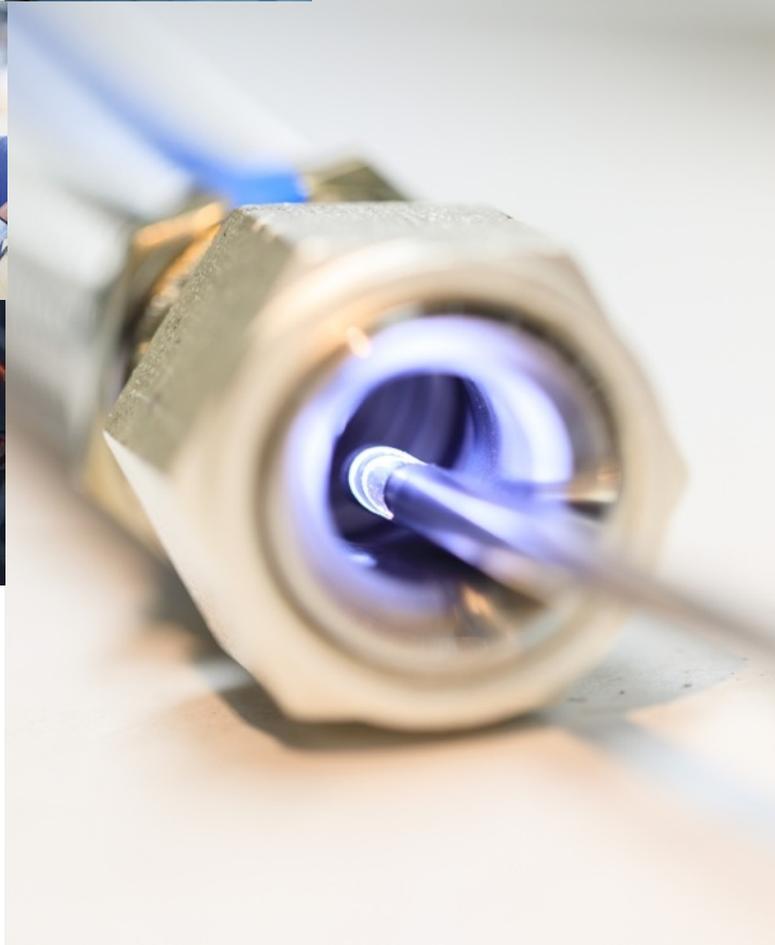




[www.smiths.com](http://www.smiths.com)



