

Speaker 1: Paul Keel, CEO, Smiths Group

Slide 1: Cover slide – John Crane Deep Dive

Slide 2: Agenda

Good morning everyone and welcome. Thank you for joining us today.

You've heard me describe Smiths deep operational capabilities before, but today you'll see first hand how we create lasting value for our customers, colleagues, communities, and shareholders.

In terms of the agenda, I'll kick things off with a recap of our strategy and progress.

I'll then turn it over to Bernard to walk us through how John Crane implements this model to serve their end markets.

Sook Won, who leads Sales & Aftermarket for John Crane, will cover key commercial aspects of the business – the markets we serve, the solutions we provide, and how, across more than 100 years and over 200 global locations, John Crane has earned an enviable position in some critical and very attractive markets.

Frank Ma will then take us deeper into one of those markets. Frank is our VP of New Energy Solutions, and he will help us understand the exciting journey the world is on to transition from fossil fuels to lower carbon energy sources.

We'll wrap up the presentation part of today's agenda with Rob Sharman, our VP of customer operations, who has responsibility for scaling supply and shortening lead times to meet ever-rising customer needs.

Slide 3: Executive summary

Three thoughts by way of introduction: first - our strategy, which we capture in the Smiths Value Engine, is delivering value for all of our stakeholders. Everything begins with our Purpose. Guided by it now for more than 172 years has enabled Smiths to build distinctive and compelling strengths in engineering, market position, global reach, and financial performance. We focus these strengths on our three key priorities of accelerating growth, improving execution, and investing in our people. Our progress in delivering this strategy has been encouraging. We had a record year in FY23, delivering year-over-year improvement on all five of the financial commitments we make to all of you.

My second topic focuses on synergies across the Group. With 14 divestitures over the past 10 years, we've honed our portfolio down to four industrial technology businesses who share common purpose and business models. They leverage group-wide capabilities in areas like safety, talent, sustainability, M&A, and new product development. They often serve the same end markets, like general industrial, safety & security, and aerospace. In many cases they share common infrastructure, and in all cases, they benefit from the same strong balance sheet and access to capital.

I'll wrap up my comments this morning by setting the stage for today's focus on John Crane. At last November's Capital Markets event, we highlighted how two of our businesses – Flex-Tek and Interconnect – leverage the Smiths Value Engine to serve customers in their markets. Today we'll do the same for John Crane. We hope you find the event engaging and valuable. Let me now go a click or two deeper on each of these topics.

Slide 4: Smiths Value Engine

The Smiths Value Engine connects the three key components of our success – our purpose, our strengths, and our priorities. Our purpose is compelling. It is both timely and timeless, authentically describing who've been for close to two centuries, what we are today, and where we aspire to be tomorrow. We live this purpose every day, all around the world – for example, we heat and cool more than half the homes in North America. We're in three-quarters of all geo-stationary satellites launched in the US and Europe. We enable 80% of all carbon capture projects on the planet, and we secure 90% of the world's largest airports. Simply put - we improve our world through smarter engineering

Slide 5: Our fundamental strengths

Consistently living this purpose has led to the four fundamental strengths you see in here in green

Slide 6: World-class engineering

First and foremost, Smiths is an engineering business. We have 3,000 highly-skilled engineers working in new product development, operations, and after-market service. Today we have more than 2,700 patents to our name, and we make a meaningful investment each year to build on this strength – over £100m in FY23 alone, or about 4% of sales. This is roughly twice the investment of our typical competitor. We invest at these levels because it makes a big difference for our customers. Nearly a third of our revenue today comes from products that didn't even exist five years ago. Smiths' world class engineering is fundamental to building the strong and defensible market positions that we've earned over time. Let's turn to those now.

Slide 7: Leading, defensible positions in structurally attractive markets

Smiths serves the four primary end markets you see here, in most cases through multiple businesses. General Industrial is our largest end market at roughly 40% of Group Sales, and we serve it through John Crane, Flex-Tek, and Interconnect. Across the cycle, this market grows at GDP rates of 2-3%. Last year, though, we grew close to 8% in this market, behind particularly strength in John Crane. Here in FY24, while the strength continues in Crane, it is partially offset by softness in parts of Flex-Tek and Interconnect.

Just under a third of our revenues come in safety and security, which consistently grows around 3-4%, buoyed by the world's ever-rising needs. We grew nearly 12% in this market last year as airports around the world are upgrading their checkpoint security systems from 2D to 3D scanning, an area of particular strength for us. We were also awarded two very large defense contracts for chemical detection that will provide additional high-margin growth over the medium-term.

Energy, which represents just under a quarter of our business, also grows about 3-4% a year across the cycle. It was Smiths' fastest-growing end market last year at nearly 20%. We are seeing very strong

demand in John Crane for both traditional and new energy applications, of which the team will say much more in just a moment.

Aerospace is currently our smallest but fastest-growing end market, and we serve it across two divisions. Propelled by strong demand for commercial, defence, and space applications, we expect this to remain an exciting segment for us for years to come.

As you can see, we operate in fast-growing, global markets and we enjoy leading positions in each.

Slide 8: Global capabilities

In the same way that our portfolio is well-diversified by industry, we've built good geographic balance as well, with no country aside from the US accounting for more than 5% of total sales. In order to serve demanding global customers, we have to be global as well. Our customers want to source the same solutions, with the same specifications, often through the same supply agreements everywhere that they compete. The turbulence of the last few years has taught all of us that supplying the world from just a handful of factories – typically in Mexico or Southeast Asia - is simply no longer a viable strategy.

Fortunately, Smiths has long architected our global supply chains with a local-for-local design. We source where we manufacture. And we manufacture where we sell. As you can see from the map on the right, we have operations in over 50 countries, with more than 100 manufacturing plants paired with over 200 service centres. Our global presence uniquely allows us to deliver real-time, mission-critical support to our customers.

Slide 9: Robust financial framework

World class engineering, leading positions in critical markets and global capabilities all support the robust financial framework that is a hallmark of Smiths.

It all begins with accelerating growth, +12% organically in FY23. With the structural economies of scale that exist in our business, faster growth drives expanding margins – ours are up 100 bps in 2 years – which results in even faster profit growth, +20% in FY23.

And with our low asset intensity – capex under 3% of sales – profit growth converts to even more operating cash, +30% last year. Free cash flow, was up 37%.

Growth is the gear that makes our Value Engine hum. Smiths has long had high margins and low capital needs. Indeed, we've averaged over 100% cash conversion for the last 4 years. In the past, though, Growth had been the missing cog. Now with 10 straight quarters of growth including our fastest year on record in FY23, our strong financial framework is delivering smoothly and consistently.

Slide 10: Our priorities

Let's now turn to how we focus these strengths to advance our three key priorities. As just mentioned, Growth powers our Engine. Execution translates growth into profit and cash. And our people make all the progress possible.

Slide 11: Delivering consistent growth

The four layers you see here have all played a role in our now-consistent growth. Roughly half of our acceleration has come from better accessing the many opportunities available to us in the attractive core markets I outlined earlier. We're gaining share across most of our portfolio, and consistently capturing more price for our solutions than we're absorbing in input costs.

