

Deep Dive

Smiths Interconnect



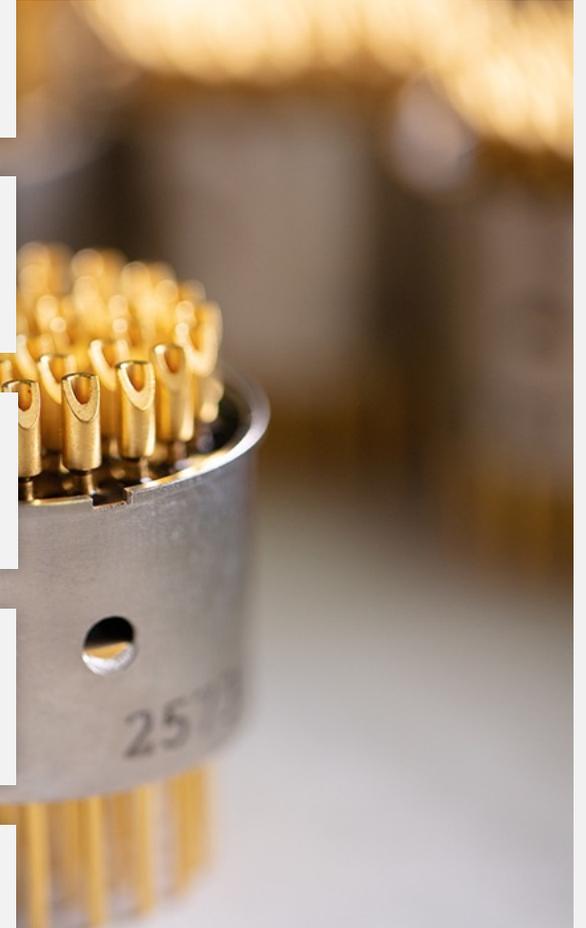
Julian Fagge, President, Smiths Interconnect

- PwC, 1996 - 1999
- Procter & Gamble, 1999 - 2011
- Royal Caribbean, 2011 - 2013
- Smiths Group, 2013 - present
 - Group Controller
 - Group Director, Strategy and M&A
 - President, Smiths Interconnect



Executive Summary

- At the forefront of cutting-edge connectivity with leading products, technologies and capabilities
- Over the past few years, we have successfully transformed the business and have built strong positions in fast growing market segments with structurally attractive characteristics
- FY22 was a year of significant progress: +14% organic revenue growth, operating margin 18%, ROCE 16.3%
- Improvements to our manufacturing efficiency, operational capabilities, automation and supply chains are helping us to respond more quickly to customer needs
- Well positioned for further growth



Smiths Interconnect: advancing the world through cutting-edge connectivity

Key data

FY2022 revenue

£363m (+13.9%¹) (14% of Smiths)

FY2022 operating profit

£65m (+39.7%¹) (14% of Smiths)

FY2022 operating margin

18.0% (+330bps¹)