**FLEX-TEK**

CAPITAL MARKETS EVENT – 17 NOVEMBER 2021

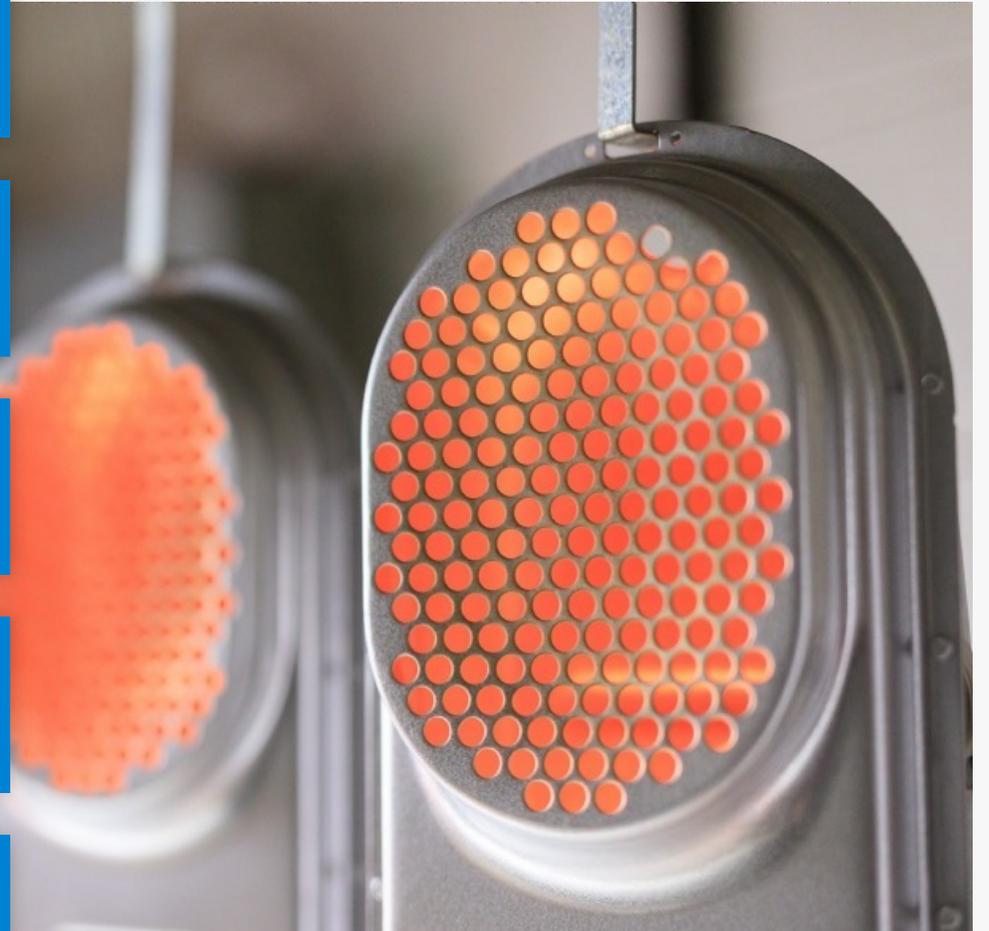


PRESIDENT  
FLEX-TEK

PAT McCAFFREY

## Executive summary

- We have high confidence in our growth prospects
- Solid track record of growth: 5-year revenue CAGR 11%, operating profit CAGR 12%
- Strong positions in multiple attractive markets e.g. construction and aerospace
- Leading innovator in our segments, opportunities to expand internationally
- People are the key to our success with a culture of high performance