New products are also contributing meaningfully with roughly a quarter of our growth last year coming from products launched during fiscal 23. We're aggressively penetrating high priority adjacencies like process electrification and energy transition. Helping to build the world's first zero-emission steel mill is an example of the first. Participating in the world's largest green city and blue hydrogen projects are examples of the latter.

In a high-margin, high-return business like ours, the strongest risk-adjusted return will usually come from organic growth. Nonetheless, we typically generate more cash than we can deploy internally, which makes M&A an attractive option for amplifying organic strategies. We completed two bolt-on acquisitions in the past 12 months – Plastronics in Interconnect, and HCP in Flex-Tek. Both were funded from operating cash, both were completed at accretive multiples, and both accelerate our penetration into prioritized, strategically aligned adjacencies.

Slide 12: Q1 adds to our growing track record

As you saw in our trading statement earlier this month, we've now delivered 10 consecutive quarters of growth. As expected, Interconnect declined sharply in Q1. Flex-Tek declined modestly, as strength in our aerospace business was not enough to offset weakness in US construction. More than offsetting these, however, growth remains strong in both John Crane and Detection. With record order books in both businesses, we expect this strength to continue throughout the year.

For Smiths Group in total then, Q1 organic growth came in at 3.5%. As we face our steepest comps in the first half, this is where we expected to be. And as such, we reaffirmed our guidance of 4-6% organic revenue growth for Fiscal 24.

Slide 13: SES delivers results, develops talent, and advances our culture

Let's turn now to how we're further improving execution across our company. The Smiths Excellence System is central to how we deliver results, develop our talent, and advance our culture. We launched the program in early calendar 2022 by putting in place 29 full-time Black Belts and Master Black Belts.

In our first full year, SES delivered £14 million of earnings benefit. We now have close to 40 full-time SES resources in place and with impact scaling quickly, we expect the contribution from SES to grow to £20m for Fiscal 24.

The importance of SES in building an ever-stronger Smiths extends beyond financial benefits. For example, it's a key program for accelerating talent development across our company. Our first wave of BBs and MBBs will re-enter into high-impact leadership roles in our company in the second half of this fiscal; backfilled by an even larger cohort of Wave 2 talent. This cycle helps to lock-in operational gains and further embed SES culturally as the way we work at Smiths. You will see several examples of the benefits that SES brings throughout the day today.

Slide 14: People – delivering for all our stakeholders

Next let's turn to people - this slide shows the four main stakeholder groups we serve:

Firstly, our customers. We help them achieve their financial, operational and sustainability goals through the innovative solutions we bring to market and the responsive and agile service we provide through our extensive global footprint.

Second - my colleagues around the world. We realigned our incentive programs to match our financial and sustainability commitments. In FY23 we saw record high employee engagement and a reduction in attrition of over 3 points.

Third comes our communities - governments partners, the charitable organizations we support, and the towns & cities where we've lived and worked for close to 200 years. We know that for Smiths to prosper over the long term, as we have, our communities must do as well.

And of course there is all of you - our shareholders. We're working hard to build a track record of consistent performance and value creation. We've returned over £1bn of capital in the last 2 years, and FY23 marked our 72nd straight year of paying a dividend, one of the longest track records in the FTSE.

Slide 15: Sustainability underpins our growth, execution, and people priorities

Having provided an update on Growth, Execution and People, let's now turn to sustainability which underpins all three. With respect to growth, our sustainability efforts centre on developing high-value green solutions that help our customers meet their ESG objectives. The work we're doing in industrial electrification and green energy are important examples and Frank will say much more about these later in the agenda.

In terms of execution, we've committed to NetZero from Scopes 1&2 by 2040 and Scope 3 by 2050. While we have much more to do in this regard, we are encouraged by our progress with an 8% improvement in energy efficiency last year, a 10% reduction in non-recyclable waste, a 12% reduction in Green House Gases, and a 13% reduction in water use.

And when it comes to People, we live our purpose each and every day. Hopefully you see, that for Smiths this is much more than lip service. Indeed, we've repeatedly put our money where our mouths are, linking both short and long-term incentive comp to delivery of our ESG commitments, and reinvesting a portion of last year's gains back into our communities with the launch of our new Smiths Foundation.

Slide 16: Delivering significant progress against all medium-term targets

Wrapping up my comments on Strategy, our results have been encouraging. Record sales and EPS growth in FY23, 100 basis points of margin expansion and 180 basis points of ROCE growth over the past two years And good progress on cash, up 6 points year-on-year. As supply chains continue to normalise, we expect to return to our traditional levels of 100% or better operating cash conversion. Let me now say a bit more about our portfolio, in particular how strong individual businesses are made even stronger by a common Purpose, business model and Group-wide capabilities.

Slide 17: Shared Purpose, strengths, and Group-wide capabilities are woven across Smiths

We go to market around the world through the four businesses you see here - Each with a unique portfolio of products and services, discrete financial statements, and fully-accountable management teams. This gives these businesses the autonomy and agility they need to move at the speed of our customers. At the same time, our businesses are knit together through a shared purpose, similar business models and end market overlap. We often share infrastructure and together have access to lower cost capital. Through group-wide capabilities in areas like talent, SES, new product development and M&A, we share learnings and improve faster together. Let me close with an overview of how John Crane employs the Value Engine to create value for its stakeholders

Slide 18: How John Crane employs the Value Engine to create value for its stakeholders

John Crane represents just over a third of Smiths' revenues. It wasn't our fastest-growing business in FY23, that honour went to Smiths Detection, but it was our most profitable, with margins approaching 23%. Like the rest of Smiths, John Crane is very much an engineering business, leveraging its deep expertise in mechanical sealing across its 106 year history to build the largest installed base in its markets.

Like the rest of Smiths, John Crane has manufacturing on every continent except Antarctica, enabling us to serve demanding global customers across multiple end markets – like Shell and ExxonMobil in energy, BASF and Dow in chemicals, and Pfizer and GSK in pharma.

And like the rest of Smiths, John Crane has a robust financial framework characterized by a 30/70 split of OE and After-market revenues, margins and ROCE consistently above 20%, and cash conversion averaging 95% across the past 5 years.

Slide 19: Closing remarks

To wrap-up my comments on the Group, Smiths is a fundamentally strong business with excellent positions in secularly attractive markets. Our businesses share a common Purpose, similar business models, and Group-wide capabilities. And we have a clear strategy that is delivering value for all of our stakeholders. Let's now take a closer look at John Crane's important role in all of this.

Bernard – I'll leave it in your capable hands to take it from here. Thank you everyone

Speaker 2: Bernard Cicut, President, John Crane

Slide 20: John Crane – A powerful example of Smiths' strategy in action

Thank you Paul, good morning, all.

