you obviously touched on some of the R&D and innovation and qualitatively, what's going on there, but I guess just given it's more looking at future Smiths, it's identified as one of those areas where you can get that above market growth. Just wondering how we should think about that, whether it's a step up in sort of R&D and that Flex-Tek and John Crane business that would need to capture that high level of growth with the product innovation, or if it's more just a concentrated focus on those two businesses should enable a higher level of growth from that innovation piece. Thanks.

**Roland Carter:** Do you want to take the first?

**Julian Fagge:** Yes, thanks for the question. So, of the £8 million that was charged to this year's Flex-Tek profit, we expect some of that to come back next year, but not all of it. That's not necessarily because there's any repeat of the problem. Of course, what it really is, is getting to a point is to understand what is the fundamental underlying profitability of that business, as we look out into the future and the business is working through that as we speak, but some of it will come back, but we're not guiding on the absolute amount.

**Roland Carter:** Then on the R&D, this will be very much a focus. So, as some of you will know my background is innovation and R&D. I think with that focus, and some of those pit points I was talking about, about enhancing the products within John Crane and that sort of product technology process and materials approach. So, really getting the products we have fit for the future, and then developing the products, the long term new products is important as well. So, you'll see that focus. It's very pleasing to see that the separation seal come through, but you'll see that focus really start delivering.

It's not just about the new product development, it's about the new product commercialisation, making sure that we've got the customers, those key opinion leaders, those key accounts, ready for those products as well, almost co-collaborating in some cases, hopefully with that. So, we'll see that driving through on John Crane. For me, Flex-Tek, the focus on Flex-Tek, the Blue Series is really the most recent, but really, there is a lot of innovation about Flex-Tek because Flex-Tek is so close to its customer. I think there might be a little bit more to it, and I'd like to see a little bit more discipline driven through that capture of requirements.

But yes, I think you'll see Flex-Tek – I mean, you look at the numbers, you say they don't spend a lot on RD&E, but relative to the competition in absolute terms, they do spend and they – I think they can turn into a real market leader on the innovation as well as the market leader where they already are. Just the same way we saw the effect of R&D on the growth rate that we see within Detection recently, or the growth rate that we now see in Smiths Interconnect with that focus on semiconductor that they had, for example.

So, yes, I think expect more on the innovation side from us but not necessarily spending more money on that.

**Dylan Jones:** Great guys, thanks a lot.

### **Closing Remarks**

**Roland Carter:** Thank you. Thank you very much.

**Julian Fagge:** Thank you.

[END]