

smiths

# ANNUAL GENERAL MEETING

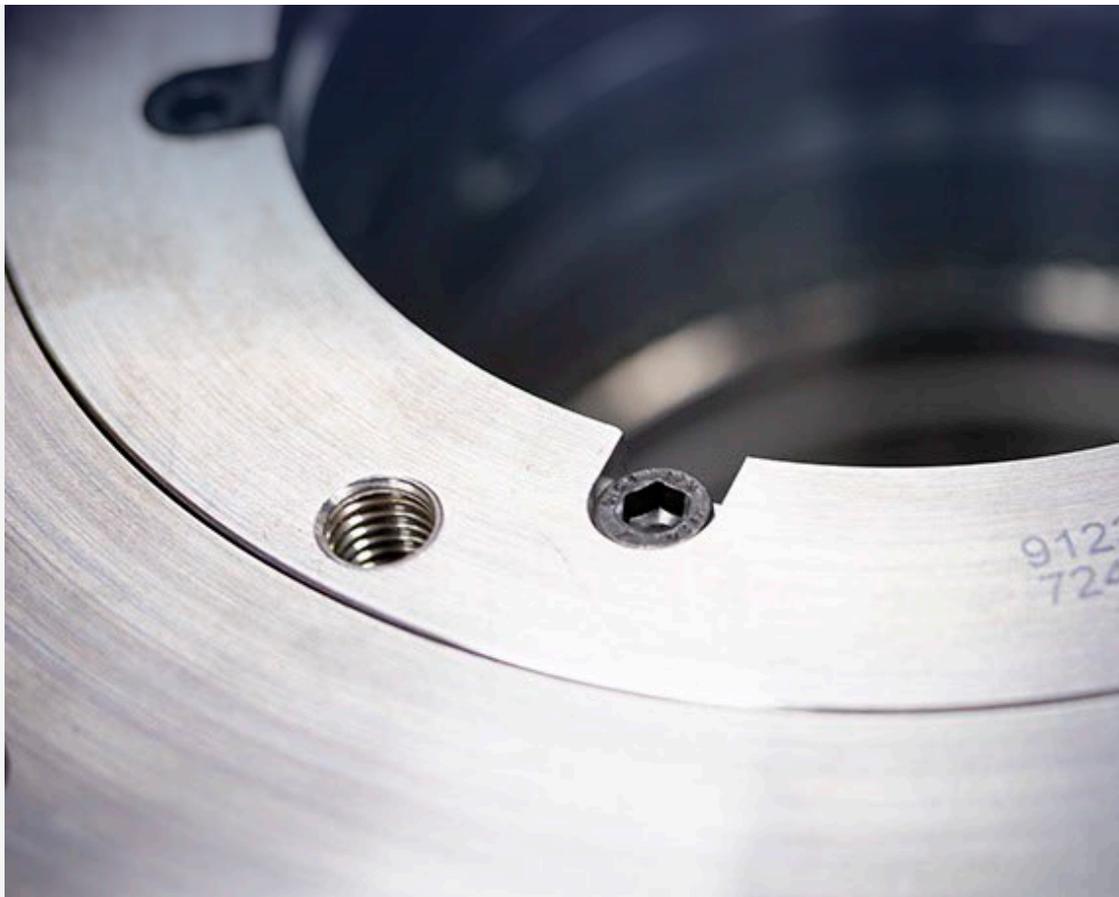
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SMITHS GROUP PLC

WEDNESDAY 13 NOVEMBER 2024



## Disclaimer



This presentation contains certain statements that are forward-looking statements. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs and/or current expectations of Smiths Group plc (the “Company”) and its subsidiaries (together, the “Group”) and those of their respective officers, directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. The Company and its directors accept no liability to third parties. This presentation contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.

The information relating to the Acceleration Plan is potential and approximate – further updates may be required. No decisions have been made at this stage in relation to any potential changes at any Smiths site in any jurisdiction and remain subject to local legislation and appropriate consultation.