Slide 21: Bernard Cicut, President, John Crane

I joined John Crane as President in April 2022. I have been really impressed with the strength of the people and of the business. I am also very excited at the further potential for John Crane to be even better. Prior to this, I had an almost 40-year career at 3M where I had the fortune to work in a variety of operational and financial roles in Europe, the Middle East, Africa, Asia Pacific, and South America with my final role being in the USA, where I headed up the \$4.5 billion personal safety division, supplying

safety products across a diverse range of industries and scaling up respiratory protection during COVID to answer to an unprecedented demand across the world to protect people and save lives...

This practical experience of scaling to meet strong global demand is really relevant to the recent demand growth and record order books we have seen here at John Crane.

The breadth of experience in different markets with diverse technologies and customers has given me a deep insight into how great, global businesses operate, and I am really honoured and excited to be a part of Smiths and lead the John Crane team in delivering on the opportunities ahead of us in a transforming world.

Slide 22: Executive summary

John Crane is built on strong foundations. For more than one hundred years, John Crane has equipped global process industries to meet mission-critical challenges with our technologies, which we continue to evolve to support customers' needs. Our customers depend on John Crane to ensure that their operations run efficiently and effectively. Our products are highly engineered and customized and we have extremely skilled service technicians. Together this creates customer intimacy, giving us a sustainable competitive advantage.

We are well positioned in attractive markets with long-term growth opportunities. Our superior global service network and capabilities engender deep customer relationships. We have a large installed base - more than 3 million seals globally - and this gives us a great source of recurring service revenue for many years after we supply the initial products. This has underpinned our strong track record of revenue growth, high margins and returns.

As with all Smiths businesses, we have clear strategic priorities to deliver continued growth; optimise our execution and customer delivery; and develop our people to foster an agile and high performing team. Our domain expertise and this strategy support continued delivery of growth and returns over the long term.

Slide 23: John Crane: improving our world with mission-critical technology

We deliver mission-critical products, services and solutions that enable the energy and process industries to achieve efficient, sustainable operations. Here are the key stats on the business. In FY2023, we surpassed one billion pounds in revenue for the first time in our 106-year history, with organic growth of more than 15% - John Crane represents 36% of Smiths group revenue. We delivered a 22.6% margin and 23.8% return on capital employed. By industry, our sales are around 60:40 energy to industrial, with the latter encompassing pharma, chemicals, water, mining and paper. A large proportion of revenue is from our aftermarket service – over 70%. And we operate globally with a good balance by region.

Slide 24: The Smiths Value Engine advancing John Crane

You will recognise the Smiths Value engine - which Paul showed earlier. I would now like to highlight how John Crane supports this framework, Starting with our strengths.

Slide 25: John Crane's fundamental strengths

John Crane's strengths are very much aligned to those of Smiths Group. With world-class engineering – we have more than 100-years of history supporting our customers with highly-engineered mission critical products. This engineered to order model embeds us with customers, creating sustainable competitive advantage.

We are well positioned in attractive markets – with structural growth trends. Our competitive advantage is underpinned by our large installed base, specialised engineering expertise, longstanding customer relationships and global network.

Our global presence helps us support our customers – we have more than 2,000 engineers, located in close proximity to our customer base, enabling a rapid response so our customers can avoid the significant cost of a shutdown.

We have a robust financial framework, delivering strong growth, returns and cashflow. And we'll explore each of these in more detail and how our strengths support delivery of our priorities.

Slide 26: World-class engineering

Starting with world-class engineering. Our technological expertise enables us to deliver a highly engineered product portfolio of seals, support systems, filters, and couplings. Our product sales represent around 30% of the total and our main product offer is our mechanical seals. They are used in rotating equipment such as pumps, mixers and compressors in critical energy and industrial applications. They ensure maximum sealing to prevent or minimise the leakage of liquids or gases. We operate in highly engineered and complex applications, and in harsh environments where the performance of the seal is truly mission critical.

This technical knowhow also applies to our differentiated service offer which is designed to improve equipment reliability, lower cost, reduce downtime and support our customers' energy efficiency, decarbonisation, and overall energy transition goals. This encompasses activities such as the provision of spare parts, repairs, ongoing maintenance and retrofitting, as well as customer training and education. And this aftermarket revenue lasts for more than 25 years and delivers a higher margin than our equipment sales at around 1 point seven five times. Aftermarket represents 70% of sales.

Sook Won Moon and Frank Ma will talk more about how our product and services offers support both our existing customers, and addresses our new customers in new energy.

Slide 27: John Crane has built leading positions in critical markets

We have leading positions in critical markets: John Crane's total addressable market currently exceeds £15bn. In energy, our total combined addressable market for energy and new energy is currently around £9.3 bn and is expected to grow to around £12.3bn to the end of the decade with sustainability, reliability, decarbonisation, and the energy transition trends being key drivers of this growth.

The energy transition is an exciting opportunity for us as we see new projects emerge in Areas such as hydrogen and carbon capture utilisation and storage where our portfolio and market presence position us very well. It is becoming increasingly clear that this transition will likely take longer and require yet more innovation than many expected. As a leader in those markets, this gives us confidence that we will

continue to succeed in these new applications as demand grows beyond 2030.

In the meantime, we will continue to service our installed base of more than 3 million seals and help our traditional energy customers to decarbonise their operations through progressive upgrades and the provision of added value services. The industrial addressable market is also sizeable and expanding.

Slide 28: Our industrial market segments have attractive growth opportunities

40% of our sales are generated across various Industrial market segments and we have lots of opportunity for future growth. Here too a focus on sustainability in terms of efficiency improvements and emissions control are key underpins, along with increasing regulation around safety, reliability, and environmental standards.

For example, in chemicals and pharma, ever-increasing safety standards to ensure product integrity, as well as local environmental regulations, are underpinning demand in all regions. Similarly in mining, ensuring environmental integrity within a complex operation in a harsh environment is underpinning demand for the advanced materials and robust components of our mechanical seals. Alongside this, stricter controls for the disposal of waste, protecting scarce resources such as water, or managing runoff, are supporting growth for our products in paper.

Across all Energy and Industrial market segments, demand for aftermarket and services will continue to accelerate.

Slide 29: Global footprint enables unparalleled customer intimacy

We have global capabilities across a network of just under 200 locations - notably wider coverage than our peers. This global network means that we are well-placed to respond quickly to our customer needs. Our service engineers are located in close proximity to our customers - so we have a local for local approach, but we can leverage our global network and centres of excellence. Rob Sharman will talk to this in more detail later.

Slide 30: John Crane enjoys a robust financial framework

These strengths have helped us deliver a strong financial performance. We posted 15% organic growth last year, with a particularly strong performance in aftermarket. Our robust orderbook gives us confidence in delivering good growth again this year, despite this record comparator. Similarly, operating profit growth was very strong in FY 2023 and our margins and returns are robust, around 20% and above. Cash conversion is also very good, with opportunity to improve this further as Rob Sharman will mention later.

Slide 31: John Crane is accretive to Smith's medium-term financial targets

Earlier, Paul set out the Group's medium-term financial targets. Here you can see how John Crane compares to these and how our performance has been accretive to them in 2023. The 15% organic growth we delivered last year was notably above the Group target range. Similarly, operating profit growth was very strong, supporting the Group's record 40% EPS growth. Our margins and returns have consistently been about the Group's target range, at 20% and above. And cash conversion is strong, just below the Group's 100% target. So we are contributing strongly to the Group's financial targets.