# Flex-Tek: safe and efficient movement of fluids and gases

## Key Metrics (FY2021)

REVENUE

**£508m** (21% of Cont. Group)

HEADLINE OPERATING PROFIT

**£97m** (23% of Cont. Group)

HEADLINE OPERATING MARGIN

**19.1%**

ROCE

**21.6%**

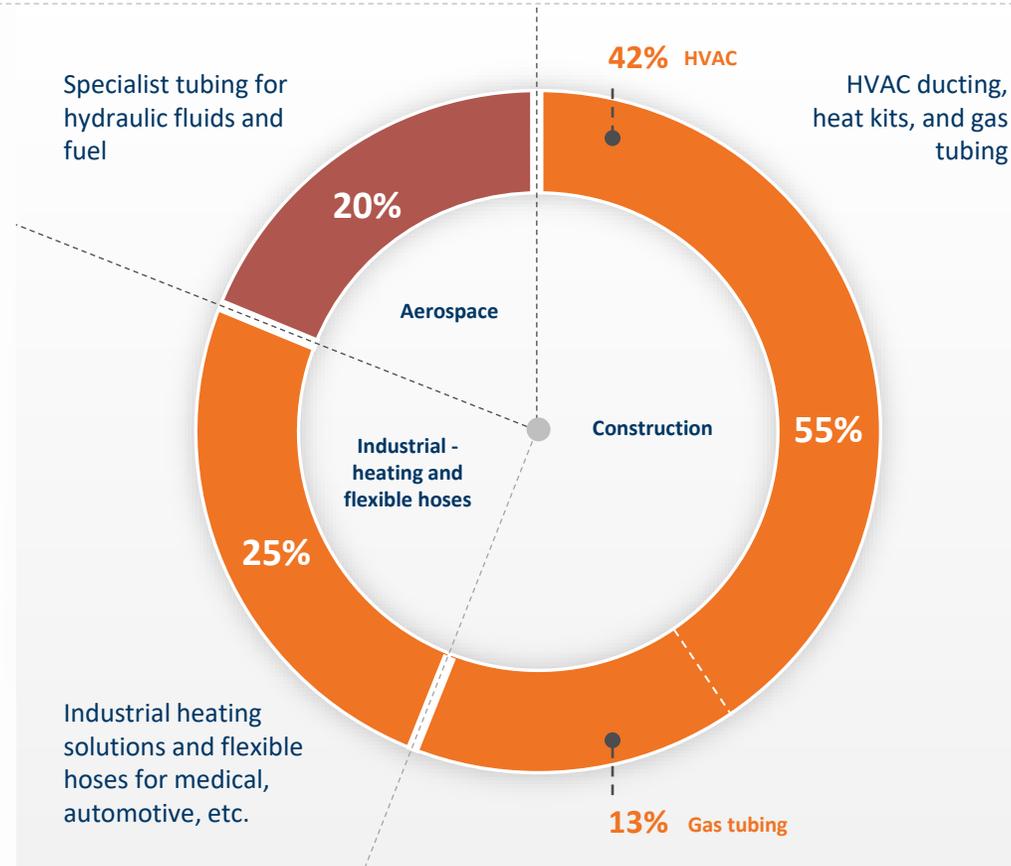
CASH CONVERSION<sup>1</sup>

**107%**

RECURRING REVENUE

**53%**

## Revenue by Sector



## Market Growth Drivers

- High demand for new housing construction
- Recovery and future growth in aerospace
- Growing demand for medical devices
- Global need to improve energy efficiency and reduce emissions

# 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

# Flex-Tek: fundamental strengths

## OUR STRENGTHS



### World-Class Engineering

- Strong capability in design, manufacture and engineering: multi-layer pipe technologies, proprietary heating wire alloys, flexible and hybrid aircraft tubing
- Segment leading product innovation: FlashShield+, floating core duct, heated wire medical hose, NZT wire



### Leading Positions in Critical Markets

- Strong customer relationships built through high level of customer responsiveness helping satisfy customers' current and future needs, such as the new refrigerant line sets development



### Global Capabilities

- Proximity to existing customer base
- Significant opportunity to expand internationally
- Opportunity to leverage Group's global footprint



### Robust Financial Framework

- Track record of sustained growth
- Close management of operations to deliver superior margins
- Attractive returns and strong cash conversion
- Group support in funding growth

# The Flex-Tek growth story

## 5-YEAR TRACK RECORD

→ 11% total revenue CAGR  
12% total operating profit CAGR

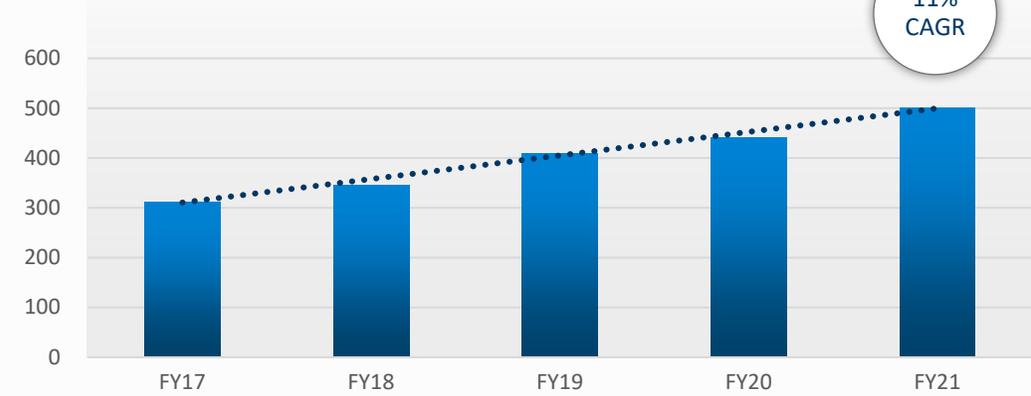
→ 4% organic revenue CAGR  
5% organic operating profit CAGR