# Chairman's Address

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**STEVE WILLIAMS**

CHAIRMAN



# CEO Review

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ROLAND CARTER

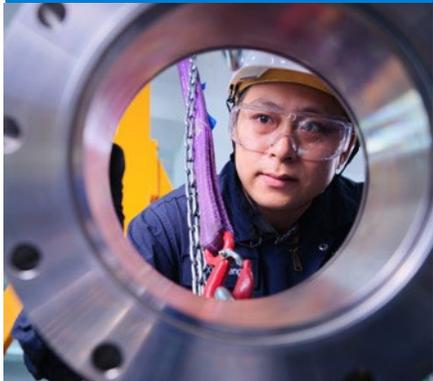
CHIEF EXECUTIVE OFFICER



# FY2024 – continued good delivery against our strategy; well positioned for ongoing value creation



Good operational and financial performance



Delivered in line with guidance

- +5.4% organic<sup>1</sup> revenue growth
- +30bps operating margin expansion
- +8.3% EPS growth



Disciplined capital allocation

- £181m R&D and capex
- £65m M&A
- Strategic and disciplined acquisitions in Flex-Tek
- £70m buyback; additional £9m post year-end
- +5.2% DPS

Strong and flexible balance sheet

0.3x net debt to EBITDA;  
0.4x on a pro-forma<sup>2</sup> basis

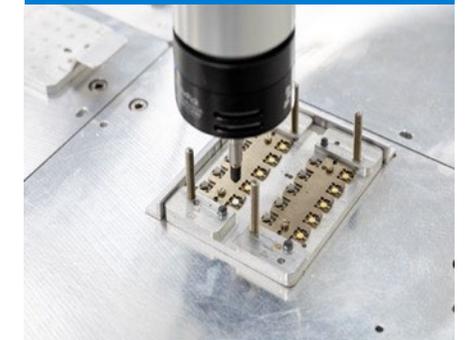


Well positioned for FY25, and beyond

- Strong order book provides support
- Reaffirming medium-term targets



Robust platform and focused strategy for continued growth and margin expansion



All numbers are headline unless otherwise stated. Headline excludes items defined in note 3 of the financial statements

1 Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions

2 Pro-forma includes proceeds from July and August ICU Medical share sales and acquisitions announced in September 2024 (using latest available 12-month EBITDA figures)

# Smiths Group – Business performance

## John Crane

Strong order intake, organic revenue and operating profit growth

Revenue	Operating profit
£1,133m +9.8% <sup>1</sup>	£263m +12.4% <sup>1</sup>
Energy: +15.9%	Operating margin
Industrial: +0.3%	23.2% +60bps <sup>1</sup>

Capex investments continue in FY2025

## Flex-Tek

Resilient operating profit despite US construction market headwinds

Revenue	Operating profit
£786m (0.8)% <sup>1</sup>	£161m +4.2% <sup>1</sup>
Industrial: (3.5)%	Operating margin
Aerospace: +10.9%	20.5% +100bps <sup>1</sup>

HCP (acquired in August 2023) integration ahead of plan

## Smiths Detection

Delivering against, and further building on, strong order book

Revenue	Operating profit
£859m +11.1% <sup>1</sup>	£102m +18.0% <sup>1</sup>
Aviation: +15.4%	Operating margin
OSS: +2.6%	11.9% +70bps <sup>1</sup>

Now sold c.1,400 CTiX scanners, with >50% win rate

## Smiths Interconnect

Stable H2 and well positioned for gradually improving markets

Revenue	Operating profit
£354m (6.5)% <sup>1</sup>	£49m (17.8)% <sup>1</sup>
Aerospace & Defence: (1.3)%	Operating margin
Industrial: (11.9)%	13.9% (190)bps <sup>1</sup>

