

smiths detection

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SMITHS DETECTION

CAPITAL MARKETS EVENT – 17 NOVEMBER 2021



PRESIDENT
SMITHS DETECTION

ROLAND CARTER

Executive summary

- A global leader in our industry, driven to make the world a safer place
- Our technology, products and customer care are unrivalled
- Resilience during COVID-19 is the result of our strong order book and aftermarket
- Focused on expanding both our global reach and product offering to grow adjacencies
- Leveraging our digital expansion and sustainability agenda to retain and grow our customer base



Smiths Detection: Supporting safety, security and freedom of movement

Key Metrics (FY2021)

REVENUE

£721m (30% of Cont. Group)

HEADLINE OPERATING PROFIT

£99m (24% of Cont. Group)

HEADLINE OPERATING MARGIN

13.7%

ROCE

9.7%

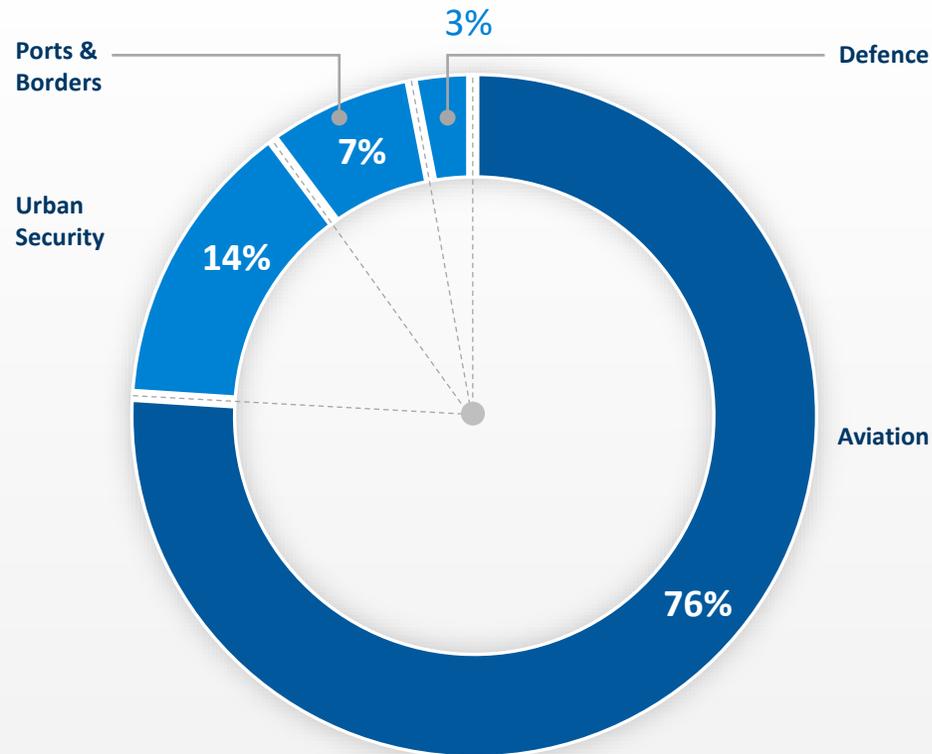
CASH CONVERSION¹

120%

AFTERMARKET % OF REVENUE

46%

Revenue by Sector



Market Growth Drivers

- Mega trends: trade, travel, urbanisation, persistent and evolving terror and other threats
- Customer need for integrated digital solutions
- Increased interest by customers in sustainable solutions
- Equipment replacement cycle, typically 8–10 years
- Increasing regulatory requirements

Smiths Value Engine

OUR PURPOSE



PIONEERS OF PROGRESS

Improving our world through smarter engineering

OUR STRENGTHS



World-Class Engineering



Leading Positions in Critical Markets



Global Capabilities



Robust Financial Framework

OUR PRIORITIES



Growth



Execution



People

Smiths Detection: fundamental strengths

OUR STRENGTHS



World-Class
Engineering

- Leading technologies leveraged across a broad range of markets
- Significant R&D capability (7.4% revenue invested in R&D in FY21)



Leading Positions in
Critical Markets

- Global market leader with the largest installed base
- Expanding footprint in strategic markets
- Customer intimacy and loyalty through equipment cycle and from strong aftermarket offer