→ 100% average cash conversion

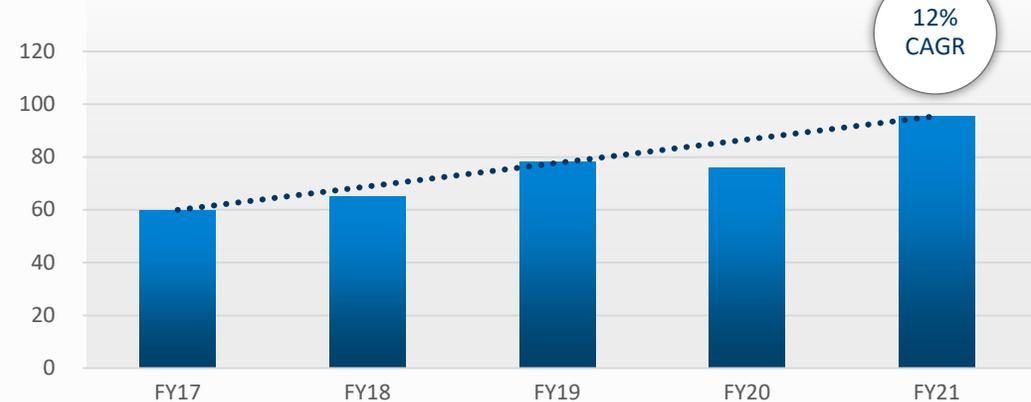
→ FY21 revenue £508m  
19% operating profit margin

→ FY21 trade working capital 21.4%

Revenue growth (£m)



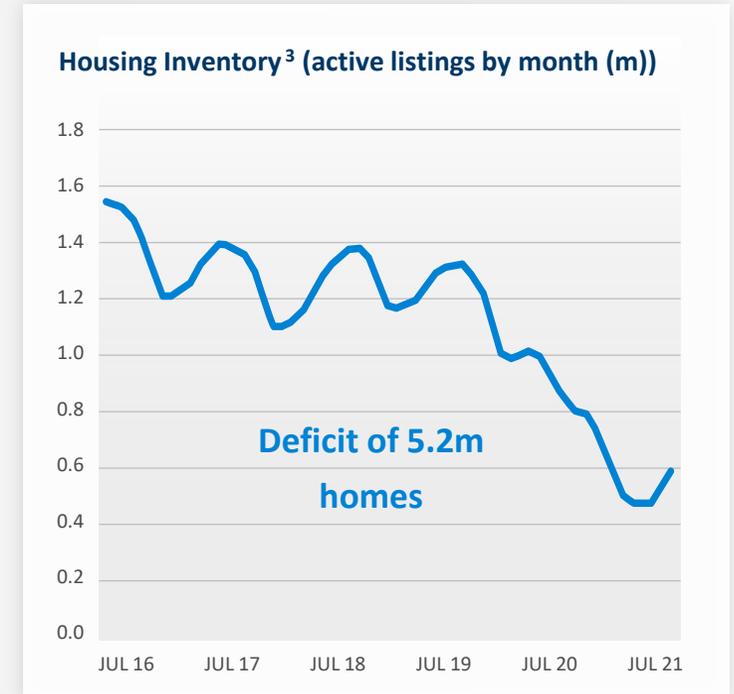
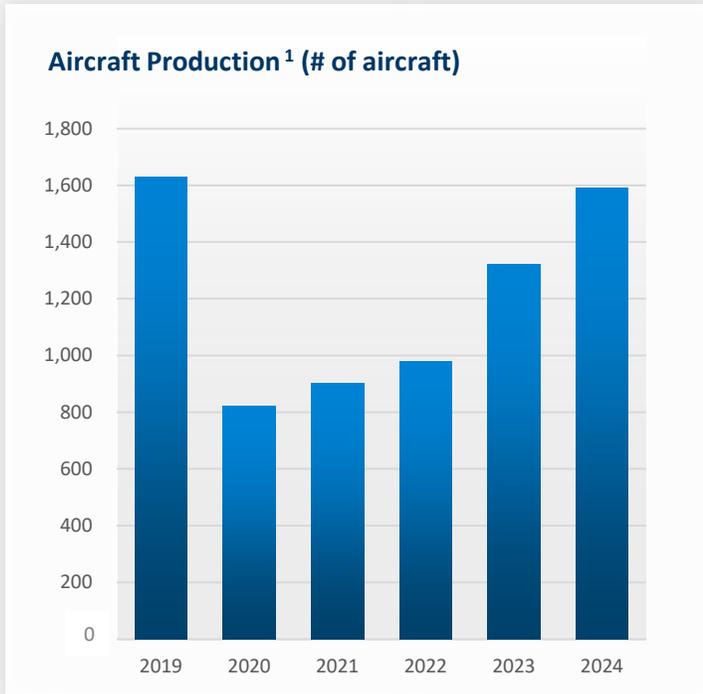
Operating profit growth (£m)