In the past, when historically this may not have been the case, and growth was not as strong as it is now, during those times John Crane benefited from being part of the wider Smiths group.

Slide 32: The Smiths Value Engine advancing John Crane

Turning now to our priorities of Growth, Execution and People which again support and align with those of the wider Group.

Slide 33: How John Crane is accelerating growth.

As with other Smiths businesses, our top priority is delivering organic growth given the wealth of opportunities ahead of us. The market segment growth opportunities are very attractive, and we expect them to continue in the medium term. Firstly, ensuring a stable energy supply. Secondly, supporting our customers' increasing demand for efficiency, environmental safeguarding and cleaner processes. And finally, the increasing number of 'new energy' projects such as hydrogen and CCUS in the energy transition.

In new product development – meeting the higher spec required and digitisation opportunities – for example our seal gas recovery system, carbon LF seal platform for LNG applications, and our Sense product portfolio leveraging the digital platform already developed by Smiths Detection. You will get to hear about our focus areas for new products in Frank Ma's presentation.

And in adjacencies – we are supporting our customers through the energy transition with existing technologies and by expanding our services portfolio.

Whilst organic opportunities are our current focus and offer notable growth potential, we will also actively cultivate acquisition opportunities – where we can accelerate access to new technologies or geographies and, or, broaden our service capability. Two examples include the acquisitions completed a few years ago of the industrial division of Advanced Diamond Technologies and Seebach. These acquisitions added diamond film technology and highly engineered filtration solutions to our portfolio, enhancing and complementing our product portfolio. And we have a pipeline of acquisition opportunities that we refresh and keep under continuous review.

Slide 34: Executing our strategy to deliver success

Moving now to execution, which is a key focus for myself and the team – it's how we implement our strategy on a day-to-day basis. We set very clear medium-term strategic priorities. Some examples at John Crane include our strategy to accelerate our growth in product and service offering, improve our productivity and supply chain flexibility in the pursuit of operational excellence.

We then break this down into clear annual objectives that we track and measure against in our monthly performance scorecard. This is a common approach across all of Smiths businesses. It ensures ownership and accountability and creates opportunities for us to share best practice and address similar challenges together. Some examples include: revenue from new product or service development, pricing, value delivery from SES, inventory management, driving diversity, developing our People, and reduction in Green House Gas emissions. I am really pleased with how the team has embraced these.

We have record levels of demand for our products and services, and we are executing well. We operate a highly “engineered to order” process, customising our products to customers’ bespoke requirements. We manage this by optimising our supply chain, and use continuous improvement through the deployment of the Smiths Excellence System to drive better efficiencies to serve our customers.

We work closely with our customers through the life cycle of the product - 25 years or more - so ensuring a high-quality service delivery is absolutely essential a combination of technical expertise and quick response times. All of this drives the consistently high returns and margins we have delivered.

Slide 35: Sustainable execution

Execution is a key priority and doing so sustainably is just as important. Our sustainability strategy is broad and is aligned with the Smiths priorities of growth, execution, and people. I’m really pleased with how our team is approaching this and working with our Smiths colleagues. Nearly 30% of sales are from products which provide some form of decarbonisation benefits. Our new energy strategy is supporting hydrogen and CCUS projects globally. And we are delivering on our net zero targets.

On the people side, we have significantly improved our safety metrics, which were already top quartile. We continue to develop our talent and have improved our metrics on promoting internally and have in place a diverse leadership team. Turning to specific examples of what we are doing.

As well as supporting our customers on their sustainability journeys and path to net zero, we too have a clear strategy. Our internal goal is consistent with the rest of Smiths to achieve Net Zero Scope 1 & 2 by 2040 and Scope 3 by 2050. We have a detailed five-year roadmap to achieve this and have already implemented several projects. For example our Lutin facility, in the Czech Republic, worked with its energy provider to certify its electricity use as renewable. This reduced Green House Gas emissions by around 700 tonnes in FY2023. And this year, our facility in Dubai will deploy solar panels. We are also working with an external consultancy to review and cost larger energy saving projects at our high energy-consuming sites. These energy efficiency assessments are shared across all John Crane and other large Group sites, helping other Smiths businesses achieve their net zero aims, a real example of sharing best practice across the Group

Slide 36: John Crane Senior Leadership Team

Turning now to the John Crane leadership team. It is incredibly diverse, has a broad strength of expertise and is fully committed to the strategic direction for the development of John Crane.

The team is diverse both from a gender and nationality perspective. The vast majority, 70%, of the team have lived in countries other than the UK and are able to bring a global mindset which is important for the customers in the 50 plus countries we serve. We also have a broad range of experience within the team. 50% have deep expertise within the markets John Crane serves, 30% are from the wider Smiths Group and the remainder have experience from other industrial sectors. 80% of the team has been internally promoted from within John Crane and, or, Smiths Group.

Today, I’m delighted that you will get to see that expertise and enthusiasm first hand. Sook Won will talk about how John Crane leads the market and how our growth is led by the value we provide to our customers. Frank will talk about how our expertise and proven portfolio of products and services position us to support both existing customers and new entrants in New Energy. And Rob will talk about

the successful execution through the entire life of a seal, right from first order through to OE delivery and aftermarket service.

Slide 37: Closing remarks

So, in summary. We are a leading provider of highly engineered mission-critical technologies with a sustainable competitive advantage. Our markets have attractive, long-term growth drivers and we have leadership positions. Our global capabilities and service expertise underpin our deep customer relationships. We are delivering a strong financial performance with high margins and returns. And we are well positioned to deliver growth over the long term. Thank you for listening.

Speaker 3: Sook Won Moon, VP Sales and Aftermarket, John Crane

Slide 38: Cover slide - Customer-led growth

Slide 39: Sook Won Moon, VP Sales and Aftermarket, John Crane

Good morning. I'm Sook won Moon, Vice President of Sales and Aftermarket. Today, I will talk about John Crane's market leadership and how our growth is driven by the value we deliver to our customer.

Before we start, a little bit about myself, I'm a chemist and I started working in John Crane Korea, 26 years ago as an application engineer. I have extensive international experience, working in diverse markets in various roles, in Asia Pacific, Europe and the US. My unique experience is in capital projects, and I keep my finger on the pulse of how customer needs are evolving by the end market. I spent the last 7 years in Texas, running the Global Projects organisation, in anticipation of changes in our market and our customers. And since September of last year, I have been responsible for the whole Sales and Aftermarket organisation in John Crane. This covers sales and service to both original equipment and aftermarket customers.

Slide 40: Executive summary

Let me share with you, what we actually do for our customers – and why we are such important partners for them. I will explain our products and service, how we operate in the market, and why we are the partners of choice.

