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# JOHN CRANE

CAPITAL MARKETS EVENT – 17 NOVEMBER 2021



PRESIDENT  
JOHN CRANE

JEAN VERNET

# Executive summary

→ Attractive franchise with predictable, high margin, “sticky” revenues

→ Technology leader with mission-critical products and services at scale

→ Benefit in the short term from post-COVID recovery with opportunities across high growth geographies and non-O&G industrial markets

→ Exciting mid-term opportunities for sustained growth from global energy demand, methane remediation and relentless focus on efficiency

→ Well-positioned across all energy transition pathways, which all require high performance flow control



# John Crane: Solutions for increased efficiency, emission reduction and energy transition

## Key Metrics (FY2021)

REVENUE

**£865m** (36% of Cont. Group)

HEADLINE OP

**£187m** (45% of Cont. Group)

HEADLINE OPERATING MARGIN

**21.6%**

ROCE

**20.0%**

CASH CONVERSION<sup>1</sup>

**120%**

AFTERMARKET % OF REVENUE

**68%**

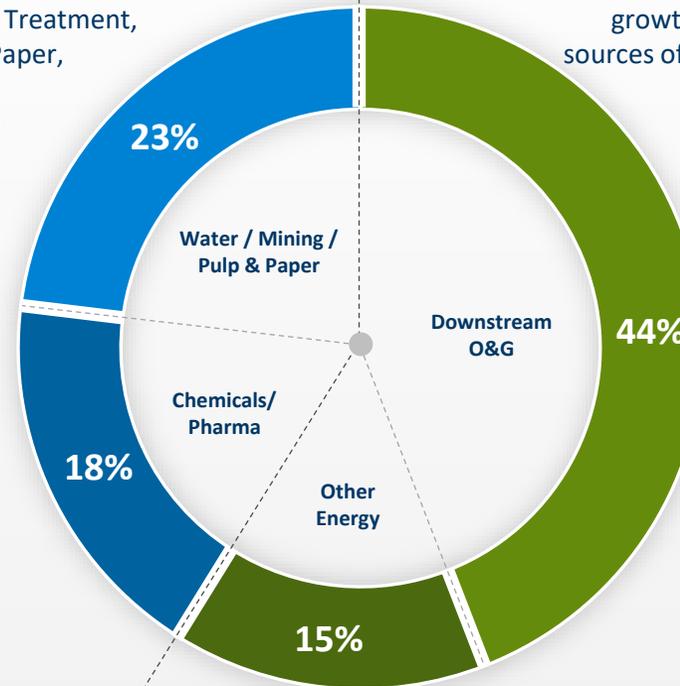
## Revenue by Sector

### Industrials

Mission critical industries growing at > GDP: Water Treatment, Mining, Pulp & Paper, Chemicals, Pharmaceuticals

### Energy

Secular demand growth for all sources of energy



## Market Growth Drivers

- Long-term growth in energy and primary resource demand
- Enhanced efficiency, environmental protection and cleaner processes
- Energy transition to a more diversified and cleaner low carbon energy ecosystem, including hydrogen, carbon capture, utilisation and storage (CCUS) and renewables, which require more demanding compression, pumping and filtration
- Digital transformation, GHG emissions measurement, remediation and monitoring

# 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

# John Crane: Fundamental strengths

## OUR STRENGTHS



### World-Class Engineering

- Over 100 years of bringing technology and disruptive products to market
- Unique flow control expertise helping customers solve growing and conflicting critical needs



### Leading Positions in Critical Markets

- Largest installed base, agnostic to pump and compressor OEMs
- Long-term end user relationships with 90% aftermarket retention throughout plant lifecycle



### Global Capabilities

- Unmatched customer proximity with over 200 sites across more than 50 countries
- Global technical talent with > 2,000 engineers
- Leveraging Smiths Digital Forge matching world class AI with flow control expertise



### Robust Financial Framework

- Resilient, repeatable revenues (68% aftermarket)
- High margins and excellent cash conversion

