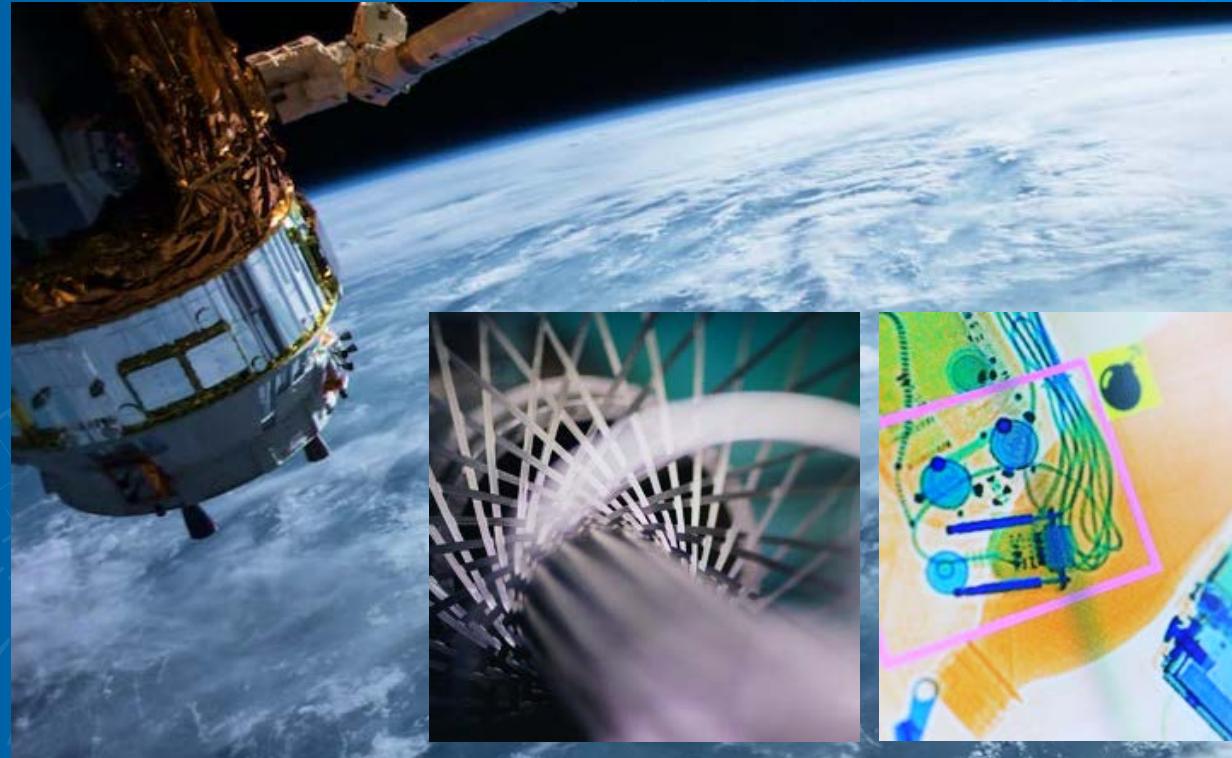


smiths

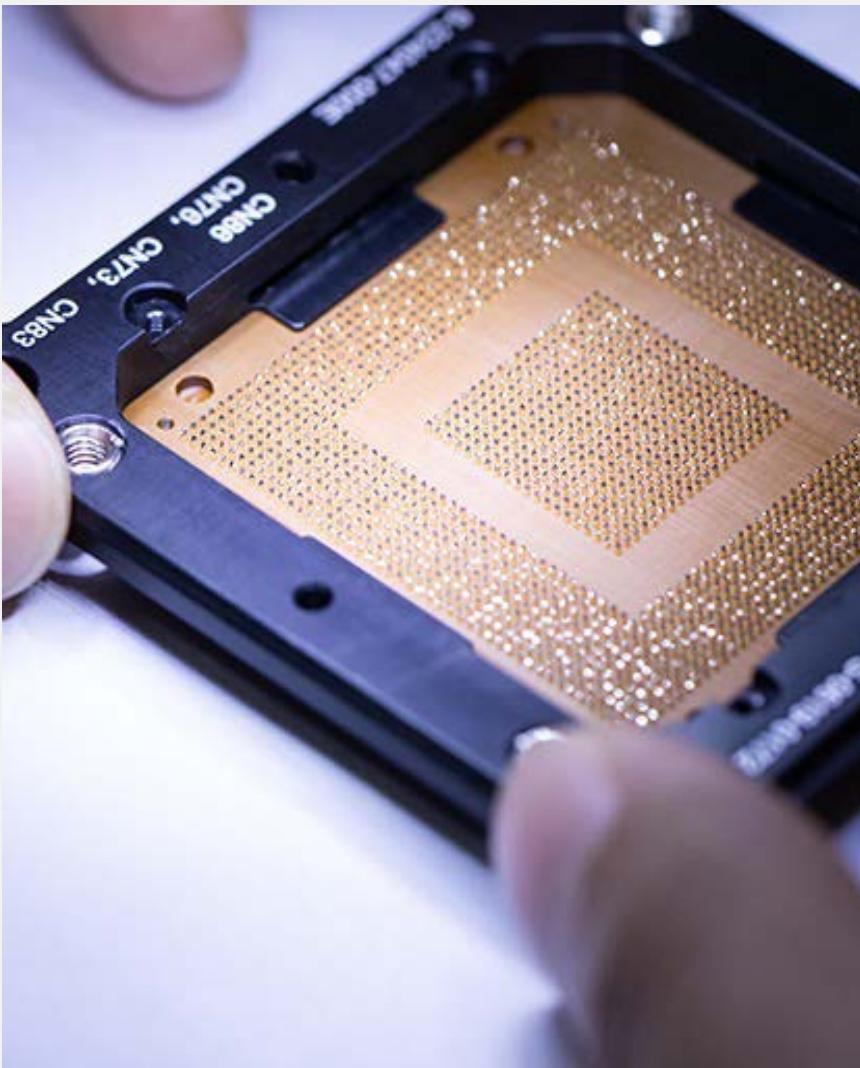
# PIONEERS OF PROGRESS

Smiths Group plc  
Capital Markets Event  
10 November 2022



IMPROVING OUR WORLD  
THROUGH SMARTER  
ENGINEERING

# Agenda



Progress towards our near, medium, and longer-term commitments  
Paul Keel, Chief Executive Officer

Divisional deep dives      Pat McCaffrey, President Flex-Tek  
                                  Julian Fagge, President Smiths Interconnect

Sustainability at Smiths  
John Ostergren, Chief Sustainability Officer

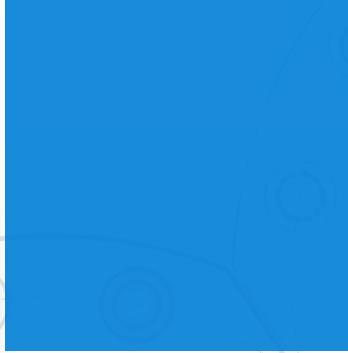
Financial progress  
Clare Scherrer, Chief Financial Officer

Q&A – webcast live at 16.00 GMT, 10 November  
Technology expo – live with digital modules available on-line

# Progress towards our near, medium, and longer-term commitments

Chief Executive Officer

**Paul Keel**



# Opening Thoughts

Our value creation thesis is unchanged:

- Smiths is an intrinsically strong company capable of more
- Higher performance creates greater value for all stakeholders
- There is clear evidence of progress already, with further potential to come

Our momentum and improving execution will drive further gains in FY23, even with an uncertain macro outlook.

- With six straight quarters of accelerating growth, we carry good momentum
- Initiatives underway deliver earnings leverage and de-risk uncertainty

Our balanced portfolio supports delivery of our medium-term commitments

Our fundamental strengths and participation in secular megatrends support achievement of our long-term potential