Global
Capabilities

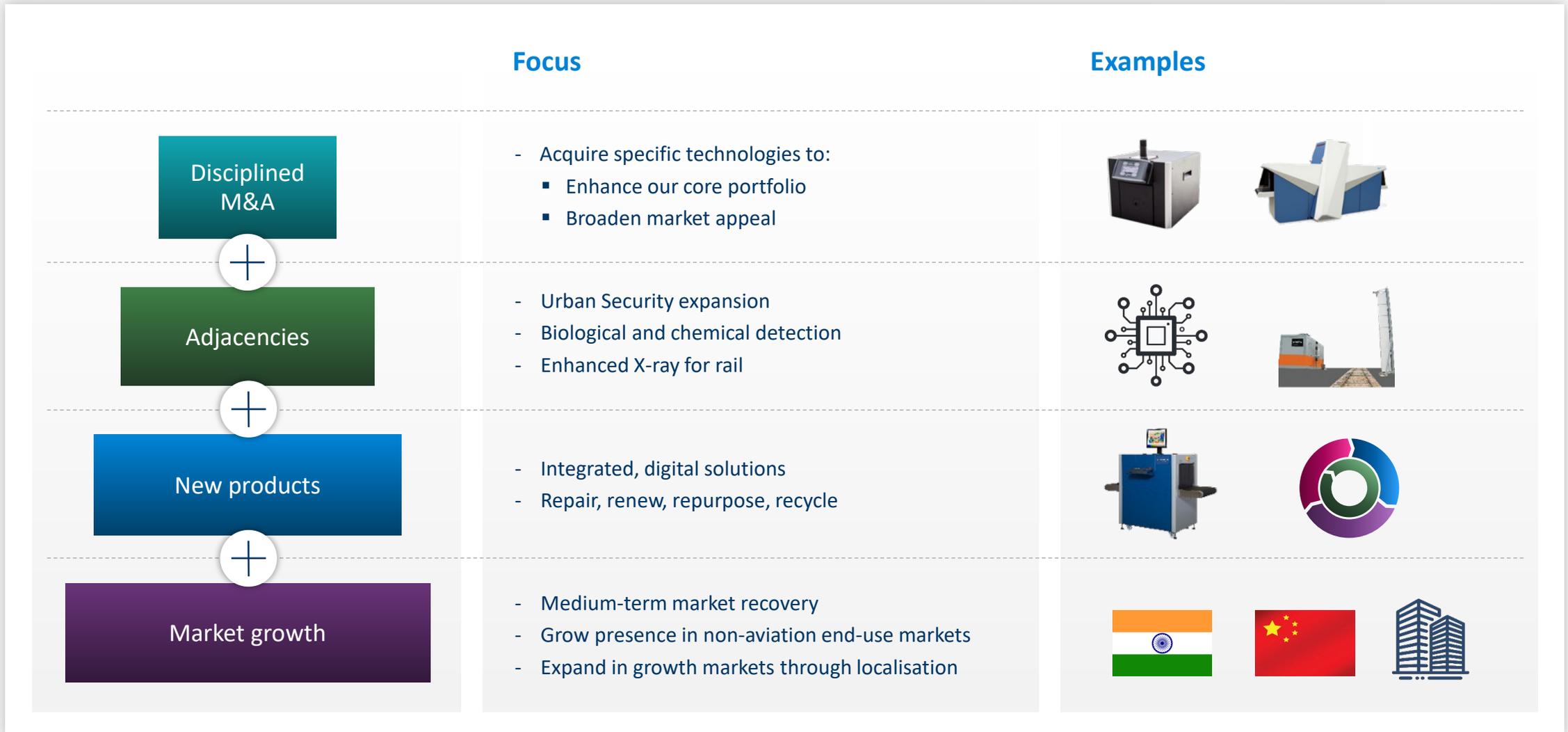
- Unmatched proximity services across more than 50 countries
- Global technical talent (service engineers and R&D capability)
- Unrivalled brand strength and reputation