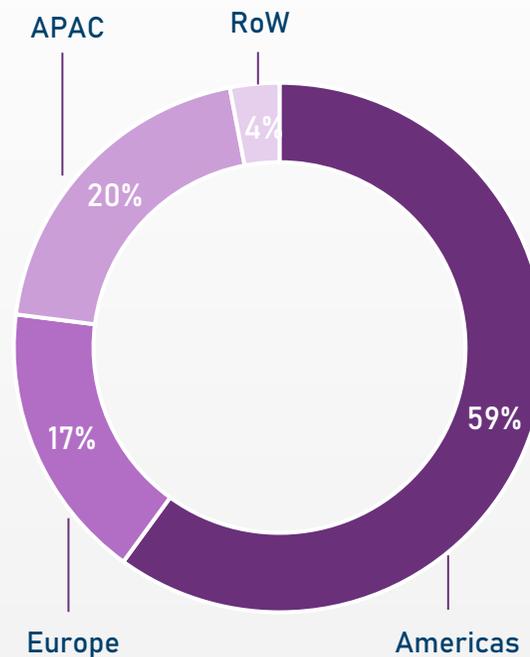
FY2022 ROCE

16.3%

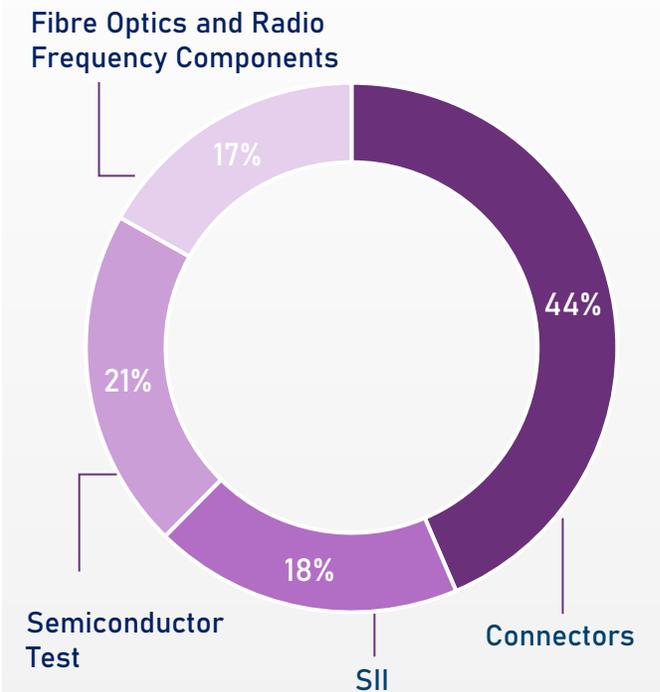
FY2022 R&D % sales

5.6%

Revenue breakdown by geographical region, % of Smiths Interconnect total



Revenue breakdown by business segment, % of Smiths Interconnect total



Smiths Interconnect: strong positions with competitive advantage in our core segments



Demand drivers

- The insatiable demand for data
- The growth of connectivity driven by mega-trends: Internet of Things, Big Data, Internet of Space, Metaverse and Industry 4.0
- The need to access data everywhere / anytime



Key customers

- Global leaders in our core markets including:
- US defence primes
- Medical device companies
- Semiconductor design and manufacturing customers



Competitive strengths

- Broad portfolio of products, and technologies
- R&D, engineering and design capabilities
- Experts in product customisation
- Customer intimacy
- Global reach and support



Competitive landscape

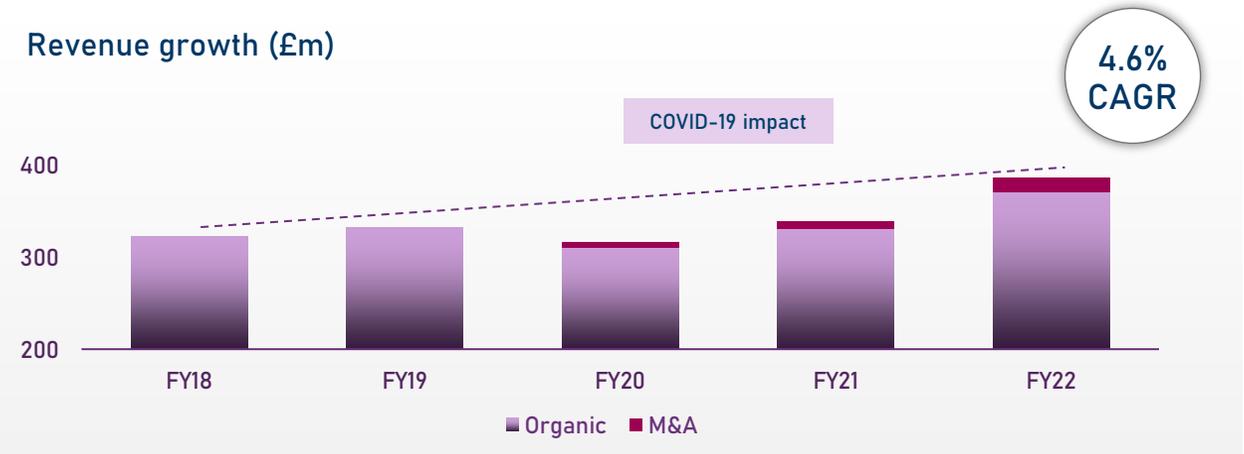
- Large multinationals to small, more focused companies across the product portfolio