# 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

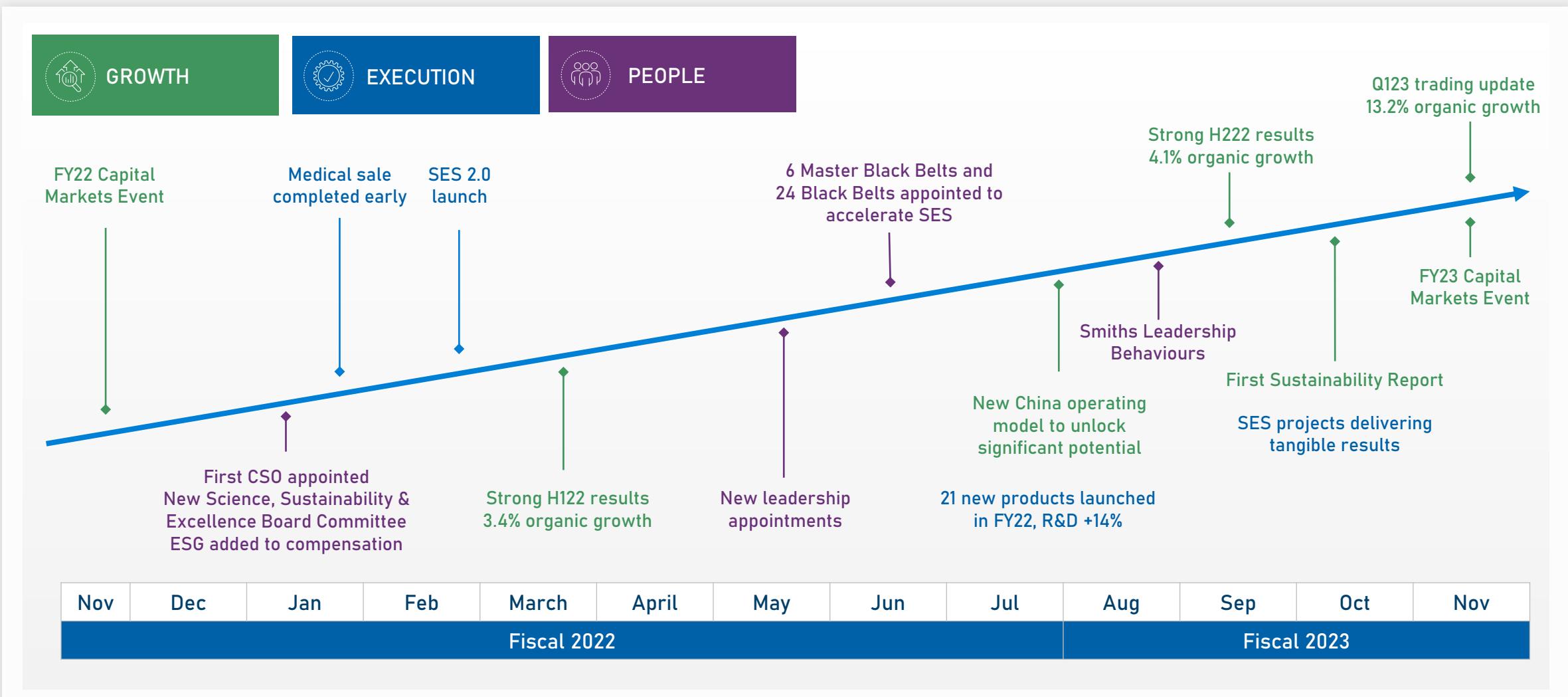


Execution



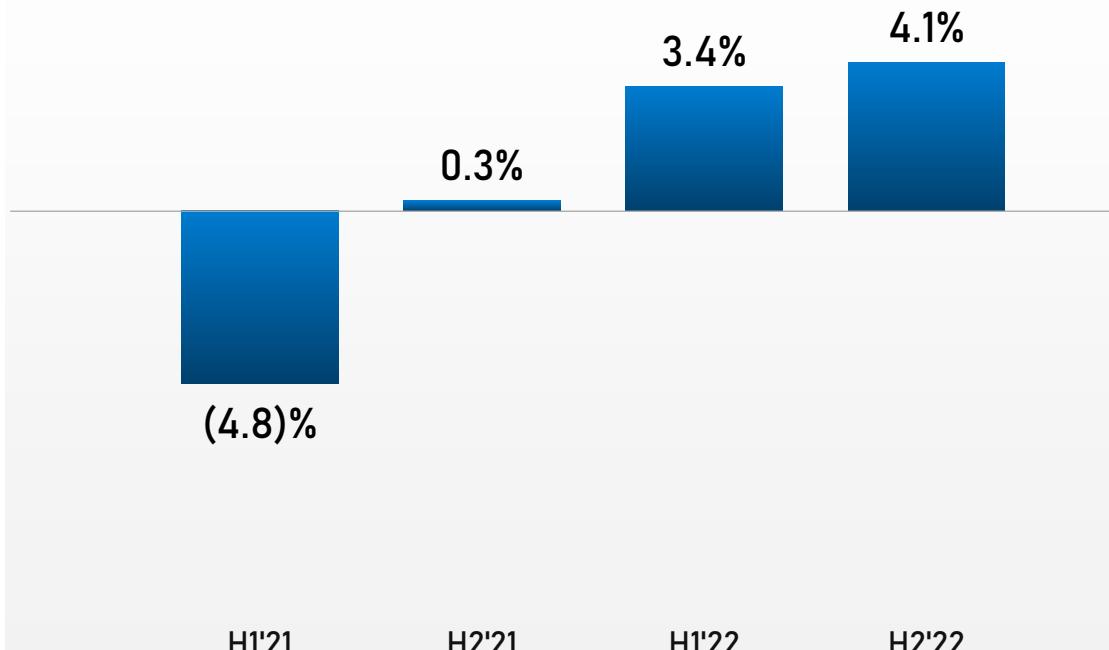
People

# Progress since our last Capital Markets Event

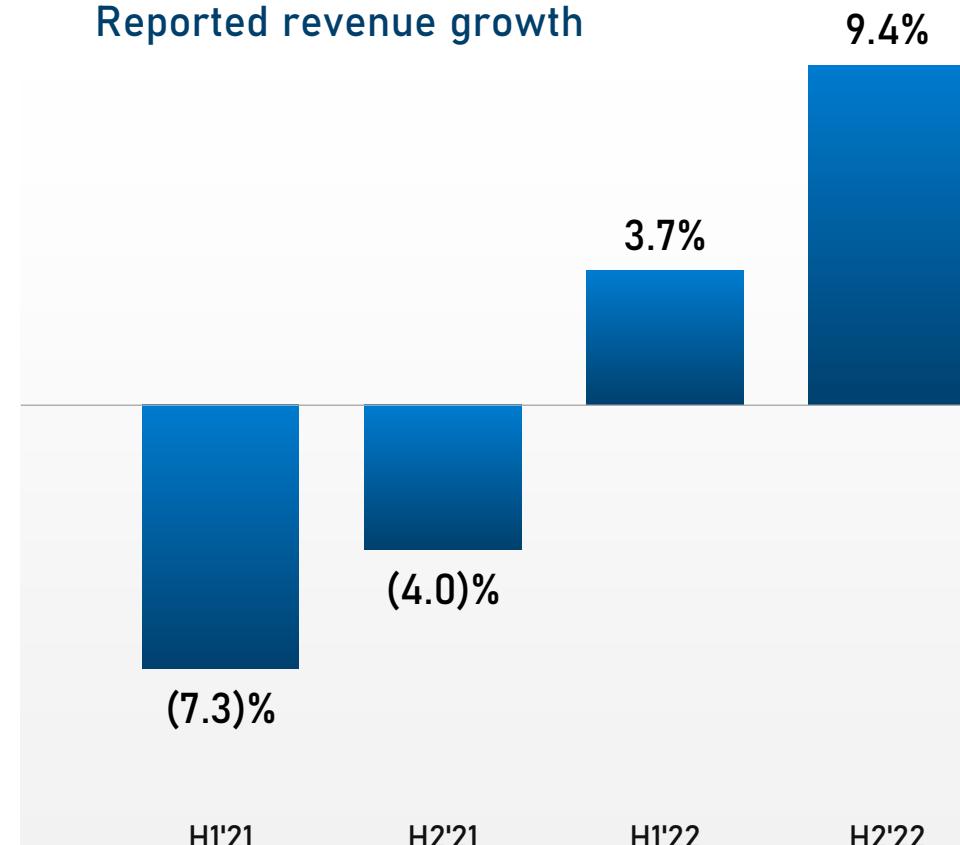


# Accelerating Growth

Organic<sup>1</sup> revenue growth



Reported revenue growth



# Agenda



**Continued momentum  
in the near term**



**Delivery of medium-  
term commitments**



**Reaching our long-term  
potential**

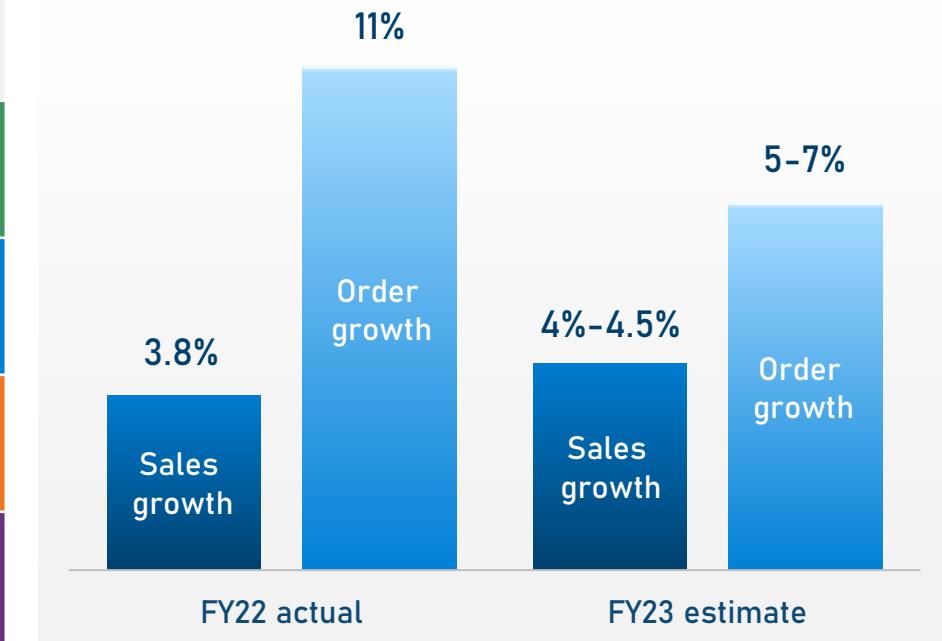
# Strong Momentum

## End market growth

Smiths business	FY22 Growth	Business FY23 outlook vs. FY22	Primary end markets	End market FY23 outlook
john crane	3.7%	Accelerating growth	▪ Energy ▪ Industrial	++
smiths detection	(9.4)%	Return to growth	• Aviation • Other Security	++
FLEX-TEK	16.1%	Growth (below FY22 record levels)	▪ Industrial ▪ Aerospace	+
smiths interconnect	13.9%	Growth (below FY22 record levels)	• Industrial • Security • Aerospace	+

Strong demand continues in most end markets;  
FY23 growth will accelerate further from strong FY22

## Smiths organic sales growth vs. order growth



Order growth continues,  
still above accelerating revenue growth

# Smiths Group high-value model supports accretive price capture

R&D as % sales

Quartile	R&D % Sales
Smiths	4.2%
Top quartile	4%-6.5%
2 <sup>nd</sup> quartile	2.5%-3.5%
Median	2.5%
3rd quartile	1% - 2.5%
Bottom quartile	0-1%



Smiths price vs. input inflation



Smiths' FY22 and Q123 price capture

10 bps contribution to margin in FY22



FY22 and Q123 input inflation

# Smiths Detection's return to growth has a positive impact for Smiths Group

## Drivers of Smiths Detection growth



3 of 4 of Smiths Detection's segments delivered revenue growth in FY22



A number of large tender wins in aviation, urban security, ports & borders and defence