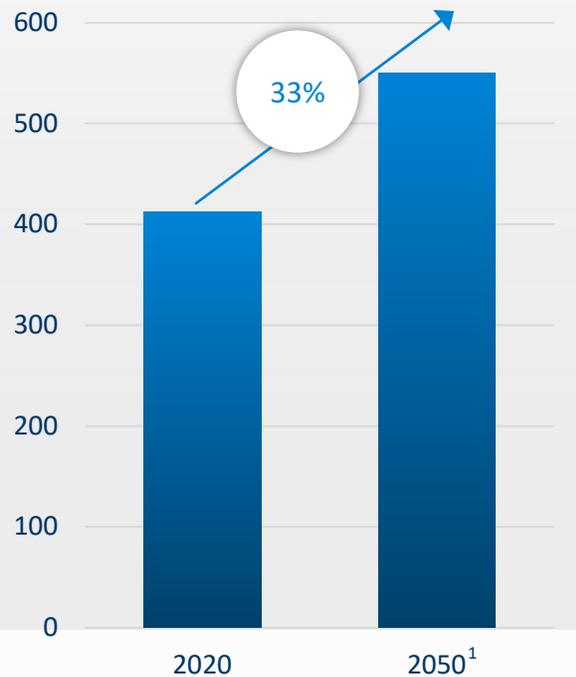
# How John Crane accelerates growth

	Focus	Examples
<p>Disciplined M&amp;A</p> <p>+</p>	<ul style="list-style-type: none"> <li>- Acquire specific technologies to satisfy un-met/emerging customer needs</li> <li>- Exit less attractive end-use markets</li> </ul>	<ul style="list-style-type: none"> <li>- Asset Management (XPD8 – 2015)</li> <li>- Filtration solutions (Seebach – 2017)</li> <li>- Diamond coatings (ADT Industrial – 2019)</li> <li>- Upstream O&amp;G assets (divested 2017/2018)</li> <li>- Bearings (divested 2018)</li> </ul>
<p>Adjacencies</p> <p>+</p>	<ul style="list-style-type: none"> <li>- New platforms to support energy transition</li> <li>- Product/service adjacencies</li> </ul>	<ul style="list-style-type: none"> <li>- Methane remediation services</li> <li>- Asset Management</li> </ul>
<p>New products</p> <p>+</p>	<ul style="list-style-type: none"> <li>- Enhancing efficiency</li> <li>- Supporting customer decarbonisation</li> <li>- New Industrial-focused products</li> </ul>	<ul style="list-style-type: none"> <li>- Next generation seals</li> <li>- Digital enablement – e.g. John Crane Sense®</li> </ul>
<p>Market growth</p>	<ul style="list-style-type: none"> <li>- Near-term market recovery</li> <li>- Emerging market growth</li> <li>- Growing presence in Industrial markets</li> </ul>	<ul style="list-style-type: none"> <li>- Significant demand growth driven by population growth/living standards</li> <li>- Leverage global network to meet local content and lead-time requirements</li> <li>- New market-focused products</li> </ul>

# Market Growth: John Crane is well-positioned under any energy transition scenario

Massive growth in energy demand driven by population growth and higher standards of living

Exajoules/year



- Efficiency must increase 2%-3% p.a. to meet growth in energy demand<sup>2</sup>
- John Crane contributes through:
  - Core offerings that deliver efficiency and reliability to our customers' operations
  - Asset Management services that help customers maximise the efficiency and reliability of existing infrastructure
  - Digital innovation that enables continued efficiency increases



- Climate crisis requires pivoting to low carbon energy sources while satisfying growing demand
- Every future scenario<sup>1</sup> requires both:
  - Cleaner hydrocarbon energy, which benefits our Asset Management and Methane Management offerings and leading position in carbon capture
  - Massive investment in alternative energy sources such as hydrogen, ammonia, nuclear, which leverages our core strength in high criticality pumping and compression



## Market Growth: Core business growth from geographies and industrial verticals

Most of the energy segment growth comes from emerging markets



- Strong established global footprint
- Expand share in high volume segments
- Leverage global network to meet local content and lead time requirements

Industrial markets driven by secular mega trends



- Currently under-served by John Crane
- Bring full breadth of innovative material science and manufacturing technologies to meet industry challenges

# New Products



Dry gas seals for very light hydrocarbons



28VL Development Focus



Integrated greenhouse gas monitoring stack

- 24 new product launches FY20-FY22
- Doubling of R&D investment
- Net vitality forecast to increase significantly by FY25