The Smiths Interconnect growth story

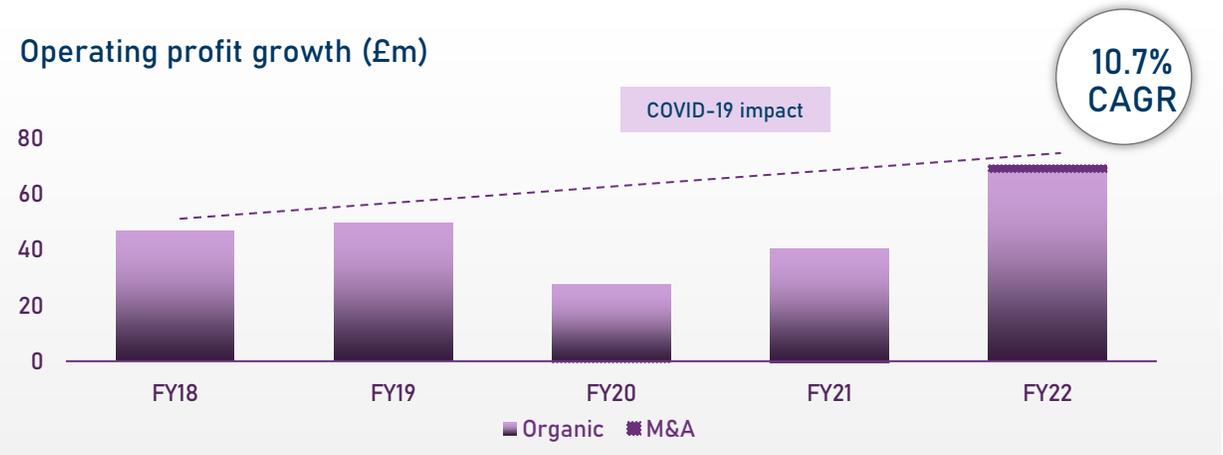
Five-year track record

- Revenue growth: 4.6% CAGR
- Operating profit: 10.7% CAGR
- Operating margin growth to 18.0%
- 103% average cash conversion
- 16.3% return on capital employed

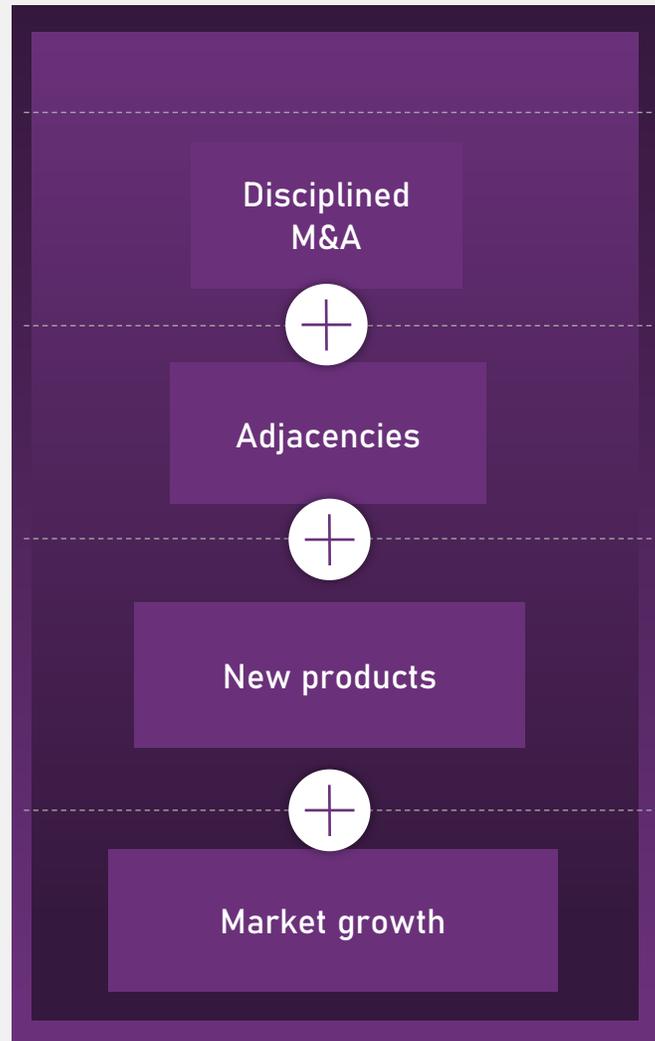
Revenue growth (£m)



Operating profit growth (£m)