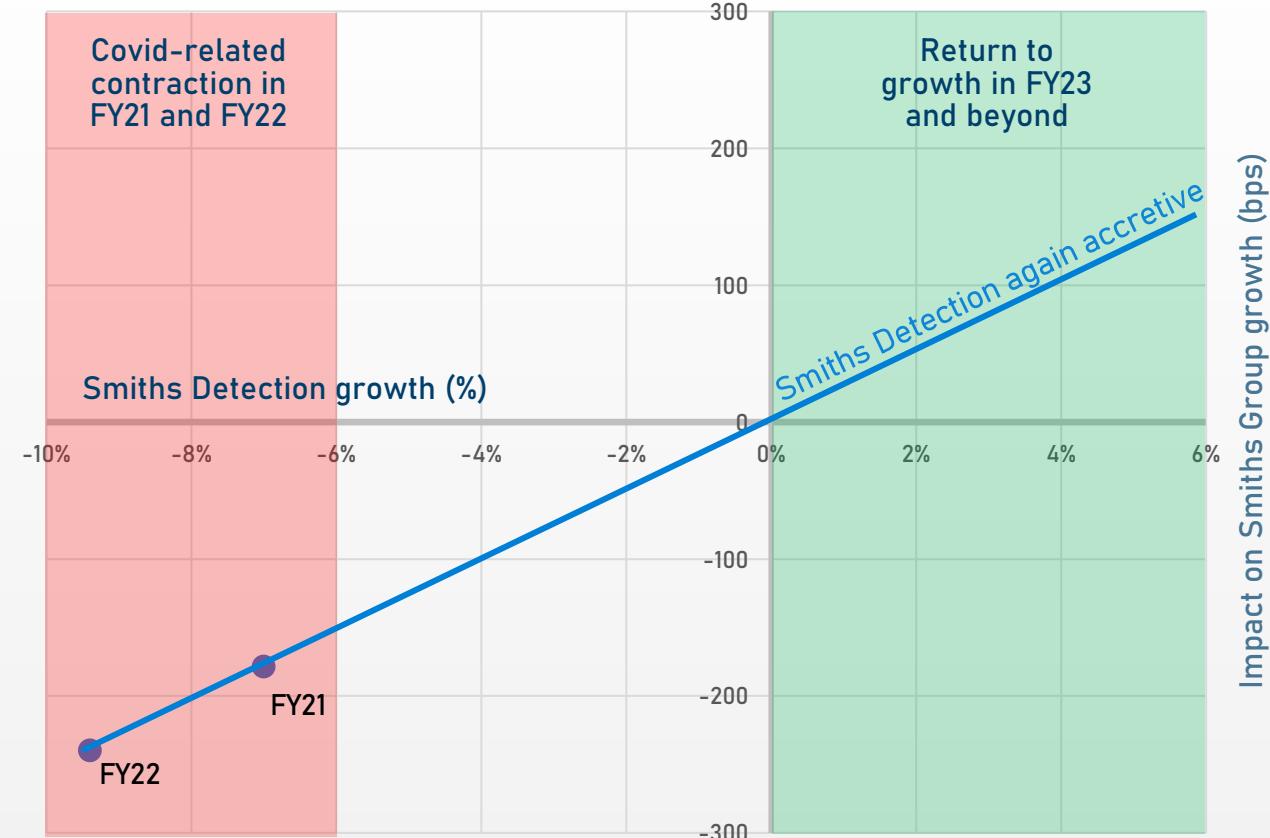


4 of 4 segments delivered order growth in FY22



Strong Q1, highly accretive to Smiths Group

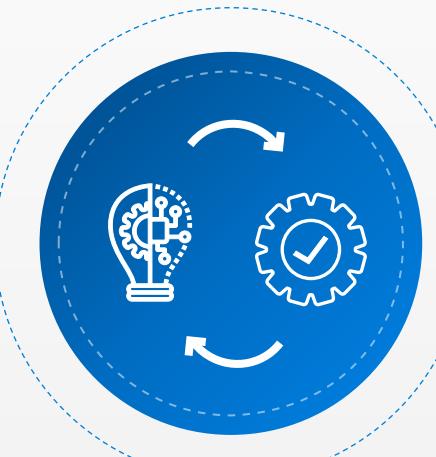
## Impact of Smiths Detection growth (%) on Smiths Group growth (bps)



# SES, restructuring, and supply chain actions will deliver earnings leverage and de-risk uncertainty

## SES

- SES is central to how we solve problems and deliver results
- Full-time team including 6 Master Black Belts and 24 Black Belts
- Brought the SES Academy in house to amplify impact
- 29 Black Belt projects underway



In FY23, SES will deliver:

- ~£20m in operating profit
  - Growth
  - Productivity
- ~£20m in operating cash

## Additional operating excellence



- Expanding presence in priority markets; continue to manage price and supply chain



- Optimising manufacturing footprint to better respond to customer demand



- Streamline end-to-end value chain; improve supply efficiency and enhance customer service to convert orders to revenue



- Reduce overhead costs to address contraction in FY22 and to amplify operating leverage with return to growth in FY23



- Non-headline charge of £35-40m
- Annualised benefit of £25-30m
- ~50% captured in FY23

## Maintaining FY23 guidance

### FY23 summary

- Strong demand in most end markets, with order growth above accelerating sales levels
- Our high-value business model enabling price capture in excess of input cost inflation
- Smiths Detection back in growth
- SES and other initiatives delivering enhanced operating leverage and de-risking macro uncertainty
- Strong start in Q1

Expect to deliver  
4.0-4.5% organic  
revenue growth with  
moderate margin  
improvement in  
FY2023

# Agenda



Continued momentum  
in the near term



**Delivery of medium-  
term commitments**



Reaching our long-term  
potential

# Industrial technology group with multi-dimensional resilience and growth potential



## Balanced portfolio and end market exposure

- Leading positions in long-term, attractive growth markets
- Geographic diversity across both developed and developing markets
- Attractive mix of OE and recurring after-market sales



## Focused industrial technology portfolio with similar operating models and shared fundamentals

- New products and differentiated technology drives competitive advantage
- SES as common approach for innovation, execution and continuous improvement
- Shared fundamentals - common purpose, strengths and priorities



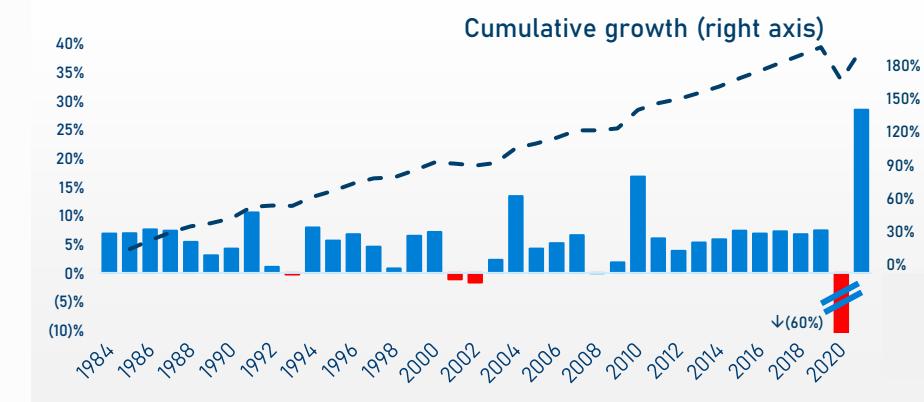
## Financial stability

- Strong balance sheet
- High margins, ROCE and cash generation
- Accelerating growth

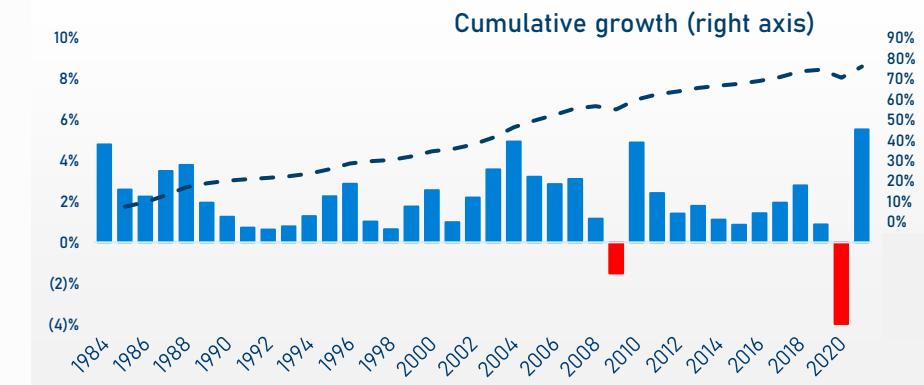
# Our markets are attractive – both resilient and expanding

Customer end market	% Smiths FY22 sales	Medium term market outlook
General Industrial	42%	<ul style="list-style-type: none"> <li>Strong demand continues in most end markets</li> </ul>
Semiconductor	<3%	<ul style="list-style-type: none"> <li><i>Double digit growth in FY22 and Q1 FY23</i></li> <li><i>Cognisant of softening macro forecasts, we expect growth to moderate in FY23 but remain positive</i></li> </ul>
Construction	<17%	
Safety & Security	31%	<ul style="list-style-type: none"> <li>Aviation security market is returning to growth after unprecedented COVID shock</li> <li>Other security markets returned to growth in FY22</li> <li>Sustained passenger volume growth provides long-term support</li> </ul>
Energy	21%	<ul style="list-style-type: none"> <li>Energy markets strong, buoyed by rising prices, post-covid demand, and Ukraine invasion</li> <li>Global energy demand has declined only twice in the past 40 years<sup>1</sup></li> </ul>
Aerospace	6%	<ul style="list-style-type: none"> <li>Aircraft, space, and defence all growing</li> <li>Global aircraft orders expected to grow ~6% per annum over the next five years<sup>3</sup></li> </ul>

Global aviation passenger volume<sup>1</sup> (annual change)

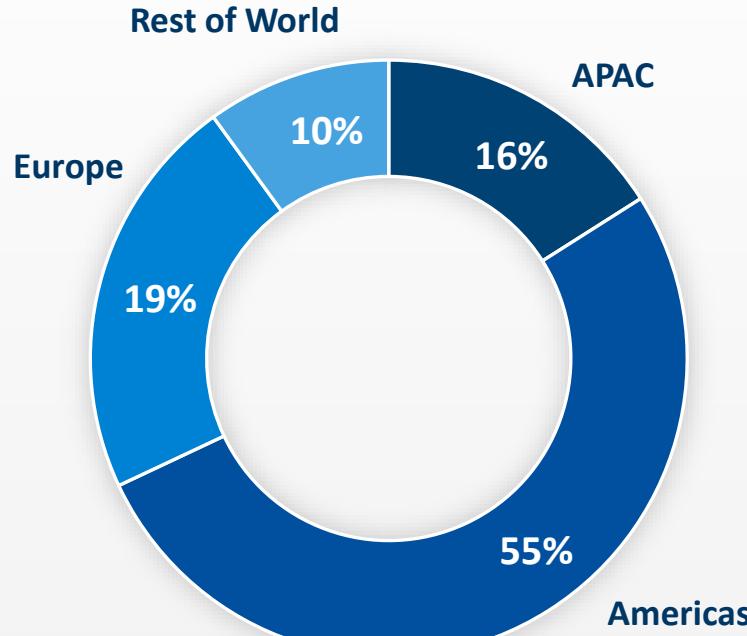


Global energy demand<sup>2</sup> (annual change)