Positive order outlook in semi-test, aerospace and defence programmes

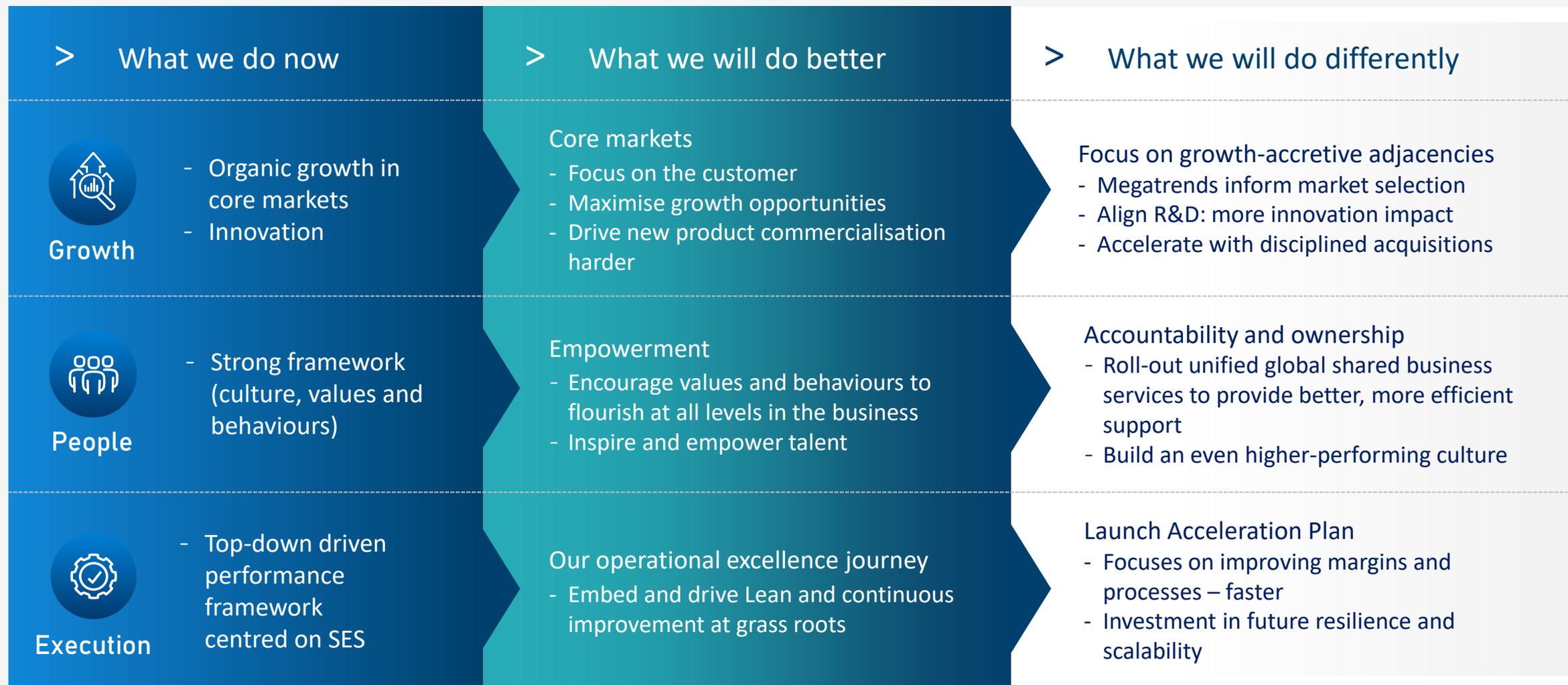
<sup>1</sup> Reflects organic revenue, organic operating profit growth and organic operating margin movement