Zero emission seal and panel for methane



Varnish removal filter



Next-gen pipeline seals



Access From Multiple Devices



Third-party Systems Data Sharing

JC Sense / Digital

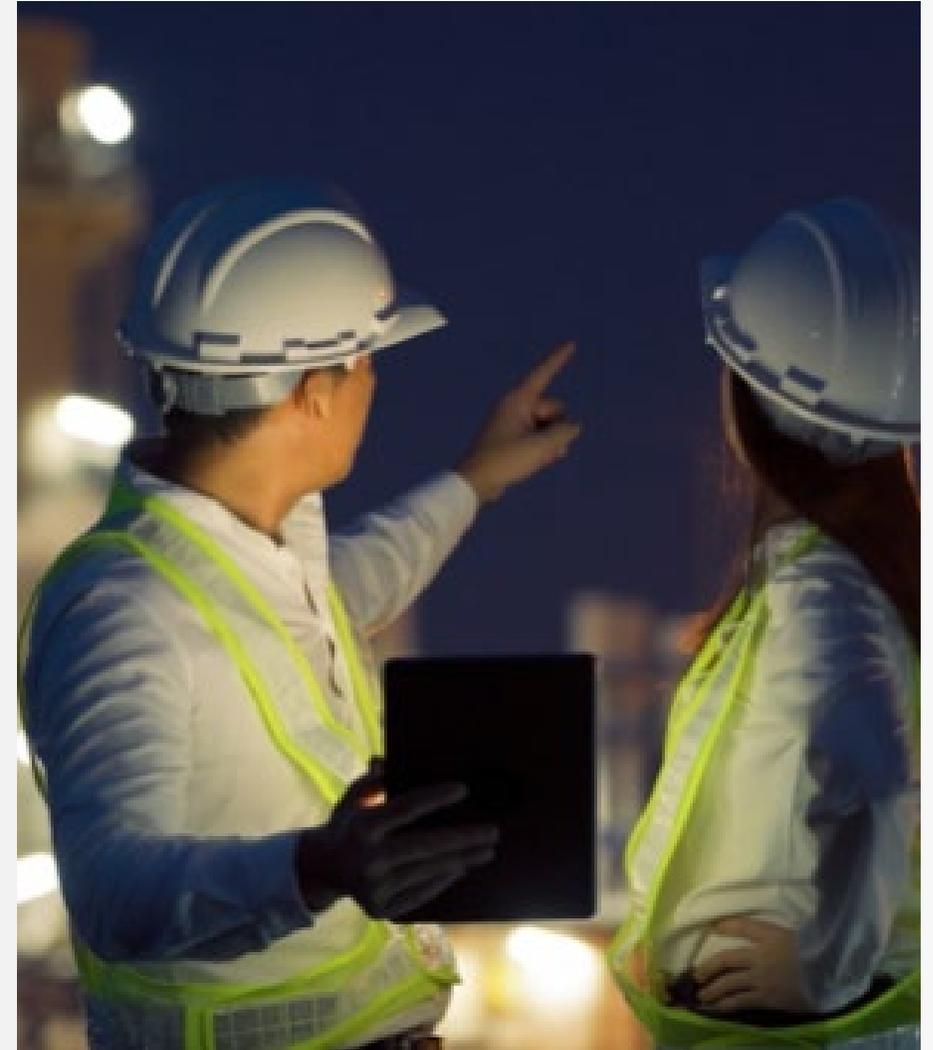


Carbon LF seals for LNG – resists surface degradation

~£100m annual revenue opportunity in 5 years

## New Products: John Crane Sense®

- John Crane Sense® is a digital asset health, diagnostic, and industrial IoT platform
- Significant investment in successful field trial programme
  - Over 1 million field trial hours from customer pilots
  - A major liquefied natural gas producer used John Crane Sense® and reduced their planned maintenance schedule by 8 days, saving an estimated \$4m in production losses
- John Crane Sense® Turbo: industry-first, seal-embedded sensors provide prognostics that predict failures of critical assets
- John Crane Sense® Pumps: aim at self-healing, creating optimal operating conditions through smart monitoring, reducing the need for asset redundancy
- John Crane Sense® Monitor: target wireless high-end frequency measurements with extended battery life and advanced AI analytics



## New Products: Supporting energy transition



- Supporting technologies for leading blue hydrogen and carbon capture, utilisation and storage (CCUS) in Alberta, Canada
- High reliability in harsh, super-critical CO<sub>2</sub> operating environments with extreme pressures, temperatures and speeds
- Energy transition experience grounded in landmark carbon capture projects such as Sleipner gas field and the Gorgon project
- Majority of all CO<sub>2</sub> injection capacity globally uses John Crane dry gas seals
- Committed to the development of new technologies to accelerate energy transition including:
  - Sealing technologies for hydrogen and carbon dioxide
  - Zero-emission gas seals and systems
  - Filtration solutions for carbon dioxide, hydrogen and ammonia

## Adjacencies: New platforms to support customers in the energy transition

### Methane Remediation Services



- Comprehensive methane remediation services providing emissions detection, quantification, repair and permanent monitoring
- Asset integrity: turn-key service for centrifugal compressor shaft seal retrofits and upgrades and other leak prone assets
- Zero-emissions portfolio including seals and digital platform permanent monitoring and quantification of fugitive methane

### Asset Management



Maintenance Engineering



Spares & Inventory Optimization



Condition-based Maintenance & Monitoring



Asset Life Cycle Management

- Reliability and maintenance optimisation services at scale enabled by digital with decision/control capabilities and energy efficiency services
- Enhanced asset lifecycle management capabilities
  - Process change management
  - Process performance management
  - Inspection and preventive maintenance philosophy
  - Asset longevity/extension management

~£100m annual revenue opportunity in 5 years

# John Crane: Closing Remarks

→ Predictable, high margin, “sticky” revenues

→ Technology leader with mission-critical products and services

→ Benefit from post-COVID recovery with opportunities across high growth geographies and industrial markets

→ Exciting mid-term opportunities for sustained growth from global energy demand, methane remediation and relentless focus on efficiency

→ Well-positioned across all energy transition pathways