Robust Financial
Framework

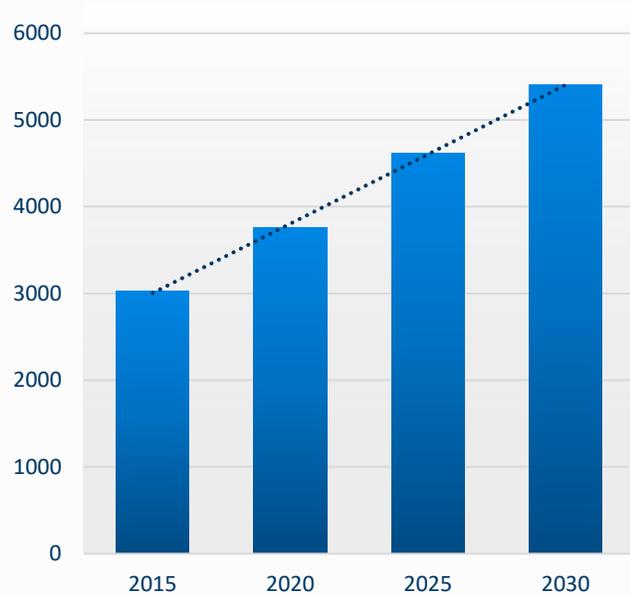
- Operating in regulated market segments that require product certification
- Installed base creates resilient, repeatable revenues
- Excellent cash conversion

How Smiths Detection accelerates growth

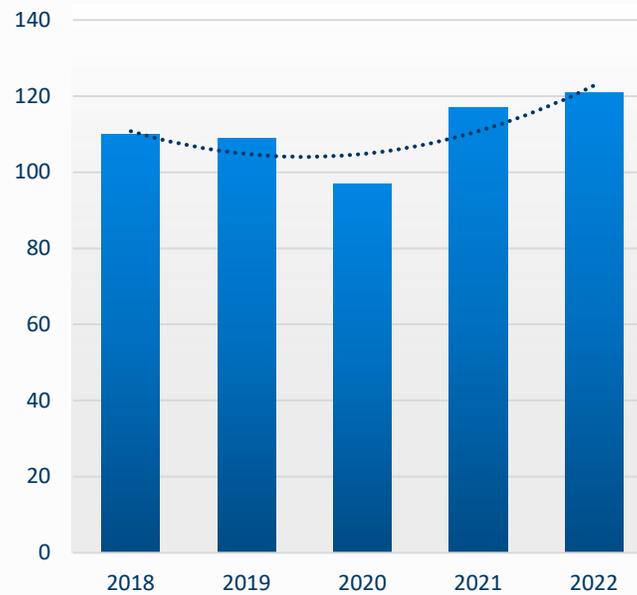


Market Growth: market context and long-term trends

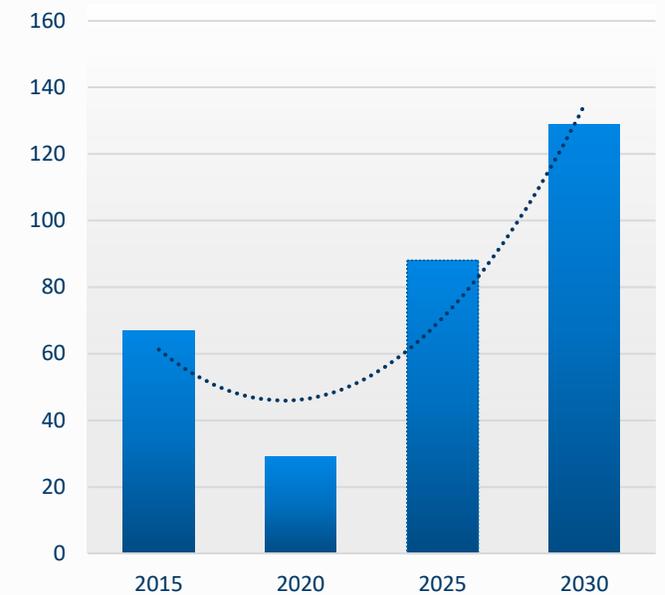
Growth in Middle Class¹ (people in millions)



World Merchandise Volumes² (volume)



Air Passenger Travel³ (revenue per kilometre)



- Fundamental drivers have not changed: increasing trade, increasing travel, changing and increasing threats
- Aviation passenger travel expected to recover by 2024
- Recovery of other segments in line with global and national GDP
- COVID-19 has heightened focus on operational efficiencies to keep costs down

Market Growth: geographic and end-use market expansion

Faster penetration in high growing market segments

- Grow product offering to appeal to new customers in adjacent markets
- Build our rental and leasing business models allowing us to work on large-scale, short-term events, and adapt to changing customer requirements
- Strengthen aftermarket through the development of digital upgrades, training, e-commerce and service management systems
- Scale of market opportunities

Extend in growth geographies

- Extend our strong foothold in growing markets, specifically, India and China
- Demonstrate commitment to regions through localisation activities, channel optimisation and partnerships
- Develop products on market-by-market basis