# Portfolio balanced geographically

FY22 Smiths revenue by geography



Worldwide capabilities to serve global customer



Localised supply chains

- Sourcing, manufacture and delivery typically in same region
- Shorter cycle times, reduces raw transportation, currency and tariff risk



Balanced positions across the US and Europe

- 47% sales in the US, 19% in Europe
- H2 2022 translation benefit of 530 bps



Diverse exposure to developing markets

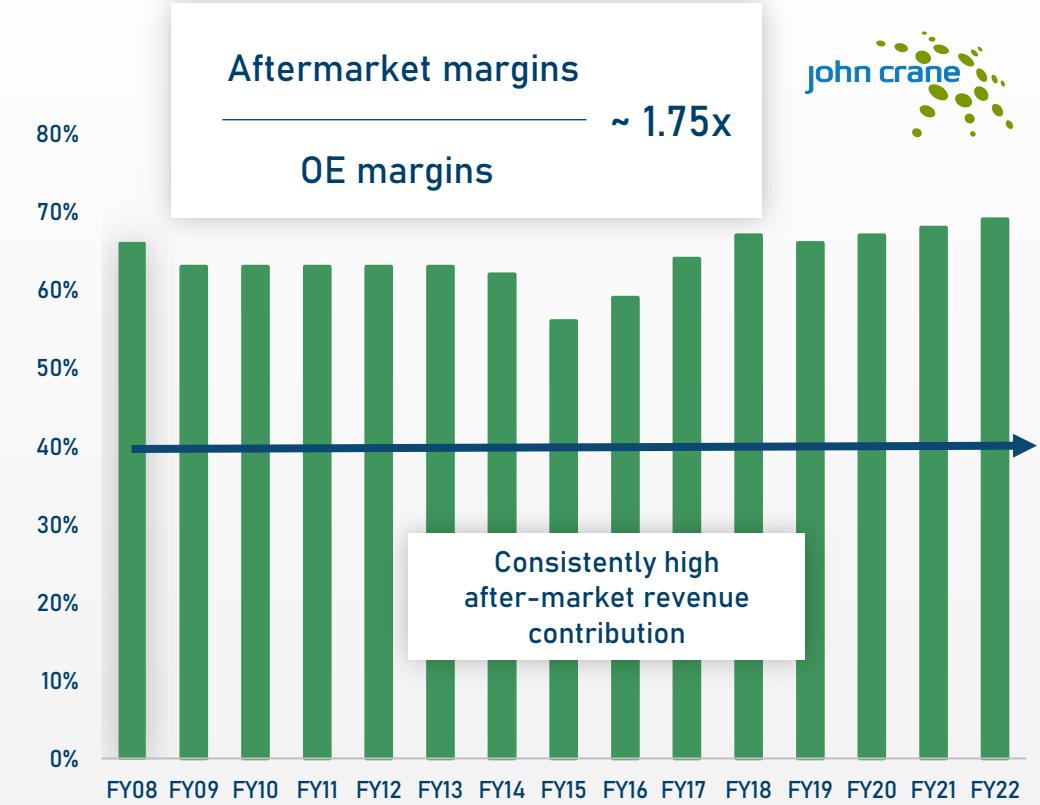
- 20% of sales, accessing growth while mitigating risk
- New operating model for Smiths China

## Aftermarket revenues – growing, recurring, and margin expanding

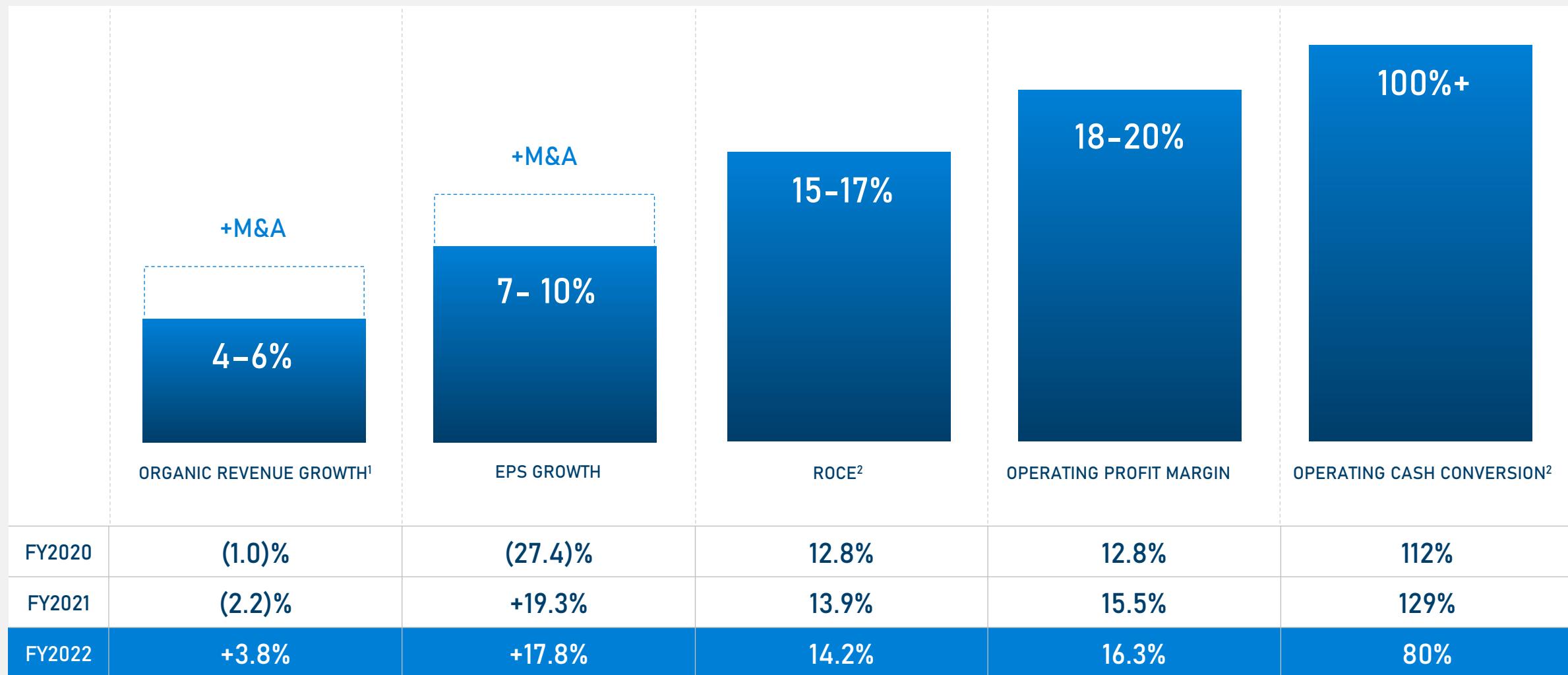
Aftermarket revenue as % total



Aftermarket revenue as % total



## Clear progress towards medium-term financial targets



# Agenda



Continued momentum  
in the near term



Delivery of medium-  
term commitments



Reaching our long-term  
potential

# Our fundamental strengths underpin achievement of our long-term potential

## OUR STRENGTHS



### World-Class Engineering



### Leading Positions in Critical Markets



### Global Capabilities



### Robust Financial Framework

- 171-year track record of innovating across multiple markets
- R&D investment consistently above competition; strongest NPD pipeline in years
- Unmatched global service network of 2000+ specialists and 300+ sites
- Top 3 position in most key segments
- Serving securely attractive, long-term growth markets
- Sophisticated global customers reward differentiation
- Presence in more than 50 countries
- 1,300 sales reps, 1,900 service technicians and 2,300 engineers
- Sales balanced by geography as well as business, providing stability and growth
- Recurring, higher margin after-market revenues
- High margins and ROCE
- Low asset intensity and consistently strong cash generation
- Accelerating growth

# Powerful megatrends propel long-term growth, which Smiths is uniquely positioned to access



## Energy transition

- Fundamentally an engineering opportunity
- Particular opportunity for John Crane and Flex-Tek, as well as Detection and Interconnect
- \$100 trillion in investment over next 30 years<sup>1</sup>



## Insatiable demand for data

- Global data consumption doubling every 4 years<sup>3</sup>
- Transmission data rates doubling every 3.5 years<sup>4</sup>
- 1,800 satellite launches in 2022, vs. 129 10 years ago<sup>5</sup>



## Ever-rising security needs

- Passenger air travel growing 3.8% per annum, freight growing 4.3%<sup>2</sup>
- Consumer, business and government demands continually increasing
- Regulatory requirements amplify demand



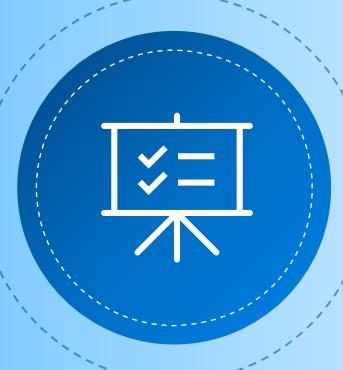
## Sustainability

- Central to our Purpose
- A top priority for all stakeholders – customers, colleagues, communities, and shareholders
- Fully integrated strategy; growth, execution and people delivering significant value

# Agenda



Continued momentum  
in the near term



Delivery of medium-  
term commitments



Reaching our long-term  
potential

# Executing our strategy and delivering our commitments



Growth

- Taking full advantage of the steady growth enabled by our diverse market exposure
- Developing high-impact new products, including compelling green technologies
- Building out priority market adjacencies
- Supplementing organic growth with disciplined M&A