How Smiths Interconnect delivers growth



Focus

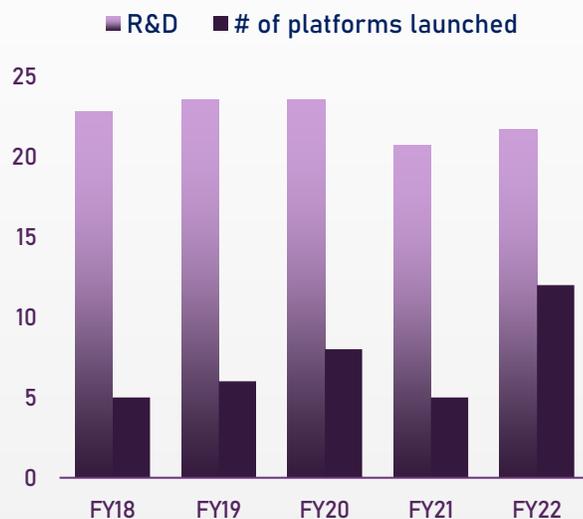
- Add new technologies
- Access market adjacencies
- Add incremental revenue streams
- Move up the value-chain
- Increase investment in NPD
- Add new product platforms
- Markets expected to grow average 4-6%
- Strong growth expected in space and semi-test
- Geographic expansion opportunities

Examples

- Optical products (Reflex Photonics - 2020)
- Optical transceivers / sub-assemblies
- Medical cable assemblies
- Electric vehicle charging
- New product vitality of 43%
- High integrity, high performing products e.g.
 - High-density connectors and interposers
 - DaVinci high speed, digital test sockets
- Accelerate growth in Asia
- Fast-growing space opportunity

Investing for growth

R&D investment (£m) and # of new product platforms launched



5.6%

Increasing R&D
spend % sales

>40%

Gross Vitality

Staying at the forefront of innovation

- The world of connectivity is advancing at a fast rate
- We have differentiated technologies and capabilities:
 - Hyperboloid connectors: a superior performing contact technology
 - Spring probe contacts: superior miniaturised contact performance with high durability
 - Optical transceivers: optimum size, weight and power for space and defense applications
- High degree of customer intimacy to customise products for specific requirements



Examples

SpaceAble optical transceivers (SatCom)

- Launched in September 2018
- High speed data transmission for satellites

Cable assemblies (Medical)

- Launched in March 2022
- Advanced cable assembly delivering durable performance

DaVinci Micro (semi-test)

- Launched in July 2022
- High-speed, digital test sockets for chips used in small mobile devices

Intercompact PCB connector (rail)

- Launched in November 2021
- PCB connector delivering advanced electrical and performance requirements

Connectors

We design connectors that:

- Deliver high-performance for space and defence
- Enable the safe operation of high-speed trains
- Deliver robust performance in life-saving medical equipment



Space –
NXS series



Railways and metros –
Intercompact series



Medical – disposable
Hypergrip series

We have a global position:

- Across North America, Europe and Asia
- 6 manufacturing sites and 6 R&D centres

Growth is supported by strong macro-economic trends

- Increased demand for high-speed, reliable, connectivity
- Growing urban populations requiring transport and infrastructure
- Digitisation, automation and internet connectivity

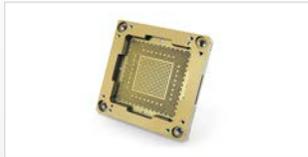
Key customers	Route to market	Smiths relative position
<ul style="list-style-type: none"> • Defence, aerospace and space primes • Major medical device companies • Manufacturers of transport systems • Industrial OEMs 	<ul style="list-style-type: none"> • Direct with dedicated key account management and technical support • Specialised distributors • Dedicated customer service and field application support 	<ul style="list-style-type: none"> • High integrity, high performing specialised products • Reliability in harsh environments



Semiconductor Test

We design test products that:

- Test sophisticated semiconductor chips and electronic circuits used in applications such as gaming, data centres, industrial and computing devices



High speed test
DaVinci series



Volta series probe head
for wafer level testing



High speed test
DaVinci Micro

Key customers	Route to market	Smiths relative position
<ul style="list-style-type: none"> • Integrated device manufacturers • Fabless design players • Outsourced Semiconductor Assembly and Test providers 	<ul style="list-style-type: none"> • Direct for key accounts • Distributors for small players • Local service and field application engineers • Strong customer intimacy 	<ul style="list-style-type: none"> • Top 3 segment position • Technology leadership in high-speed test sockets • Strategic partners to key customers

We have a global position:

- With concentration in North America and Asia
- Two plants in Suzhou, China and Tijuana, Mexico
- Close proximity to global customers both design and manufacture