We operate in both energy and industrial markets, where we are a leader in the most attractive segments, where the products are highly engineered with complex applications in harsh environments, and where the performance of the seal is truly critical. Customers place a lot of trust in the technical capability, reliability and integrity of our products and I'm proud to say that we've been doing this for a very long time. We work with various customers, right through from early-stage technical support on capital projects, to aftermarket service which can be anything from 25 to 50 years

Our partnership with our end user customers covers the total lifecycle of the plant, including extensive services to enhance our aftermarket proposition and to support customers in improving their performance. With our market leadership and capabilities, we are in a great position to deliver and capture future growth opportunities.

Slide 41: Providing mission-critical technologies and services

So, let's start by looking into the basics of what our products are: The photo you see on the right side of the slide, is the cutaway of a powertrain including a turbine, gearbox and compressor. Our products are used in various types of rotating equipment. Many of our products are critical for powertrains in gas compressors.

Here you can see examples including our mechanical seal, our auxiliary system to support the seal, our coupling for power transmission, our filters for various applications, as well as John Crane Sense, an exciting innovation in the market.

So, what is a mechanical seal? At the most basic level, a mechanical seal is used in rotating equipment such as pumps, mixers and compressors, between the dynamic and static machinery parts. Our seals are used to prevent or minimise the leakage of fluids or gases, which can create pollution, contamination, and all types of inefficiencies. A seal is also a primary safety mechanism, as the seals will indicate, if there is anything wrong with the equipment itself. This is why mechanical seals are so important to our customers to optimise their production and increase the plant reliability and uptime.

Slide 42: Providing mission-critical technologies and services

Let me now show you how mission critical the technology is. We seal gases as well as liquids. This means that we must cope with molecules as small as hydrogen, or as viscous, and, dense as pulp – imagine the difference between air, and, syrup. You are sealing a system where one side is spinning at up to 50 thousand reps per minute or up to 200 meters per second, which can be twice the maximum speed of a formula 1 racing car, and the other side is static. The temperature our seals operate in, can range from minus 195 degree to plus 350 degrees Celsius. The pressure can go up to 450 bar for gas seals – that's more than 180 times the pressure of a standard car tyre. As if that wasn't difficult enough, our seals need to perform in different environments where there are huge temperature variances between day and night, with sandstorms in the desert and arctic areas which one can access only 3 months a year with an icebreaker.

Why is, what we do, important? We support a wide range of applications such as: large-size dry gas seals for LNG mega trains, where a halt in production could cost our customers up to 15 million dollars a day, hygienic design seals, which prevent contamination for Pharmaceutical and Bioprocessing applications.

We also provide products for cryogenic applications for sealing industrial gases such as oxygen, argon, and nitrogen, where the temperature can go down to minus 195 degrees Celsius. And in Mining and Mineral applications, we provide optimised products to handle the suspended solids, coarse slurries and chemicals in complex operations.

Imagine, if any of these applications go wrong, there could be significant negative economic, environmental and safety consequences for our customers.

Slide 43: John Crane has a leading position in a technically advanced market

As I said earlier, it is no surprise, that there are only a small handful of companies who can do, what we do. And that's because, although the total sealing market is large, there are various degrees of technical requirements by segment. A large part of the market is static seals like flat gaskets, O-rings, and also very simple seals. This market segment has limited technical advantages, it doesn't require

differentiated aftermarket, and is not financially attractive.

For example, standard seals on the bottom of this pyramid can be 1 dollar per seal versus highly engineered seals on the top can be 100 thousand dollars per seal.

John Crane operates at the high end of the market. Our highly engineered seals are deployed in critical applications and are customised, often to operate in extremely harsh conditions as explained earlier. John Crane has created high standards, both technical and from a service point of view, so there are relatively few competitors in the market. This is why John Crane has a leading position in this technically advanced market.

As if the technology wasn't difficult enough, we need to sell and service globally, for customers with sophisticated requirements across our installed base of more than 3 million seals and have trained engineers, in close proximity to customers' sites.

Slide 44: How we win

Let me explain how we win and why customers value us as a partner. We have a real commitment to our customers, we have a strong industry reputation and our customers recognise our technology leadership, backed up by a long history of innovation.

Our technology combined with our industry expertise, positions us well with customers – understanding their key challenges and providing support that goes beyond the product and service - bringing them transformational solutions.

Together we are powering sustainability, enhancing the efficiency of their assets and supporting the delivery of new energy technologies.

Add all of this together, there is only a small number of companies who can provide a very high-value solution to customers, those who have the combination of technically capable products and the engineering know-how, with the ability to provide a rapid response to customers.

We see this in our recent net promoter score survey, where we interviewed global customers on the key drivers of their decision making: our customers rate us highly on industry experience, service, and as a reliable technology leader.

We can command a premium on price because what's really important to our customers is the lifetime value and therefore our leading performance on the other parameters influences their decision to choose John Crane.

Slide 45: Gaining market share in OE supports recurring aftermarket revenue stream

Now, I will talk about our day-to day operations, our customer engagement and how we bring products to market. We support multiple types of customers during the life cycle of the product and service offering. If we take an example of a typical capital project. In the early stage of the project, we engage with end users and EPCs, to understand the project specification and the overall size and value of the project. This enables us to propose the 'right' product early on, ensuring we provide what the customer

needs and applying our best technology and gaining market share.

We then design, build, customise and supply the products to the OEMs. We focus on the customer's total cost of ownership, for reliability and sustainability. This is because once the products have been installed, we take on the prime contracting relationship with the End User to provide aftermarket service and support. It is a lifetime management programme, where a seal may be repaired or replaced 10 or more times during its 25 years of operation.

Aftermarket service is mostly captive for us. We also have an opportunity to take on the service of other companies' products, by demonstrating our service leadership. And this aftermarket longevity, from 25 to 50 years, supports John Crane's robust financial framework with margins around 1.75 times that of the original equipment.

Our model is a razor and razor blade model, but with the unique differentiation, that there are very few companies that can do highly engineered applications at the project stage and have the capabilities to support customers through the whole lifecycle of the aftermarket.

Slide 46: Success in capturing original equipment sales secures 25+ years of aftermarket

So why do customers choose John Crane, in the OE stage as I mentioned earlier – our experience, product capability and in-field reliability are important to our customers, with delivery and competitive price as a base requirement.

We provide strong engineering support in the design phase, which results in John Crane being the selection of choice on high end, critical applications. Our capability in engineering customized solutions and our deep relationships with customers, stand us in a good position. And our significant installed base globally gives us an enormous reference library, to demonstrate our experience to customers.

We target strategic projects in terms of customers, project types, regions and aftermarket with the aim to continue increasing market share and financial returns. A great recent example is our push into new energy applications, where we have made several notable wins. Our OE leadership leads to aftermarket leadership and the opportunity for us to expand our added value services in the aftermarket. As I mentioned earlier, about 90% of the mechanical seals we sell in the project stage, will reoccur in the aftermarket business. Given the higher margin and longevity of this service, the lifetime value of the aftermarket can be 10 to 20 times that of the OE element. So it's important for us to capture this initial OE element, part of which is determined by our offering on aftermarket.