# STRATEGY

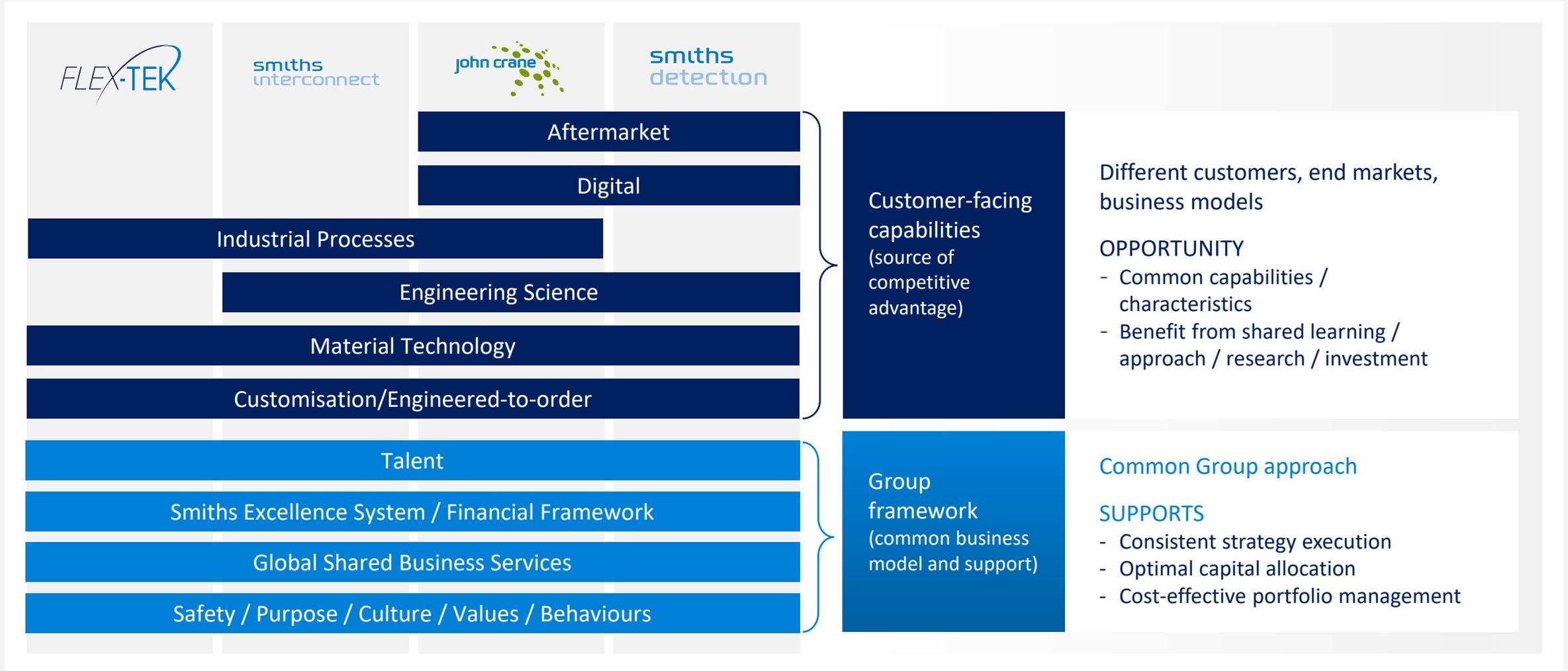
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# Overview: taking the best of Smiths and making it better



# Our portfolio: supporting customers, delivering growth and optimising performance



# Acceleration Plan – opportunity to enhance Group-wide productivity and capabilities

## Programme of targeted investment across the Group

- Enhance capabilities and competitiveness
- Deliver end-to-end-process improvement for resilience and scalability over the longer term
- Optimise operational footprint, improve operating leverage and enhance margin

## Accelerate delivery of medium-term financial targets

<b>Processes</b>	<ul style="list-style-type: none"> <li>- Invest in core capabilities</li> <li>- Process optimisation</li> <li>- Selective shared business services</li> </ul>
<b>Property</b>	<ul style="list-style-type: none"> <li>- Footprint optimisation review</li> </ul>

	FY2025	FY2026	FY2027
Cost (£m)	30-35	~30	-
Capex (£m)	10	-	-
Benefits (£m)	-	~7	30-35

- Expect to deliver £30-35m potential annualised benefits in FY2027 and beyond, of which around a quarter is expected in FY2026
- ~£60-65m total cost, over FY2025 and FY2026
- ~£10m additional capex in FY2025
- Below the line treatment

The information in this slide is for discussion purposes only. No decisions have been made at this stage in relation to any potential changes at any Smiths site in any jurisdiction and remain subject to local legislation and appropriate consultation. All numbers stated are potential and approximate – further updates may be required.