# How Flex-Tek accelerates growth



# Market growth: market context and long-term trends



- **Aerospace:** recovery has begun, with commercial aircraft production expected to return to pre-COVID levels by 2025 and grow beyond this
- **Industrial:** focused on key segments with best growth rates such as global medical hose, industrial heating, and international opportunities
- **Construction:** demand high and likely to remain so for a further 12-24 months

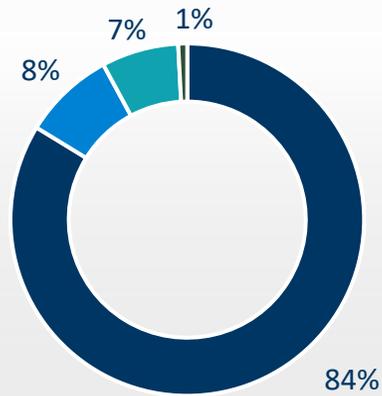


5% overall blended market growth rate for next three years

# Market growth: geographical and end-use market expansion

2021 Revenue by destination

- North America
- Europe
- APAC
- Rest of World



**CSST in Europe:**  
penetration of the gas piping market similar to our success in the US adds a £150m segment



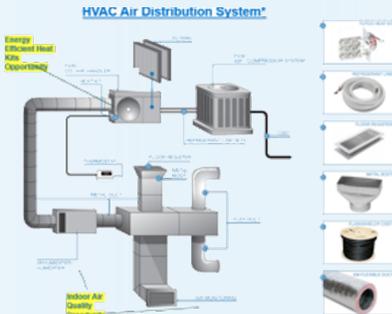
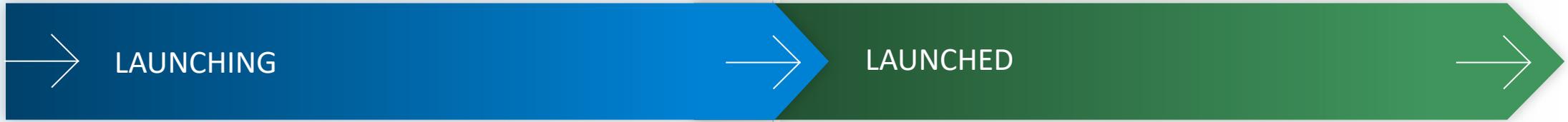
**China:**  
Medical hose and automotive hose. A combined £50m opportunity



Operational improvements, using Smiths Excellence System, allow us to capitalise on growth opportunities



# New products



New energy efficiency and indoor air quality HVAC products



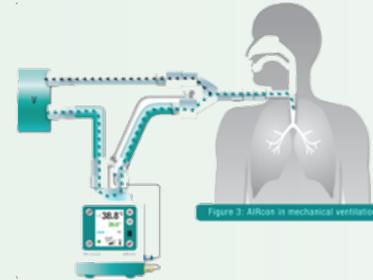
High temperature, flexible aerospace hoses