Execution

- Embedding the Smiths Excellence System across our company
- Accelerating pace and establishing a more consistent operating rhythm
- Executing against our ESG commitments
- Steadily expanding margins, returns, and cash flow



People

- Building upon our world-class safety record
- Accelerating talent development through our Smiths Leadership Behaviours
- Creating an ever-more diverse and inclusive culture
- Living Smiths Values each and every day

# Smiths Value Engine



Deep Dive

# Flex-Tek



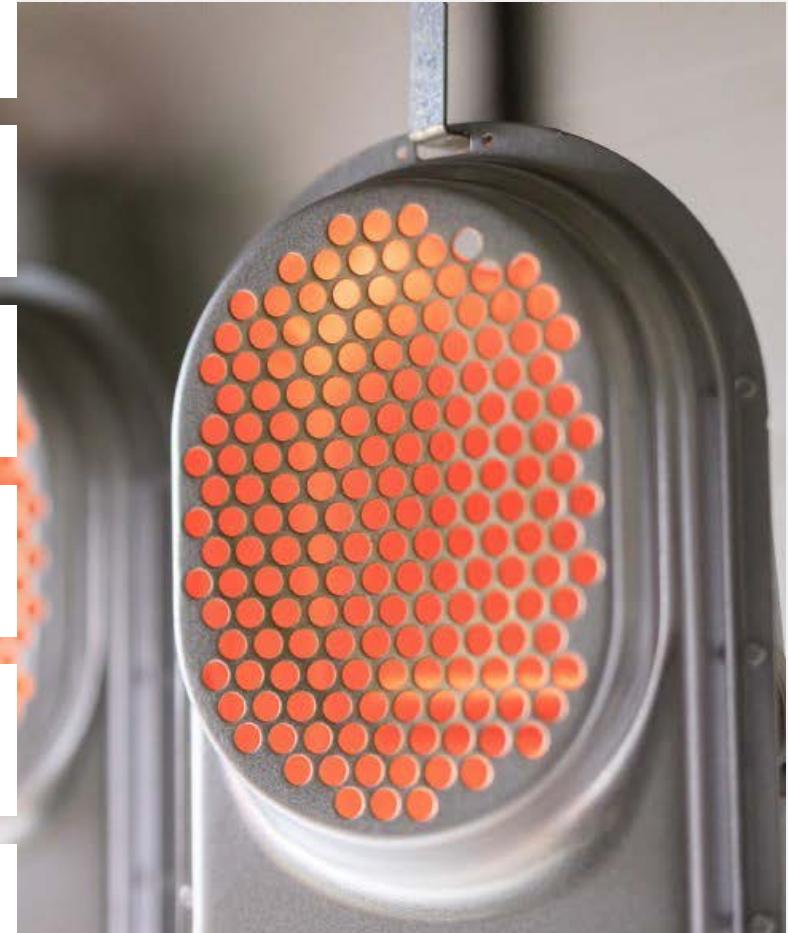
## Pat McCaffrey, President, Flex-Tek

- Flex-Tek Operations Manager, 1996 – 1999
- Flex-Tek (Industrial Hose) General manager, 1999 -2002
- Flex-Tek (Heat Solutions) President, 2002 - 2008
- Flex-Tek COO, 2008 – 2019
- Flex-Tek President, 2019 – present



## Executive Summary

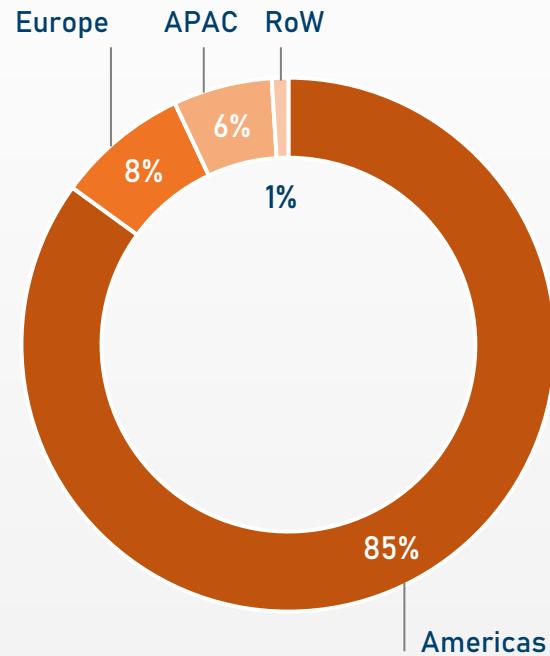
- Leading provider of solutions for safe and efficient fluid management
- Strong positions in attractive markets: construction, aerospace, and general industrial (including medical hoses and industrial heating)
- Competitive advantage from deep customer relationships, superior products, agile manufacturing, and a high-performance culture
- Strong track record of profitable organic growth augmented by disciplined, effective M&A
- Five-year CAGR: 13.9% revenue, 15.3% operating profit
- Well positioned for further growth



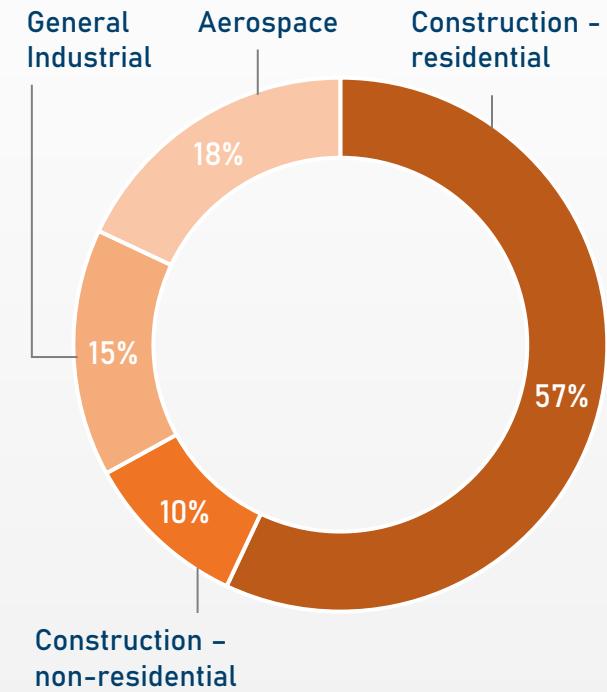
# Flex-Tek: solutions for the safe, efficient movement and heating of fluids



Revenue breakdown  
by geographical region, % of  
Flex-Tek total



Revenue breakdown  
by end markets, % of Flex-Tek total



# Flex-Tek: a strong business with great positions in attractive markets



## Market growth drivers

- Continued strong demand for new housing construction, despite near-term flattening
- Long-term increase in commercial and military aircraft production
- Growing adoption rates for continuous positive airway pressure (CPAP) machines drives growth for medical hoses
- Customer focus on efficient performance and environmental safeguarding
- Demand for sustainable electrical heating solutions



## Key customers

- Construction and General Industrial: network of well-established national and regional distributors as well as Original Equipment Manufacturers (OEMs)
- Aerospace: strong OEM relationships with every major aircraft and engine manufacturer
- Industrial: leading CPAP and ventilator machine manufacturers, space and aviation OEMs



## Competitive strengths

- Leading capability in design, manufacture and cost engineering
- Strong customer relationships and brand reputation
- Innovation leader in ducting, gas piping, and heating
- Track record of accretive M&A
- High-performance culture drives sustainable and consistent growth



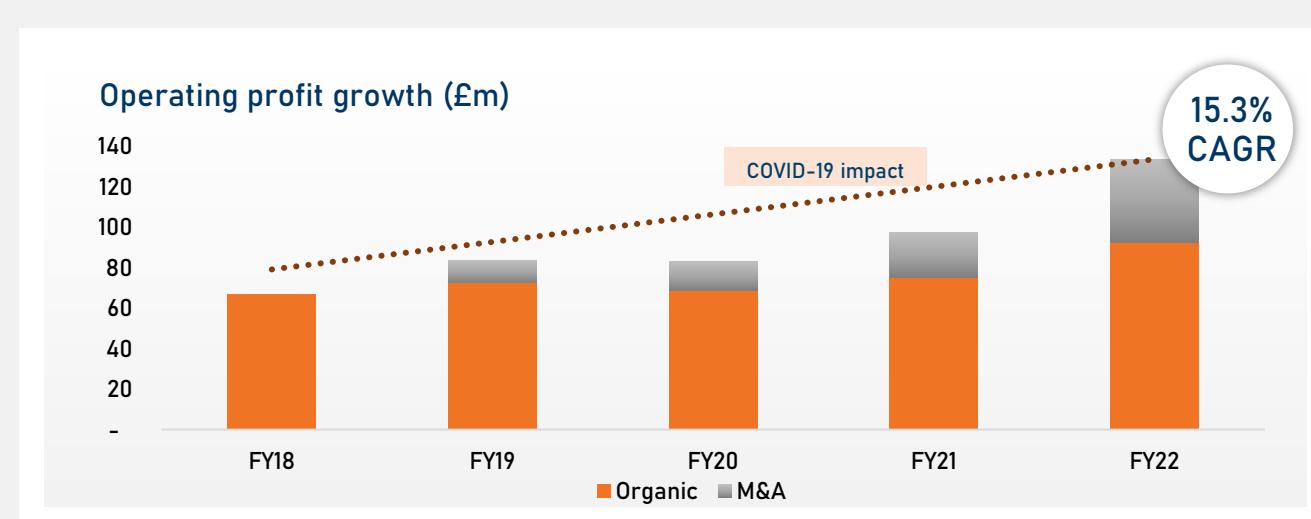
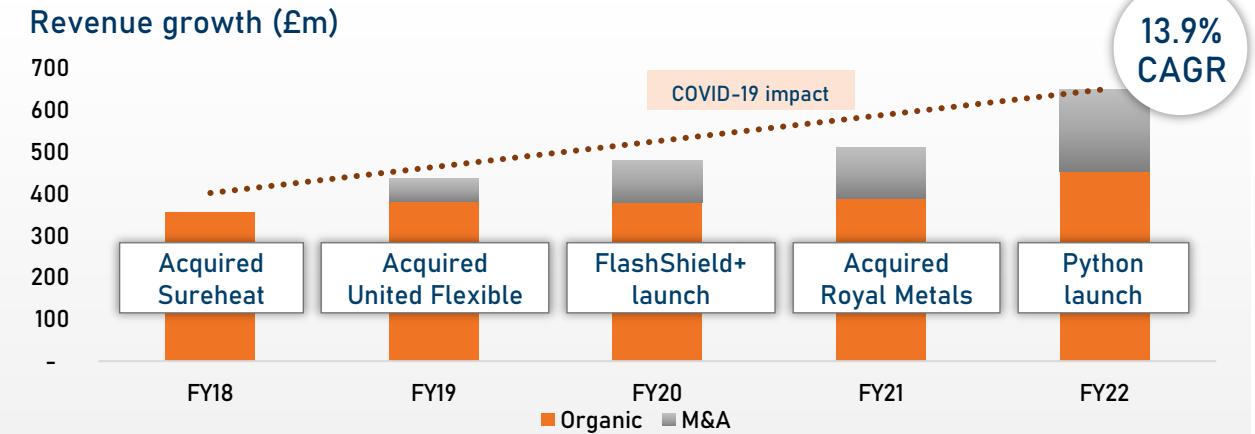
## Competitive landscape