# All businesses have a clear roadmap to improve profitability and enhance capability

	GROWTH			EXECUTION		
	Near Term	Medium Term		Near Term	Medium Term	
Medium-term financial target impact	Organic Revenue Growth   Operating Profit Margin			Operating Profit Margin   ROCE   Operating Cash Conversion		
	Core Market Opportunities	Innovation / New Products and Services	Adjacent Growth Opportunities	Operating Margin Improvement potential	SES / Operational Excellence	Acceleration Plan
	<ul style="list-style-type: none"> <li>- Efficiency and emissions reduction – industrial processes and energy</li> </ul>	<ul style="list-style-type: none"> <li>- Industrial Hydrogen</li> <li>- CCUS</li> <li>- Digital-JC Sense</li> </ul>	<ul style="list-style-type: none"> <li>- New sealing solutions and services</li> </ul>	<ul style="list-style-type: none"> <li>- Growth</li> </ul>	<ul style="list-style-type: none"> <li>- Value stream optimisation</li> <li>- Automation</li> </ul>	<ul style="list-style-type: none"> <li>- Footprint optimisation</li> <li>- Shared services</li> <li>- Standardised work &amp; processes</li> </ul>
	<ul style="list-style-type: none"> <li>- Equipment replacement cycles – aviation and other security systems</li> </ul>	<ul style="list-style-type: none"> <li>- Digital solutions</li> <li>- Next-gen chemical detection</li> <li>- X-ray diffraction</li> </ul>	<ul style="list-style-type: none"> <li>- Circular economy</li> </ul>	<ul style="list-style-type: none"> <li>- Meaningful: Growth</li> <li>- Mix</li> <li>- Innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Supply chain optimisation (inventory management/field service delivery improvement)</li> </ul>	<ul style="list-style-type: none"> <li>- Process improvement</li> <li>- Shared services</li> <li>- Standardised work &amp; processes</li> </ul>
	<ul style="list-style-type: none"> <li>- Recovery in US construction</li> </ul>	<ul style="list-style-type: none"> <li>- New HVAC products</li> <li>- Python line sets</li> <li>- Industrial process heat</li> </ul>	<ul style="list-style-type: none"> <li>- Industrial process heat</li> <li>- Aerospace components</li> </ul>	<ul style="list-style-type: none"> <li>- Growth</li> <li>- Economies of scale from acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>- Improve Overall Equipment Effectiveness (OEE)</li> <li>- 'One Aerospace'</li> <li>- 'One Construction'</li> </ul>	<ul style="list-style-type: none"> <li>- Automation</li> <li>- System improvements</li> </ul>
	<ul style="list-style-type: none"> <li>- Recovery in connectors &amp; semi-test (underway)</li> </ul>	<ul style="list-style-type: none"> <li>- Fibre optics</li> <li>- RF products</li> <li>- Advanced semi-test products</li> </ul>	<ul style="list-style-type: none"> <li>- High speed space</li> <li>- Satellite communications</li> </ul>	<ul style="list-style-type: none"> <li>- Meaningful: Growth</li> <li>- Mix</li> <li>- Innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacturing process innovation and automation</li> </ul>	<ul style="list-style-type: none"> <li>- Footprint optimisation</li> <li>- Go-to-market reconfiguration</li> </ul>

# Q1 AND OUTLOOK

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# Q1 trading update and FY2025 outlook

## Acquisitions completed

- Completed two strategic and disciplined acquisitions for Flex-Tek
  - Modular Metal Fabricators, Inc and Wattco, Inc
  - Expansion in two of Flex-Tek's core platforms - HVAC and industrial electric heating
- Integration progressing to plan

## Outstanding Q1 performance

- +15.8% organic revenue growth, +13.1% on a trading day adjusted basis
- All businesses delivered growth in the quarter:
  - John Crane - high single digit organic revenue growth
  - Smiths Detection - strong double digit organic revenue growth, above that of H2 FY2024
  - Flex-Tek - low single digit organic revenue growth
  - Smiths Interconnect - organic revenue growth of more than 30%