Multi-layer refrigerant line sets



Industrial heat



Heated wire CPAP hoses

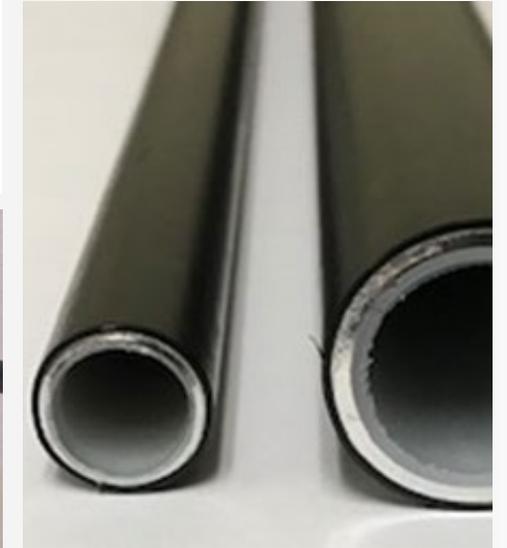
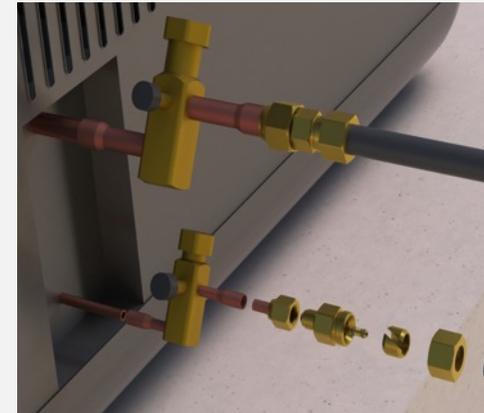


Lightning resistant flexible gas piping  
JC Sens £100m

~£75m annual revenue opportunity over next 3-5 years

## New products: Python line sets

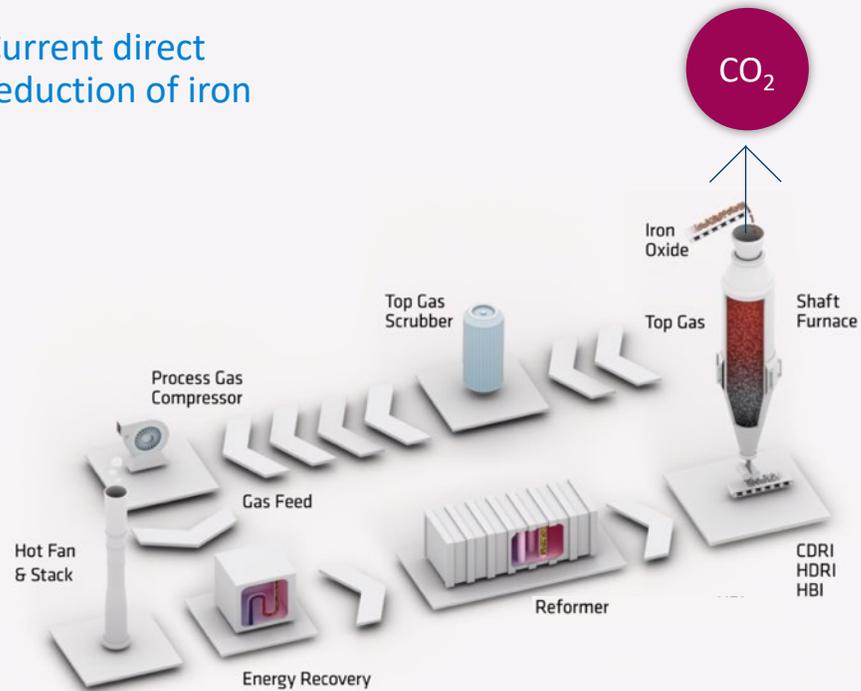
- A new product developed at customer request to replace copper tubing lines in HVAC systems - building on our Gastite multi-layer pipe technology
- It offers the contractor several advantages
  - Much greater price stability than copper tubing
  - Easy to install. Familiar system to Gastite customers
  - Eliminates the “kinking” problem
  - Reduces the risk of job site theft
- We launch the product in Q3 of this fiscal year
  - Penetration similar to CSST in the £300m market gives us an expected £150m served market
  - We expect margins in line with the current Gastite business and higher share as a first mover
- The product is initially designed for full size split HVAC systems and we expect to adapt it to mini-splits as well
- Other applications are under consideration to adapt our multilayer pipe experience to replace other rigid pipes with flexible solutions