- Fragmented competition in most of our end markets
- Top three player in most of our segments
- Third party certifications in aerospace and construction
- Competitor examples include: Parker-Hannifin, Eaton, Omega Flex, Warren, and Watlow

# The Flex-Tek growth story

## Five-year track record

- Double digit growth CAGR for revenue and profit
- 6% organic revenue CAGR  
7.1% organic operating profit CAGR
- Organic growth supplemented by bolt-on acquisitions
- 96% average cash conversion
- 5-year average ROCE: 27%



# How Flex-Tek delivers growth



## Focus

- Accelerating access to product adjacencies and geographical growth

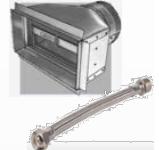
- New platforms to support energy transition (e.g. hydrogen delivery)
- Product and service adjacencies

- Enhancing efficiency
- New heating focused products

- Near-term market resilience
- Significant opportunity to internationalise
- Adding capacity in higher-demand US construction regions
- Balanced exposure across Construction, Aerospace, and Industrial

## Examples

- Industrial heating (Sureheat – 2017)
- Aerospace (United Flexible – 2019)
- HVAC portfolio (Royal Metal – 2021)



- Partnering with Midrex on H2GreenSteel project for carbon emissions reduction in iron ore processing



- FlashShield+ launched 2020
- Refrigerant line sets launched in early 2022



- Construction demand remains strong in key regions
- A growing aerospace segment. Global aircraft orders expected to grow ~6% per annum over the next five years<sup>1</sup>

# Construction

## Construction products include:



Key customers	Route to market	Smiths relative position
   	<ul style="list-style-type: none"> <li>85% HVAC wholesale distributors</li> <li>15% HVAC OEMs</li> <li>95% North American sales</li> </ul>	<ul style="list-style-type: none"> <li>Innovation leader in our segments</li> <li>Top three player in all segments</li> </ul>

## Our markets:

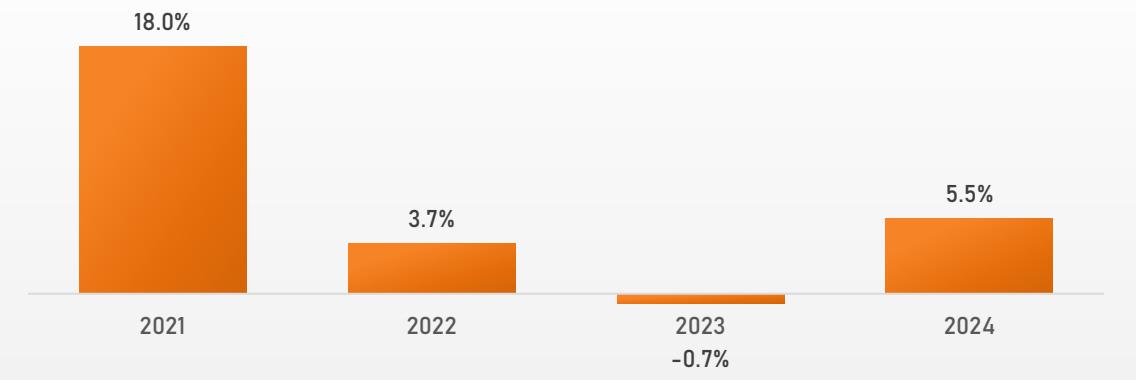
### Geographies

- 9 manufacturing locations: 7 US, 1 Mexico, 1 Canada
- Primarily North American sales, strongest penetration in areas where central heat and air systems are popular

### Macro market trends

- Multi-unit housing starts remain strong with Q2 up 17.5% YoY and up 37% pre-pandemic
- Housing starts remain differentiated by region: the South made up 54% of new starts YTD 2022 in the US and grew 4% vs. the same period in 2021

## Housing starts growth in our operating areas (millions)<sup>1</sup>



## New business initiatives within Construction

### Python refrigerant line sets

- New product launch for £300m market segment: replaces copper lines in HVAC systems
- All six sizes are fully commissioned, two launched in November (four being sold currently)
- Accretive to Flex-Tek margins
- Customer feedback very positive on product benefits, sales ramping up with wholesale customers
- New production lines already running at 80-90% of expected capability and improving



### New duct plant in Houston

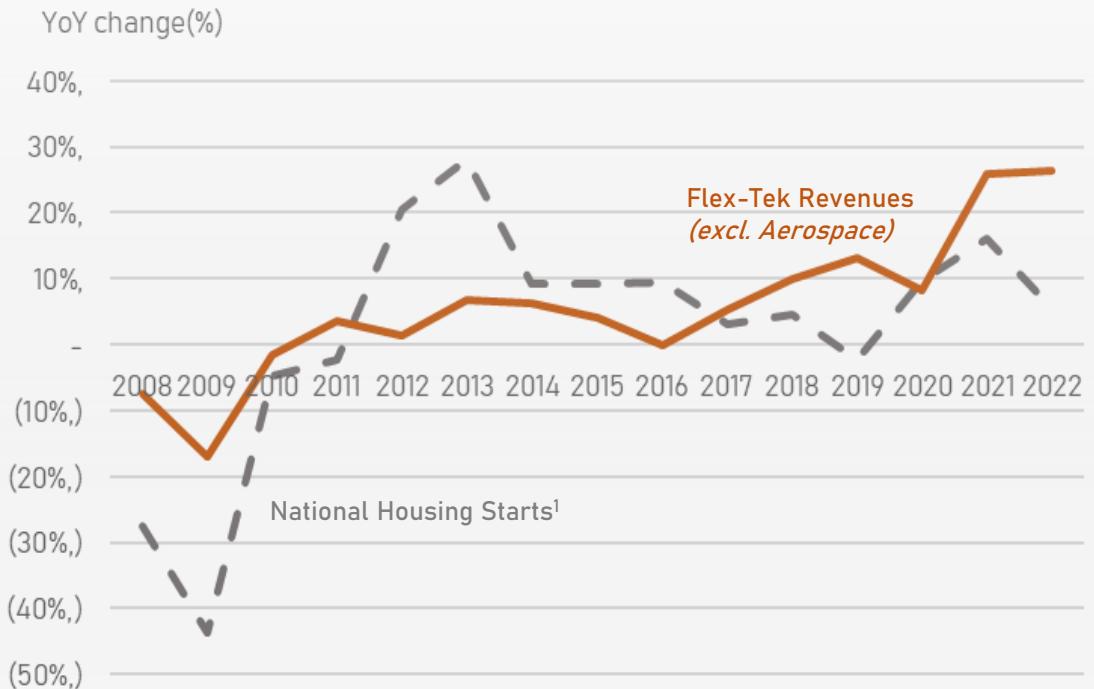
- Synergy initiative from Royal Metal acquisition
- High demand from regional customers
- 120,000 sq. ft, with sufficient capacity to drive £50m in annual revenue
- Both flex duct and metal duct being produced and sold (cross-selling across combined customer base)
- Core machines in place, staffing up as sales and production increase



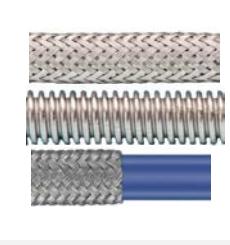
## Confident of further growth in Construction

- The residential HVAC metal ducting segment in the US is worth approximately ~£0.8bn annually with the South accounting for c. 60% of the market
- Flex-Tek sales concentrated in the South
- Deficit in US housing inventory still evident
- Track record of resilience in slower construction markets
- New business initiatives such as regional expansion within the US and new product launches adding 250 bps incremental growth in FY23

Flex-Tek revenues demonstrate resilience and forward momentum



# General Industrial: heating and industrial hoses

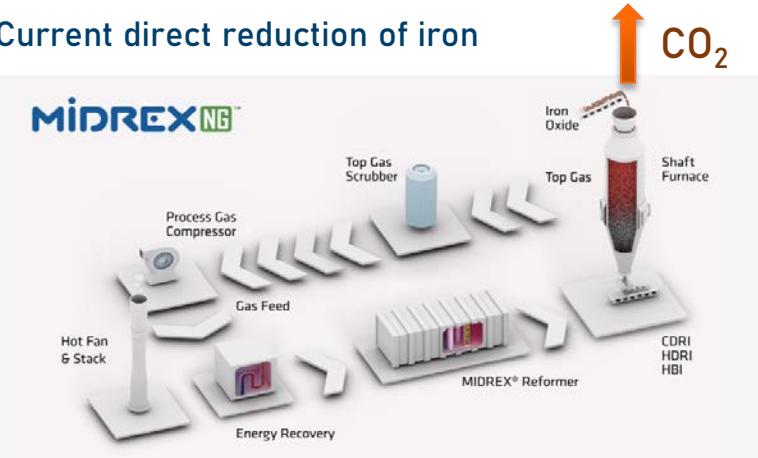
Industrial products include:				Key customers	Route to market	Smiths relative position
Medical hose	Industrial hose	Polymide heater	Air heater	  	<ul style="list-style-type: none"> <li>• 35% wholesale distributors</li> <li>• 65% OEM</li> <li>• 80% US sales</li> </ul>	<ul style="list-style-type: none"> <li>• Top three in high end medical hose</li> <li>• A leader in high temperature, high pressure heating applications</li> </ul>
   				<h3>Our markets</h3> <p><b>Geographies</b></p> <ul style="list-style-type: none"> <li>• 9 manufacturing locations: 5 US, 3 in Europe, and 1 in China</li> <li>• Opportunities to expand further into Europe</li> </ul> <p><b>Macro market trends</b></p> <ul style="list-style-type: none"> <li>• Continuing trend of electricity growing as a primary energy source</li> <li>• Growing global use of CPAP machines: Flex-Tek 5-year revenue CAGR FY22-FY27 expected to be &gt;7%</li> <li>• New opportunities for medical and automotive hoses manufactured in China</li> </ul>		
<h3>Industrial electricity energy use (quadrillion Btu)<sup>1</sup></h3> 				<p>1 Source: 1: Global industrial energy consumption 2050 EIA - International Energy Outlook 2021</p>		