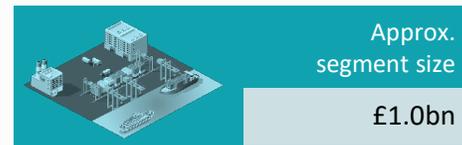
AVIATION



URBAN SECURITY



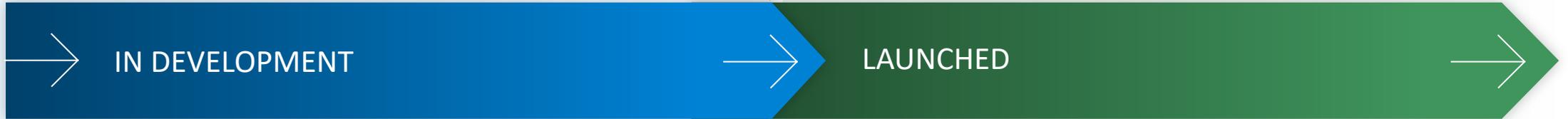
PORTS & BORDERS



DEFENCE



New Products



X-ray diffraction



Rail freight X-ray



Next-gen chemical detection



X-ray scanners for air cargo



Automatic threat recognition algorithms



Urban detection portfolio expansion



Cabin baggage management: automatic tray return system



Next-gen X-ray for hold baggage



Compact X-ray for urban security (e.g. court houses)



Cabin baggage CT scanner

New Products: X-ray scanner for trains

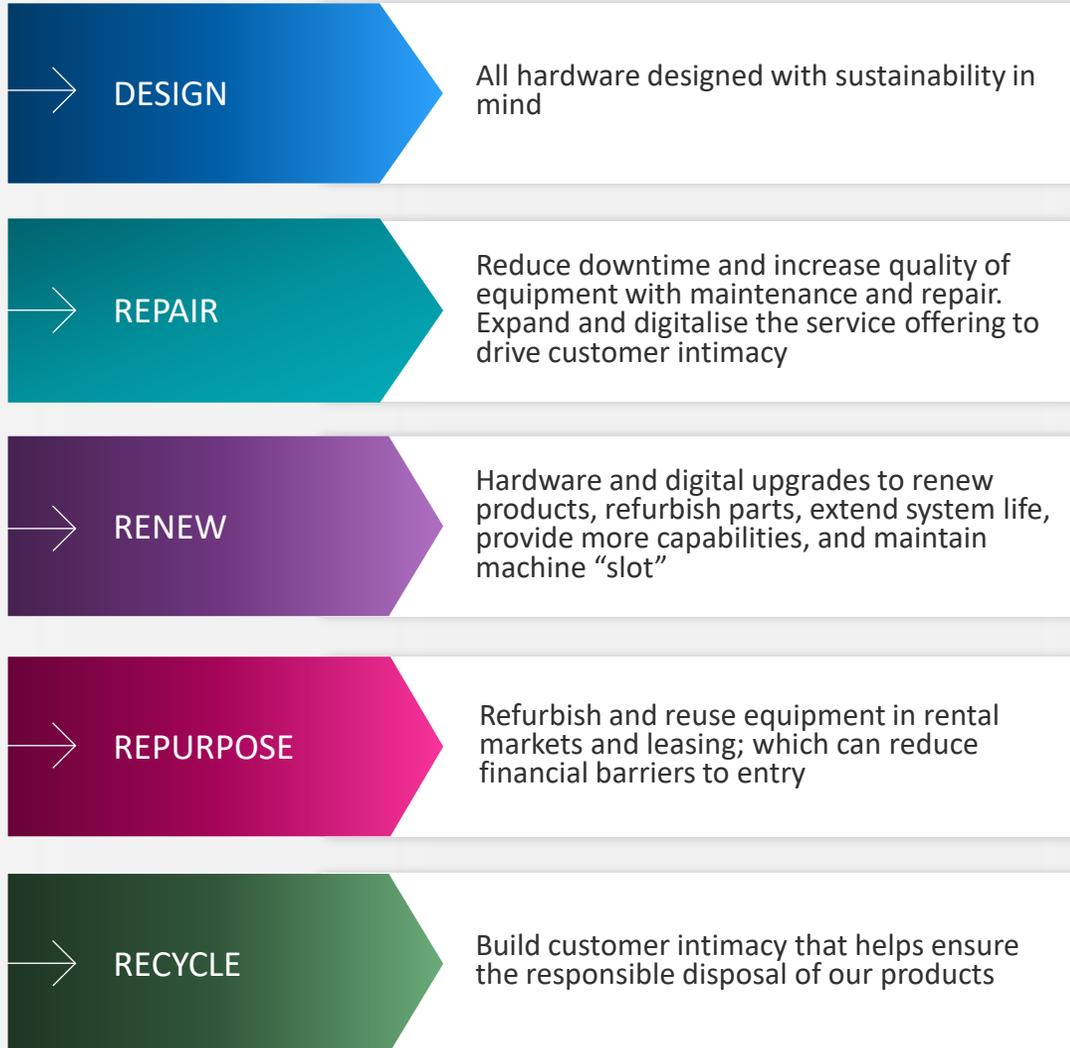
- Our rail freight inspection system uses high-energy X-ray to intercept dangerous goods and contraband transported by rail
- At the request of US Customs and Border protection (CBP), we enhanced this technology to make delivery of freight safer while allowing the logistical chain to keep moving
- Adapted to provide optimal X-ray at 20km/h, improved X-ray image quality, and the ability to scan continuously for 30 minutes
- Over the next five years, Smiths Detection is one of three companies able to bid on CBP rail scanner contracts, with the ceiling spend of up to £275m
- Customisation will benefit other customers globally
- It is expected that there will be growth in rail freight with the development of the New Silk Road and demand for lower-emission transport