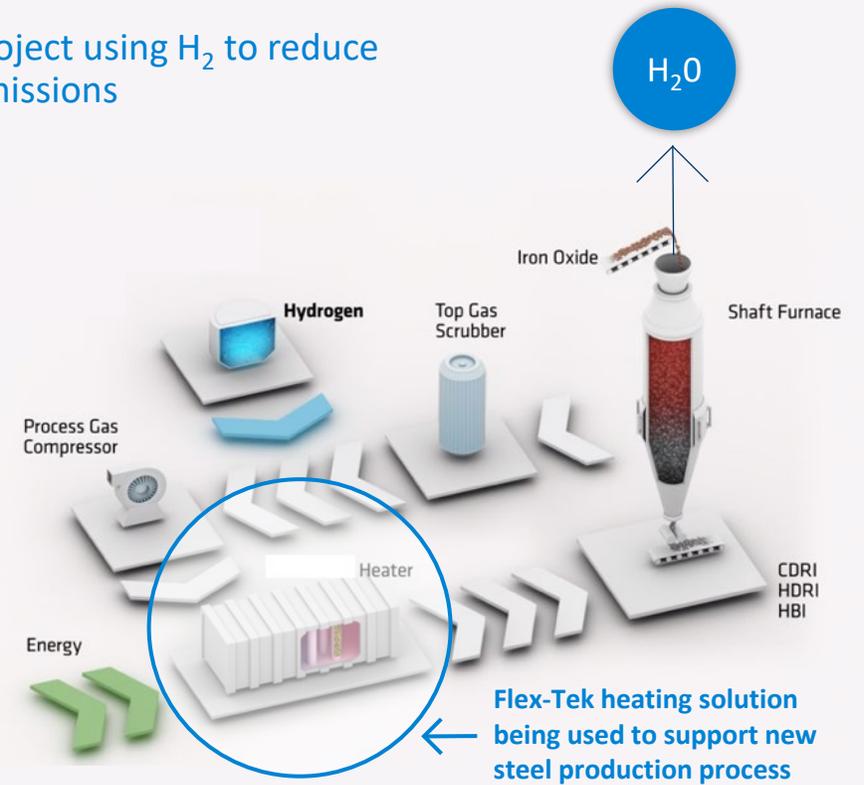
# Adjacencies: new applications for industrial heating

A project to reduce CO<sub>2</sub> emissions in the production of steel

Current direct reduction of iron



Project using H<sub>2</sub> to reduce emissions



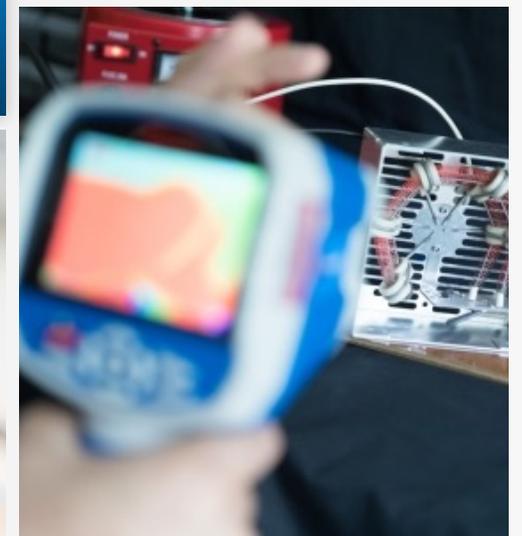
## M&A: Royal Metal Products

- **Royal Metal Products** manufactures and sells metal and flexible ducting used in HVAC central heat and air systems
- Acquired for \$107m in February 2021, 7.6x trailing EBITDA
  - Revenue growth of 11% pre-acquisition, 26% post-acquisition
  - Margin improvement of 900bps since acquisition
- Added metal ducting to our line of HVAC products; a strong complement to our flexible ducting
- Complementary wholesaler relationships
- Ready for further US expansion using our existing Thermaflex sites
- Acquisition delivering ahead of plan



## Flex-Tek: Closing Remarks

- We are very confident about delivering further growth
- Proven track record of consistent growth and margin expansion
- Well-positioned with strong relationships in attractive markets
- Driven to innovate and well placed to expand internationally
- Lean structure with incredible culture of great people





THANK YOU