# New business initiative within Industrial

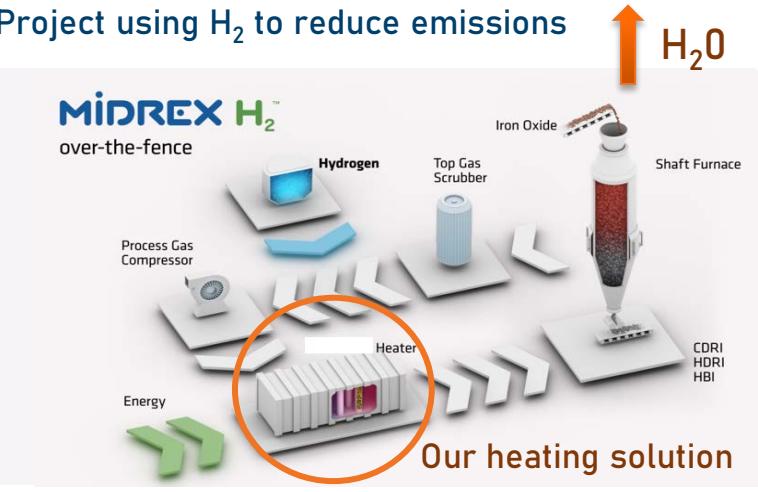
## Midrex/ green steel project

- Conversion of direct reduced iron (DRI) using H<sub>2</sub> via electric heating systems rather than burning natural gas reduces carbon emissions in iron ore production by 95%
- Annual carbon reduction from one plant equivalent to ~860,000 fewer passenger vehicles on the road
- H2GS/Midrex agreement<sup>1</sup> finalised 6<sup>th</sup> October
- Purchase order expected by March 2023: adds 250 bps of incremental growth at accretive margins for FY24 and FY25
- First project is for one steel plant, multiple plants under consideration for development
- Heating elements being tested at Midrex. First of its kind in the world – joint working to overcome design challenges

## Current direct reduction of iron



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



# Aerospace

## Aerospace products include:

Rigid tubing



Flexible tubing



Hybrid assemblies



### Key customers



### Route to market

- Supply globally
- Commercial 55%, Military 45%
- Direct to airframe and engine OEMs

### Smiths relative position

- Top three in high-integrity flexible tubing
- Middle position in high-integrity metal tubing

## Our markets:

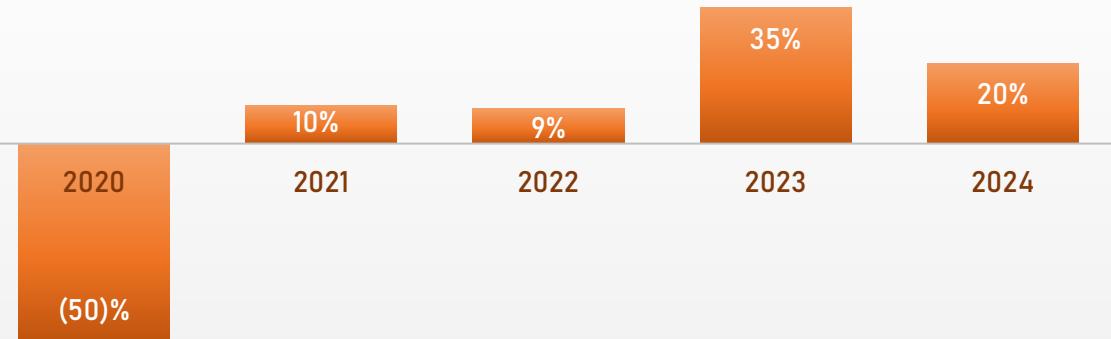
### Geographies

- 5 manufacturing locations: 3 US, 1 France, 1 India
- Serving major airframe and engine makers globally

### Macro market trends

- Revenue Passenger Kilometres (RPK) now growing double digits, expected to reach pre-COVID level in 2024 with a long-term growth CAGR of 4.1%<sup>1</sup>
- Driven by fleet replacement and growth in Asia, 40,000 new aircraft needed in next 20 years (double that of the last 20 years)

## Commercial aircraft production forecast (YoY growth)<sup>1</sup>



# New business initiatives within Aerospace

## "One Aero" operating model

- Consistent, single customer-facing team for global customer care
- Enhanced, integrated business development team
- Centre of excellence for tooling design and build
- Production automation enhancements and lean manufacturing projects

## Expanding development work through service and solutions

- Won 9 development hoses for GE 9X (Boeing 777x)
- Supported three high visibility retrofit campaigns; A350, A320, F100
- Continuing to build relationship with Aerojet (Space, RL10)

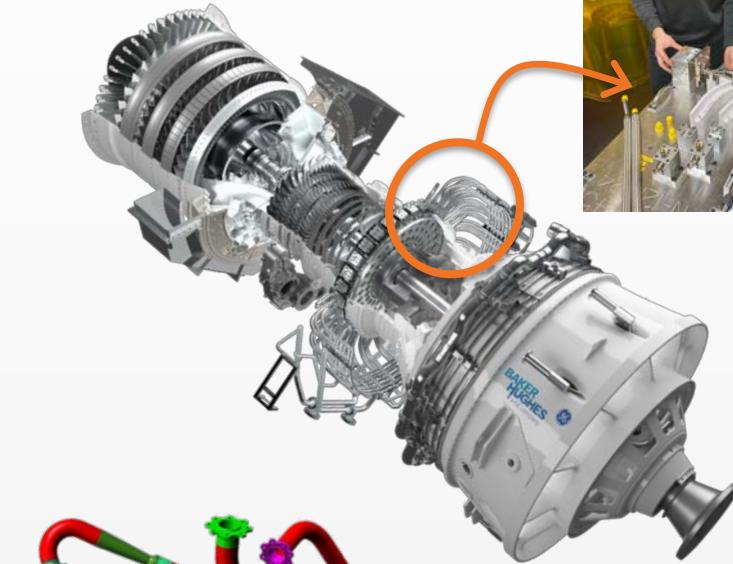
## R&D to further expand portfolio

- On-going conversations with Airbus to focus on growth opportunities by shortening R&D time

## Sales growth

- FY22 14.6% YoY

## LM900 natural gas fuel lines



AEROJET RL-10

## Role of M&A

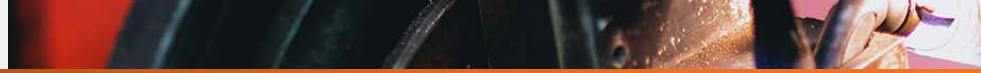
Flex-Tek is pursuing a disciplined approach to M&A.  
Recent acquisitions have:

- Expanded technology capability (e.g. SureHeat high voltage heating)
- Brought profitable growth and delivered synergies
- Delivered Royal Metals sales growth of 48% and profit growth of 70% since acquisition
- Facilitated entry into attractive adjacencies (e.g. Royal Metal Products – HVAC ducting; United Flexible – flexible aerospace products)

Acquisition	Date	Deal Size (£m)	Synergies	Improves existing positions	Access to new adjacencies &/or geographies	Post-acquisition performance
SureHeat	August 2017	15	✓	✓✓	✓	✓✓
United Flexible	October 2018	272	✓✓✓	✓✓	✓✓	✓
Royal Metal Products	February 2021	78	✓✓	✓✓✓	✓✓	✓✓✓

## Closing Remarks

- We are confident about delivering further growth – resilient in most market conditions



- Proven track record of consistent growth, margin expansion and successful M&A



- Well-positioned with strong customer relationships in attractive markets and able to move into higher-growth adjacencies



- Driven to innovate; well-placed and committed to expanding regionally within the US and internationally