Slide 47: Long-term, recurring aftermarket and service revenue

On the aftermarket side, engineering capability, service quality and responsiveness, are key decision factors. We deliver this through our global service network, located in close proximity to our customers, which enables us to respond rapidly to their challenges. Our problem-solving ability and customer support, are key strengths here, and its where we outperform competitors.

We also provide high value-add services to our customers, upgrades and retrofits, commercial contracts with partners and long-term service programmes such as reliability services, of which we have more than 500 contracts globally.

Also, we have digital solutions, which have unique capabilities in the market, to scale up our service level through our algorithm, and via predictive diagnostics. This helps our customers to improve their asset performance, extend the mean time between repair, eliminate unplanned downtime, optimize maintenance schedules, and reduce the total cost of ownership.

Our customers are relying ever more heavily on specialist experts like us, to help them improve reliability and production efficiency. Aftermarket is the sweet spot, where we add value to our customers and where future growth opportunities, are a major focus for us. So, we really invest in the customer relationship.

Our goal is to be an indispensable Tier 1 supplier, who helps customers meet their most crucial challenges, and add value over the life of the project.

Slide 48: Closing remarks

So, in summary, we have attractive growth opportunities across a variety of markets. We are essential to our customers, because our product and service portfolio are critical for their operation and for their business. We support customers with their reliability, sustainability, and digital journey, increasing plant safety and helping them to reduce their carbon footprint. Our product reliability, service support and domain expertise, sets us apart.

And we are problem solvers – this strengthens our credibility and customer intimacy, generating loyalty and commitment over many years. For our customers, we are the partner of choice.

Speaker 4: Frank Ma, VP New Energy Solutions, John Crane

Slide 49: Cover slide - New energy solutions

Slide 50: Frank Ma, VP New Energy Solutions, John Crane

Good morning. My name is Frank Ma, and I'm the Vice President of New Energy Solutions at John Crane, responsible for shaping and navigating John Crane through the energy transition AND leading our internal sustainability efforts.

I've been working at John Crane for 9 years in various roles including recently as the VP of our filtration business and head of strategy and M&A. Prior to John Crane, I worked at GE Power Systems as a combustion turbine engineer, and at the Boston Consulting Group advising energy and industrial clients.

So in summary, my entire career has focused on industrial technology within the energy sector, and I am really excited to share how we think about the energy transition in John Crane and why we believe we are well-positioned to maximise the growth opportunity ahead.

Slide 51: Executive summary

Let me start with our underlying presumption that evolution of energy sources will happen, even if the pace of change is uncertain. And our strategic view is that this presents growth opportunities in BOTH conventional and new energy markets. Importantly, John Crane already plays in both conventional and new energy markets, and we believe we are well-positioned in all energy transition scenarios.

Today, our existing portfolio already helps our energy and industrial customers decarbonize existing operations, while increasing efficiency and reliability. And I will show some examples of how we are doing this. And these EXISTING products and solutions will also play a critical role in enabling new energy markets, such as carbon capture utilization and storage, or commonly known as CCUS, hydrogen and other low carbon fuels. And I will share some case studies of these new energy solutions in action

Importantly, we are actively partnering with many of our customers to develop and scale up new technologies and innovation that will meet future requirements, which you'll see during our tour later today. Overall, we believe we are well-positioned today for the energy transition, and our strategy will enable us to maximise the growth opportunity ahead.

Slide 52: Evolution of energy to meet decarbonisation goals

Let's start with an overview of the energy landscape to set the scene: our market outlook is that oil, natural gas and fossil based energy, which contributes to the vast majority of energy supply today, will continue to play a large role in energy supply to 2030 and beyond, driven by energy demand growth from emerging markets and the importance of energy security

We also expect energy investments, especially in clean energy, to accelerate. Last year, total global energy investment was \$2.5 trillion with the majority in clean energy supply. Overall energy investment is forecasted to more than double by 2030 and to exceed \$100 trillion by 2050. From a decarbonisation standpoint, our view is that all technologies will have to play a role, from energy efficiency, to greenhouse gas emissions reduction, to deployment of renewables, nuclear, and new markets such as CCUS and hydrogen. We strongly believe that John Crane is well positioned across all energy transition scenarios as we have diverse exposure not only in fossil fuels, but also across the majority of clean energy segments including in hydrogen, bioenergy, nuclear, geothermal and CCUS

Slide 53: Our energy transition solutions

So let me tell you a bit more about how we think about our opportunities in energy transition. We are focused on two key growth themes where we believe we can build material revenues over the medium and longer term horizon, and help our customers achieve their net zero ambitions. The first theme is decarbonizing existing energy and industrial sectors through energy efficiency, enabling LNG and reducing greenhouse gas, or GHG, emissions

The second theme is scaling high growth new markets including CCUS, Hydrogen, and bioenergy and sustainable aviation fuels. Importantly, we already have a proven portfolio of products and solutions across most of these markets which allows us to start winning active projects and capturing growth today. And we are investing in new technologies and innovation that will enable scaling of new ecosystems in hydrogen, CCUS, and green house gas emissions reduction

Overall, as Bernard highlighted earlier, nearly 30% of our sales come from products and services which provide some type of decarbonisation benefit. In the next few slides, I will share more detail on how we're supporting our customers across each of these growth pillars.

Slide 54: Improving our customers' energy efficiency

Let me start with energy efficiency, which is often referred to as the “first fuel” in energy transition, because it’s the largest and most cost effective decarbonization lever, and this is where many of our energy and industrial customers are focusing. Importantly, rotating equipment such as pumps and compressors matter, because they typically are responsible for 25 – 50% of our customer sites total energy consumption.

And at John Crane, we have a broad set of proven solutions that can help our customers reduce their energy consumption such as John Crane Diamond, which was part of an acquisition we made in 2019), pump gas seals, and our upstream pump seal, or USP solution.

As an example, the USP solution is a unique technology that has been deployed in energy intensive applications across oil and gas. In this case study presented here, our Type 8600 USP helped an O&G customer reduce water pumping requirements by over 1 million liters per year, resulting in significant energy savings and improved reliability. So overall, we believe our solutions will play a critical role to help customers with their energy efficiency efforts

Slide 55: Enabling LNG for energy security

Next, LNG is seen as a bridge fuel to a low-carbon energy system and is critical for energy security especially given today’s geopolitical challenges. John Crane is a market leader when it comes to LNG sealing. We have been engaged in LNG since the development of the industry and today, over 80% of global LNG export facilities use John Crane dry gas seals, along with other products such as filtration. And the mission critical nature of LNG facilities plays to our strengths. These include advanced technologies for challenging applications, and our global network of turbomachinery service centers and field service engineers, and the need to achieve low emissions LNG.

On the right side of the chart is a case study for a LNG operator in the USA that produces up to \$15m per day in revenue. During a site turnaround, our agility and service capabilities enabled a team of field service engineers to install a large number of dry gas seals as part of scheduled maintenance, ensuring that the customer minimise downtime and enhance availability to improve energy security.