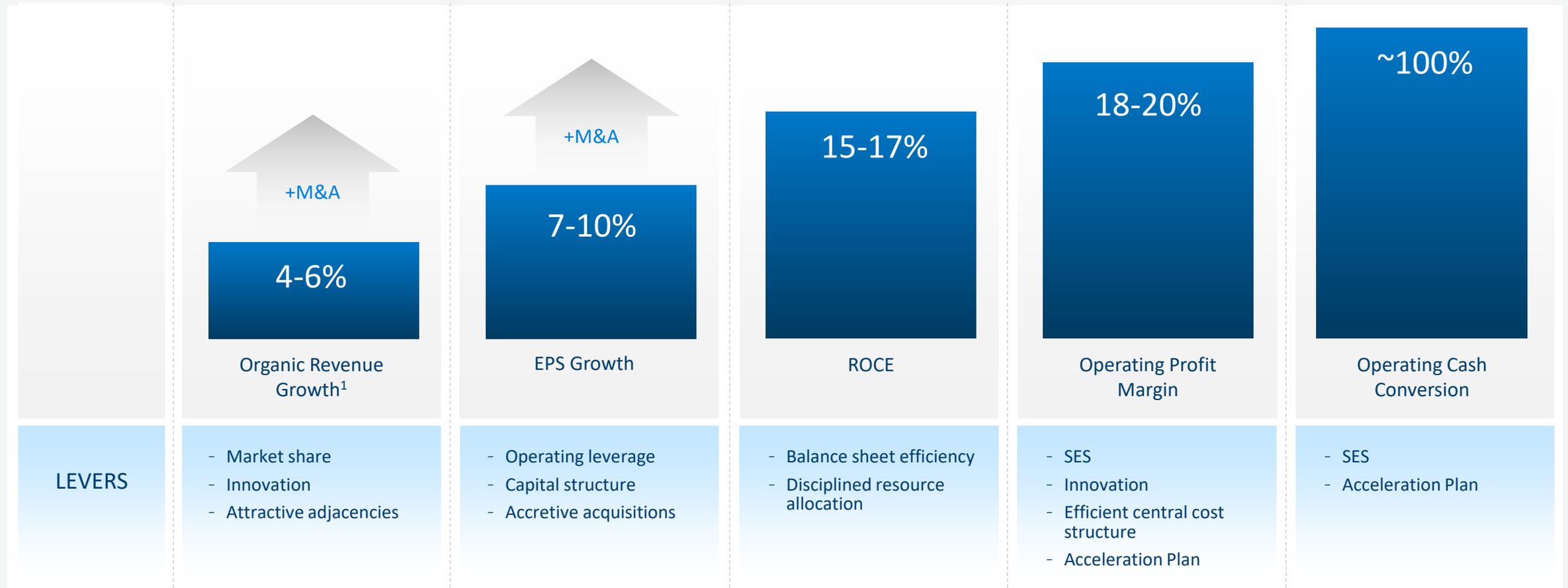
## Share buyback programme resumed

- Share buyback programme increased from £100 million to £150 million
- Initiating second tranche of £100 million, expect to complete by end of fiscal year

## FY2025

- Now expect organic revenue growth of 5-7%, upgraded from the original 4-6% guidance
- Now expect operating profit margin expansion of 40-60 bps
- Operating cash conversion in the low 90%

# Re-affirming medium-term financial targets, underpinned by our performance framework



Expect FY2025 organic revenue growth of 5-7%, with operating profit margin expansion of 40-60 bps

<sup>1</sup> Organic revenue growth excludes the effects of foreign exchange and acquisitions

# Strategy builds on, and out from, solid foundations: executing a clear plan to increase value

## Our Purpose

To make the world safer, more energy efficient and productive, and better connected

## Our Strategy

Deliver profitable growth from secularly attractive markets

Invest in technology and engineering for competitive differentiation

Implement mission-critical solutions within long-term customer partnerships

## Priorities



### Growth

Maximise growth opportunity in core markets

Drive high value innovation and new product commercialisation harder

Invest in growth-accretive, profitable priority adjacencies



### People

Inspire, support and develop our talent



### Execution

Scale SES/embed Lean to continue to drive margin, cost and cashflow improvement and process efficiency

Maintain strong and flexible balance sheet to support growth strategy

## Accelerators

Organic investment directed to most attractive market and adjacent market opportunities

Acceleration Plan: enhance margins, process and capability improvement

Disciplined M&A to augment profitable growth

Pioneers of Progress – engineering a better future

# QUESTIONS & ANSWERS

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## Poll vote resolutions

1. Receipt of FY2024 Annual Report
2. Declaration of a final dividend
3. Approval of Directors' Remuneration Policy
4. Approval of Directors' Remuneration Report
5. Approval of the Smiths Group Long Term Incentive Plan 2024 rules
6. Approval of the Smiths Group Sharesave Scheme 2024 rules
7. Election of Roland Carter as a Director
8. Election of Alister Cowan as a Director
9. Re-election of Pam Cheng as a Director
10. Re-election of Dame Ann Dowling as a Director
11. Re-election of Karin Hoeing as a Director
12. Re-election of Richard Howes as a Director
13. Re-election of Clare Scherrer
14. Re-election of Mark Seligman as a Director
15. Re-election of Noel Tata as a Director
16. Re-election of Steve Williams as a Director
17. Re-appointment of KPMG LLP as auditors
18. Auditor remuneration
19. Authority to make political donations and expenditure
20. Authority to issue shares
21. Authority to disapply pre-emption rights
22. Additional authority to disapply pre-emption rights
23. Authority to make market purchases of shares
24. Authority to call general meetings on short notice

## Proxy votes cast

259m proxy votes cast

75.23% of the issued share capital

Continued strong support – full voting results will be available on our website

# Thank you for attending the Annual General Meeting

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