Growth is supported by strong macro-economic trends

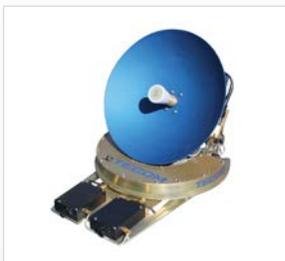
- Accelerating demand for semiconductor chips
- Growth of high-speed, digital chips for connected devices and data-intensive applications
- Demand for small powerful chips for mobile devices
- Some cyclical slow-down expected in 2023 but we expect to see profitable growth in FY23



SII

We design integrated microwave solutions, antennae and communication devices that:

- Deliver RF systems for advanced applications
- Provide situational awareness and protection from inbound threats on aircraft and vessels



Antenna systems
KASream
5000 MK II



Reference
Generator for
radar
applications

We are predominantly US focused

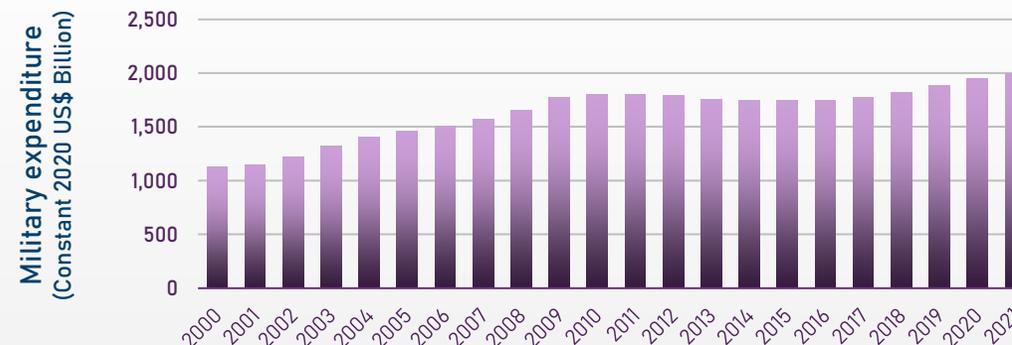
- With 1 manufacturing site, 2 R&D centres

Growth is supported by strong macro-economic trends

- Growing defence budgets driven by geopolitical uncertainties
- Demand for advanced connectivity solutions delivering robust performance
- Higher power, higher data rates, wider bandwidth, and greater connectivity all within a smaller and lighter footprint

Key customers	Route to market	Smiths relative position
<ul style="list-style-type: none"> • Leading defence, providers and primes 	<ul style="list-style-type: none"> • Collaborative development with US DoD • Partnership with US primes on critical defence programmes 	<ul style="list-style-type: none"> • RF subsystem design and expertise • Expertise in antenna system design

World military expenditure passes \$2 trillion for first time in 2021¹



Fibre Optics and Radio Frequency components

We design RF and optical components that:

- Deliver performance and signal integrity in satellite communications, deep space exploration, and defense



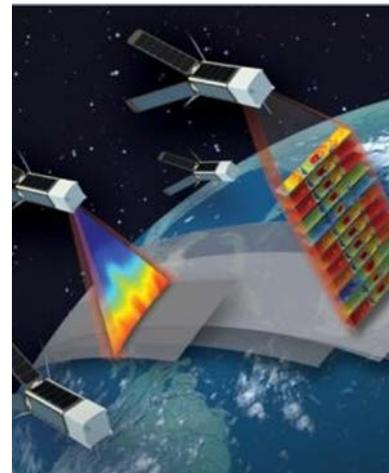
We have a global position:

- Footprint across North America, Europe and Asia
- 4 manufacturing sites, 4 R&D locations and 6 customer service centres

Growth is supported by strong macro-economic trends

- Increasing demand for high data rate communication
- SatCom growth including Low Earth Orbit (LEO) satellites
- Faster speed requirements will increase need for optical solutions

Key customers	Route to market	Smiths relative position
<ul style="list-style-type: none"> • Leading space and defence providers • Government and commercial customers 	<ul style="list-style-type: none"> • Mix of direct key account management and distributor channels 	<ul style="list-style-type: none"> • A leader in Optical transceiver technology with 28Gb capability • Developing next-gen solutions (56Gb) and disruptive technologies • Broad range of radio frequency components



Closing remarks

- Smiths Interconnect has delivered a strong performance over the past few years and has enormous potential building on the momentum we have established
- We play in attractive market segments with leading products, technologies, capabilities and a rich innovation pipeline
- We have strong customer partnerships and many opportunities to grow through customer and geographic penetration, new products and market adjacencies
- We have ambitious plans with the experience, passion, and courage to advance the world through cutting-edge connectivity