Overall, we are very well positioned to grow our business through the expansion of new LNG capacity and servicing our market leading installed base

Slide 56: Delivering significant reductions in GHG emissions

Finally, reducing greenhouse gas or GHG emissions, is a critical initiative for many oil and gas companies today especially with pending regulations from the US Inflation Reduction Act and EU’s Methane Action Plan. According to the Environmental Protection Agency, GHG leaks account for around 3% to 4% of total gas production; that translates to annual potential revenue losses of up to \$30 billion for the oil and gas sector.

John Crane, as a pioneering sealing company, has been in the business of reducing emissions and fixing leaks for decades. We have a portfolio of solutions that help our customers reduce GHG emissions. These include our dual pressurized seals, our compressor retrofit service, and our seal gas recovery system. As an example, we provide retrofits that convert compressors with wet seals to dry gas seal technologies. This can reduce a compressor’s emissions by ~95% percent and offer energy efficiency savings to the facility. We estimate that our retrofits completed over the past 10 years are reducing

~280,000 tonnes of CO2 equivalent per annum, which is roughly 11x more than all of the scope 1 and 2 emissions produced by John Crane today.

Finally, we are currently investing in future emissions reduction services and technologies to help our customers reduce leaks and save money. So, through emissions reduction, energy efficiency, and enabling LNG, we are playing a key role to decarbonize the energy and industrial sectors, while improving global energy security.

Slide 57: We are well positioned in CCUS

Let me move on towards our second growth theme, enabling our customers to scale high-growth new energy markets. Let's start with carbon capture utilization and storage, or CCUS, which is a market we are very excited about. CCUS will play a key role in achieving net zero, in particular for hard to abate sectors such as oil and gas, chemical and cement. The market is here today and growth is accelerating driven by large projects to decarbonize existing infrastructure.

As shown on the chart in the top right, the total CO2 captured is forecasted to increase 6 times by 2030. While most of the projects are still in feasibility stage, we believe many of these projects will be approved given the attractive incentives that governments in countries like the US and UK have made available. Importantly, CCUS is not new to us. John Crane has been active in this market for decades with a broad range of proven products and solutions. As Paul referenced earlier, if we consider the 40 or so operational CCUS facilities today, nearly ~80% of all carbon dioxide injected underground uses John Crane sealing solutions. Our products are used extensively across the entire value chain, from amine circulation pumps in the capture phase, to pumps used to transport CO2, and to compressors used to inject CO2 deep underground.

We're also currently engaged in over 50 CCUS projects including in blue hydrogen, and this is reflected in our growing opportunity funnel. We have won several major orders including Canada's largest CCUS and blue hydrogen complex. And we're doing this in particular by leveraging our strong relationships and asset base with existing oil and gas customers, to win these projects

Importantly, we are also witnessing similar aftermarket dynamics in CCUS as our traditional oil and gas business. Finally, we're investing in new technologies to scale the ecosystem. Recently we were awarded a 1 million GBP grant funding from the UK government to develop a high-temperature sealing solution for supercritical CO2. So overall, this is a market we're very excited about

Slide 58: Our solutions are critical to scale clean hydrogen ecosystem

When it comes to hydrogen, similar to CCUS it is not new for John Crane. We have been offering products and solutions into conventional hydrogen applications since the 1970s and have the largest installed base in the industry. Now the clean hydrogen industry represents a small proportion of total hydrogen production today, but is expected to grow rapidly. While many projects are small scale demonstration sites and are in early feasibility stage, many countries and industries have high ambitions and the market is forecasted to accelerate towards the end of this decade. For example, the US Department of Energy recently announced \$7 billion in funding to establish a number of regional Hydrogen Hubs around the country.

We believe our solutions are critical to scale the hydrogen ecosystem, especially in midstream.

This includes in compressors for transporting hydrogen by pipeline, and other applications such as ammonia and hydrogen liquefaction. We're currently engaged in over 20 clean hydrogen projects and many of these projects are expected to be operational towards 2030. Critically, scaling of clean hydrogen presents some significant technology challenges and we are partnering with our customers to invest in new technologies and solutions. These include seals for higher speed compressor applications, which requires advanced materials and test rigs. Overall, we are excited about the opportunities that hydrogen presents over the longer term.

Slide 59: New energy in action

Let me briefly share two recent wins for us in CCUS and hydrogen. On the left, we recently won the majority of gas seals and filters for the world's largest offshore CCUS project based in Malaysia. This facility will capture up to 3.3Mt of CO₂ to be stored in depleted gas fields offshore.

Importantly, this win highlights our proven experience in CCUS and CO₂ injection, and also our strong relationship with our turbomachinery OEM and end user customers. On the right, we recently won orders for mechanical seals, systems, and seal gas filters for a flagship blue hydrogen project in the Gulf Coast. This Clean Energy Complex will produce over 650,000 tonnes of clean hydrogen per annum, enough to power 3 million cars daily. The CO₂ will be captured and stored over a mile underground. With our proven sealing and filtration solutions and strong service network, we are well positioned to capture future aftermarket once the site becomes operational in 2026.

Slide 60: Closing remarks

So to conclude, let me summarize the following key points. The energy transition is a \$100 trillion megatrend that will bring growth opportunities to both our conventional and new energy markets. We are a market leader with proven solutions to help our customers decarbonise, both in existing O&G infrastructure and to scale high-growth new energy markets. The breadth of our technical expertise and capabilities enables us to be agile and respond to changing new energy demands. We are actively partnering with many of our customers to develop and scale up new technologies that will meet future frontier requirements. Overall, we believe we are well-positioned today for the energy transition, and our strategy will help us maximise this growth opportunity ahead. With that, let me say thank you, and I will hand over to Rob.

Speaker 5: Rob Sharman, VP Customer Operations, John Crane

Slide 61: Cover slide - Optimising customer delivery

Slide 62: Rob Sharman, VP Customer Operations, John Crane

Hello everyone, I'm Rob Sharman vice president of customer operations. My focus and responsibility at John Crane is the successful execution through the entire life of a seal, right from first order through to OE delivery and aftermarket service. Execution at John Crane is very much about engineering and manufacturing our solutions in an efficient and agile way, so we can serve our customers' critical and often bespoke requirements. So, we drive efficiencies through innovation and improvement and enhancing our strong global capabilities so that we continue to be a go to, trusted partner for our customers today and tomorrow.

My background, both at John Crane and prior to this is very much in engineering and operational roles, having worked previously for GKN Aerospace and in the British Government on advanced manufacturing and industry 4.0. This allowed me to see what good looks like and how manufacturing is advancing, and to be able to take best practice and apply it to John Crane.

I've been at Smiths in John Crane in global operational roles for five years now. It is an exciting time to be at John Crane given the strong demand we're seeing and the opportunities we have to drive further efficiencies across our supply chain, whilst meeting this growing demand.

Slide 63: Executive summary

You've already heard from my colleagues about the strengths of the John Crane model, and you've heard how we deliver for our customers and the significant growth opportunities ahead of us. Successful execution has been key to maintaining our close customer relationships and retaining our market position, and delivering consistently high returns.