Initial order value:

£10m

Sustainability agenda: Repair, Renew, Repurpose, Recycle



Percentage of parts
refurbished today

10%

↑ Opportunity
to grow



Adjacencies: biological and chemical detection

Advancing our chemical and introducing biological sensing capabilities to our portfolio reaches more customers



BIOLOGICAL ADJACENCIES

- Acquisition of biological monitoring capability brings knowledge and technology in-house
- Broaden reach in Urban Security (e.g. mail-room screening, food safety, agriculture) and open avenues for innovation



EXPANDING CHEMICAL DETECTION

- Recently improved the capability of chemical detector LCD to also detect narcotics and explosives
- Customer R&D partnerships drive technology development and open up new markets

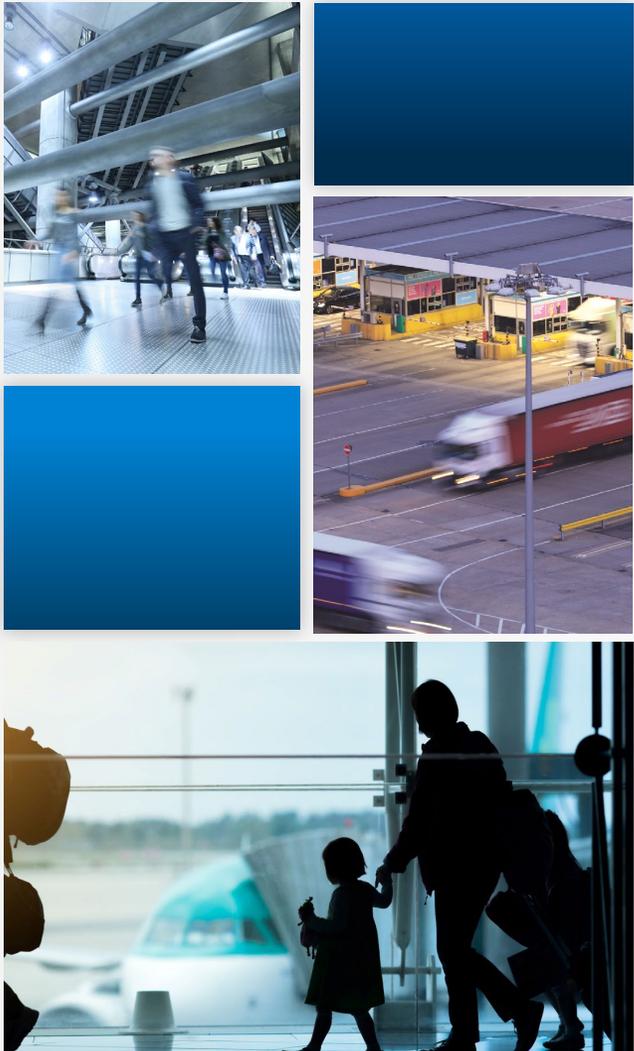


Chemical detector
opportunity:

£66_m

Smiths Detection: Closing Remarks

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