I'm going to explain to you how we continue to improve our execution to meet the strong growth in demand we've enjoyed over the last few years, and expect to see in the future. How our technical expertise translates into a unique, difficult to replicate, engineered to order - product. How the breadth of our service capability enables us to respond quickly and efficiently – deepening our bond with our customers. How we're using automation and the principles of SES, the Smiths Excellence System, to further improve our operations and customer delivery. And, how all this helps us deliver continued growth, and positions us well to respond to ever-evolving requirements. So, let's look in more detail on how we execute in a growing market.

Slide 64: Rapid scaling to meet strong and sustained demand

We are successfully managing our strong growth. Demand for our products is very high, and we've enjoyed double-digit order intake growth over the last two years. To maximise this opportunity and accelerate revenue growth we needed to execute well to deliver against this strong demand.

We achieved this through targeted actions focused on efficiently scaling our production and supply chain. Firstly, we looked at our external supply chain, and our internal processes to address the immediate term bottlenecks. These actions also put us in a good position to meet the continued strong demand, and mitigate future challenges as the market evolves.

Another lever to help in the shorter term, and support longer term execution efficiency, is technology. And I'll explain how we're investing in technology to deliver operational efficiencies which help reduce time, and ultimately cost, to both us and our customers.

We embedded SES as the way we work to foster a continuous improvement culture, helping to drive even more efficiencies, and deployed through our global manufacturing and service network. This targeted approach has delivered fantastic results, contributing to our record 15 percent organic revenue growth and 440 basis points ROCE expansion in FY23. John Crane deploys standardised manufacturing processes and practices, whilst continuing to deliver the tailored elements our customers require and expect.

With our technical expertise and global capabilities, John Crane has a proven track record of executing

well in this made to order business, delivering a strong operating leverage of 1.7x. I'll talk in more detail about some of the actions we've taken, and how they are improving execution this year, in the coming slides.

Slide 65: Maximising our technical capabilities in an engineered to order process

We have a special capability at John Crane. We not only make highly engineered seals, but we can customise the majority of the parts quickly and efficiently. And this makes us the obvious first choice for our customers, who all have very different bespoke requirements, as Sook Won detailed earlier.

We've developed this capability over many decades of continuous improvement, and have further optimised our operations within this engineered to order process. While it's a difficult market to penetrate, it's a very attractive market and one we excel in, and we've proven our ability to succeed through consistently high operating margins, ahead of 20% for the past several years.

Our proven track record, and ability to quickly respond to our customers changing needs, gives us a sustainable competitive advantage, and underpins our very long-term relationships with our customer base.

Slide 66: Global footprint enables unparalleled customer intimacy

Our ability to execute is further strengthened by our global footprint and local capabilities. Today, we have a leading global network of just under 200 locations as already highlighted by Bernard. The benefits of this global presence are extensive. For manufacturing we operate out of our regional hubs which maximises efficiency, and I'll talk about how automation is accelerating this. With our 163 sales and service centres, this enables us to be close to our customers, making us agile and quick to respond to their requirements and getting to know them well.

And our R&D centres of excellence help drive innovation efficiently, while our global engineering bases are focussed on our expertise in design and drafting. In this way we can deliver deep portfolio knowledge, and the best engineering minds in one location, but retain the responsiveness which our customers expect from John Crane.

Slide 67: Manufacturing automation is improving operations

We have driven productivity and agility through automation. This is a significant achievement in a business like ours given our engineered to order business model. It's relatively straight forward to automate the production of simple products, but for highly engineered made to order John Crane seals, automation requires far greater expertise.

Fortunately, this is an area we excel in. We have automated to deliver significant efficiencies and improve productivity, and that has given us the agility to scale. We continue to innovate to apply automation right through the value stream, from engineering, through manufacturing and assembly.

At the enquiry stage, we focus on reducing lead times and better utilising our global network. Handling enquiries and creating drawings used to be a local manual process. Now through use of digital

enquiry submission and investment in computer aided design – CAD programming tools, we've automated this process with the drawings populated from the specification requirements. We share these drawings globally to help improve standardisation if similar specification requests are received. This drawing and data creation automation has reduced the process time by 10-16 hours. These digital drawings are then used to generate programs for the manufacture of the product. This also has the added benefit of standardising how our CNC machines cut, and using standardised machine tooling setups means we make the same part the same way at any of our global manufacturing locations, recovering on average an extra 92hrs per machinist per year.

We use 3D printing and robots to enhance the manufacturing process and provide rapid flexibility in capacity.

And at the point of assembly, we use cobots, collaborative robots working alongside humans, to speed up assembly while improving safety and quality. And finally, warehouse automation reduced our footprint requirements by up to 79% as we now use the full height of the facility in a safe manner, thereby driving further efficiencies. In addition, through process standardization, we can rapidly transfer work across our sites globally, increasing resilience and agility, and maximising the benefit.

So, as you can see automation has a key role to play across all elements of the value stream, which helps not only with improving customer delivery, but driving time and cost improvements, within our own operations and allowing us to scale rapidly in line with the market.

Let's look at some of this execution in action around the world, in our engineering, service and manufacturing centres.

[Video]

Slide 68: SES is embedded in the way we work at John Crane

Another lever we're using to drive efficiencies is SES. As Paul mentioned, this is now fully embedded throughout Smiths and has become the way we work in John Crane. As with the other Smiths' businesses, we have one master black belt who drives SES in John Crane, and 7 black belts focussed on executing against our targeted efficiency and improvement projects.

The SES focus for John Crane has been addressing increasing inventory levels, which in part was required to support the growth, building resilience into our supply chain, which was disrupted post COVID, and standardising back-office functions. SES has had real benefits in both profit and cash in FY23, contributing proportionally to the Groups overall benefit, with more to come in FY24 and beyond.

Slide 69: SES is delivering results

One of our suppliers that supports our engineered to order products faced a number of challenges during and post covid, and as a result wasn't delivering to our requirements. Given the bespoke nature of the tooling required to make the parts we set to work supporting our supplier in the best way we could. We helped them get back on track and improve their output by drawing on our SES expertise.

We embedded one of our highly qualified black belts and by sharing our best practices we helped them improve scheduling, maximise output, and minimise failure rates.

We also eased pressure by rapidly onboarding and sourcing alternative suppliers for higher volume, less specialised parts. Furthermore, we're exploring a 3D printing solution, providing another potential alternative source of supply for the low volume, more customised applications, as 3D printing is a toolless manufacturing technique.

Taking these three actions together, we halved the backlog in supply and significantly improved the supplier's delivery performance, enabling us to improve ours in turn and ensured our supply chain is more resilient going forwards.

Slide 70: Closing remarks

So to summarise, successful execution is key to maintaining our close customer relationships, and retaining our market position. Our technical capabilities mean we excel within our engineering to order model, making us a first-choice supplier for our customers broad bespoke requirements. We've proven our ability to deliver through consistently high returns, and we've reinforced this in FY23 as we rapidly scaled capacity to meet strong demand and deliver for our customers. And through continued innovation and improvement we're driving further efficiencies, and enhancing our strong global capabilities, to be a trusted partner for our customers today, and for the future. Thank you.