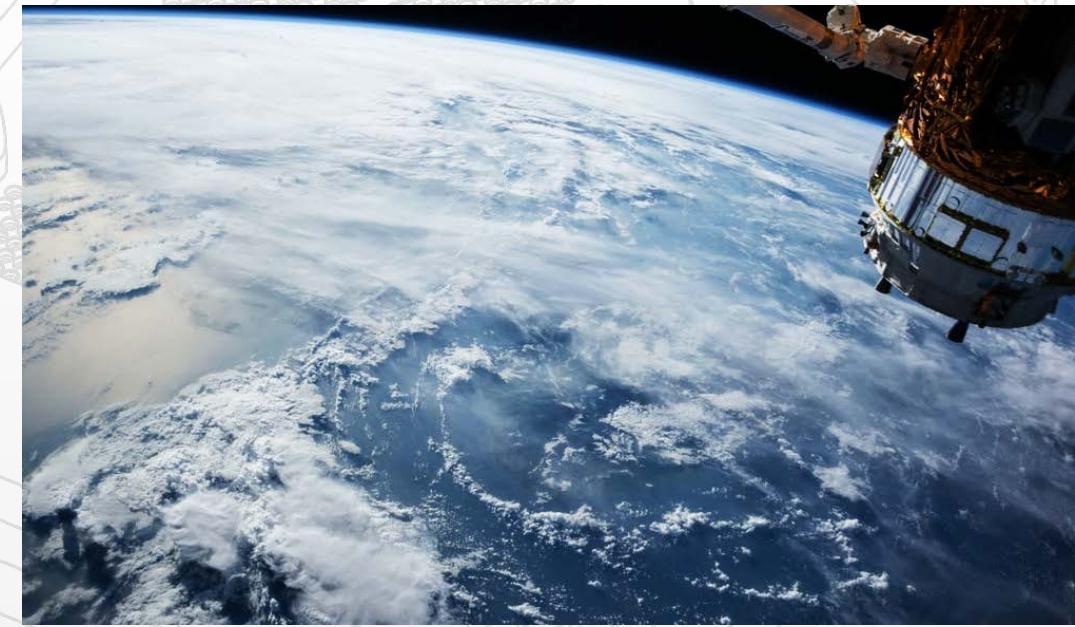


- Lean structure, strong culture, great people



Deep Dive

# Smiths Interconnect



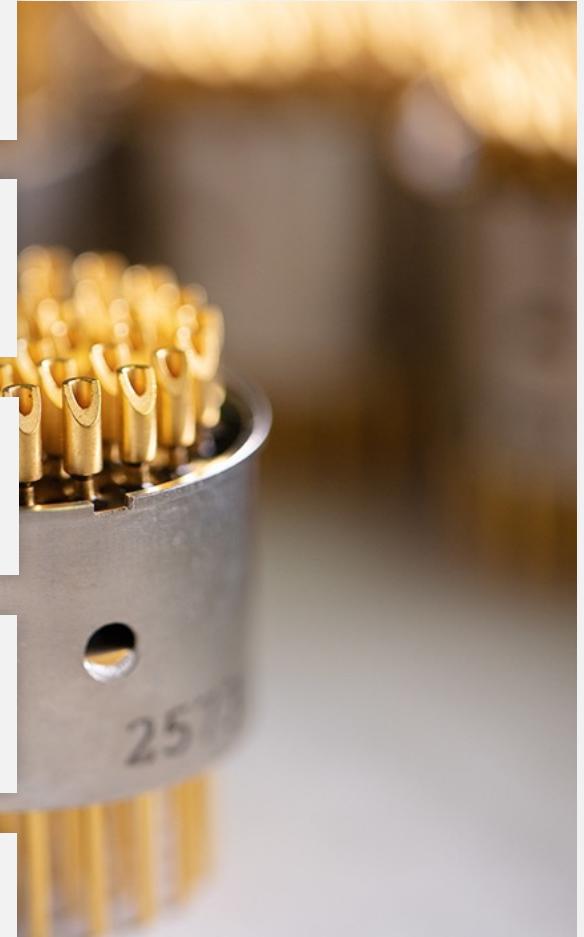
# Julian Fagge, President, Smiths Interconnect

- 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%<sup>1</sup>) (14% of Smiths)

FY2022 operating profit

**£65m** (+39.7%<sup>1</sup>) (14% of Smiths)

FY2022 operating margin

**18.0%** (+330bps<sup>1</sup>)

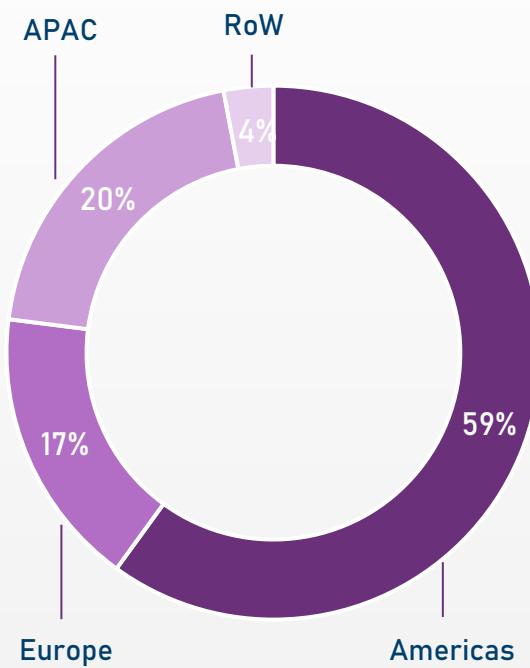
FY2022 ROCE

**16.3%**

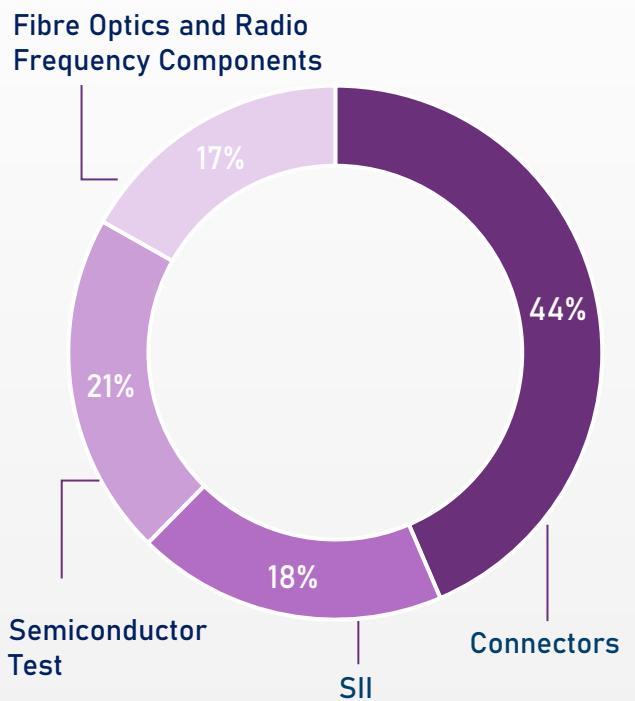
FY2022 R&D % sales

**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

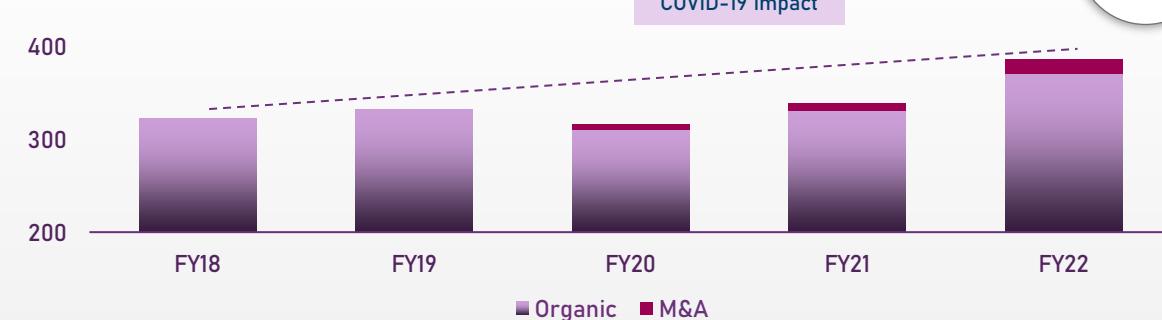
- Large multinationals to small, more focused companies across the product portfolio

# The Smiths Interconnect growth story

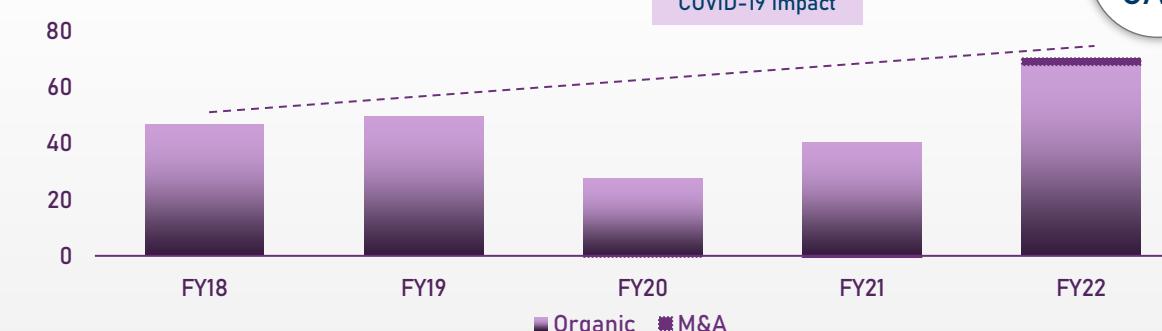
## Five-year track record

- 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	Examples
Disciplined M&A	<ul style="list-style-type: none"><li>• Add new technologies</li><li>• Access market adjacencies</li></ul>	<ul style="list-style-type: none"><li>• Optical products (Reflex Photonics - 2020)</li></ul>
Adjacencies	<ul style="list-style-type: none"><li>• Add incremental revenue streams</li><li>• Move up the value-chain</li></ul>	<ul style="list-style-type: none"><li>• Optical transceivers / sub-assemblies</li><li>• Medical cable assemblies</li><li>• Electric vehicle charging</li></ul>
New products	<ul style="list-style-type: none"><li>• Increase investment in NPD</li><li>• Add new product platforms</li></ul>	<ul style="list-style-type: none"><li>• New product vitality of 43%</li><li>• High integrity, high performing products e.g.<ul style="list-style-type: none"><li>- High-density connectors and interposers</li><li>- DaVinci high speed, digital test sockets</li></ul></li></ul>
Market growth	<ul style="list-style-type: none"><li>• Markets expected to grow average 4-6%</li><li>• Strong growth expected in space and semi-test</li><li>• Geographic expansion opportunities</li></ul>	<ul style="list-style-type: none"><li>• Accelerate growth in Asia</li><li>• Fast-growing space opportunity</li></ul>

# Investing for growth

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



## 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

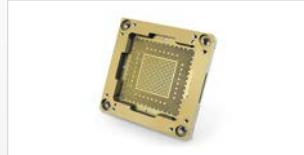
Key customers	Route to market	Smiths relative position
<ul style="list-style-type: none"><li>• Defence, aerospace and space primes</li><li>• Major medical device companies</li><li>• Manufacturers of transport systems</li><li>• Industrial OEMs</li></ul>	<ul style="list-style-type: none"><li>• Direct with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



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

## 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

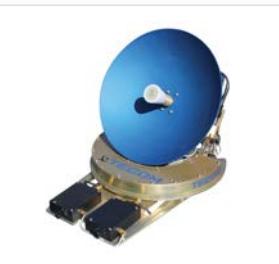
## Growth is supported by strong macro-economic trends

- 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



## 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  
KASTream  
5000 MK II



Reference  
Generator for  
radar  
applications

## We are predominantly US focused

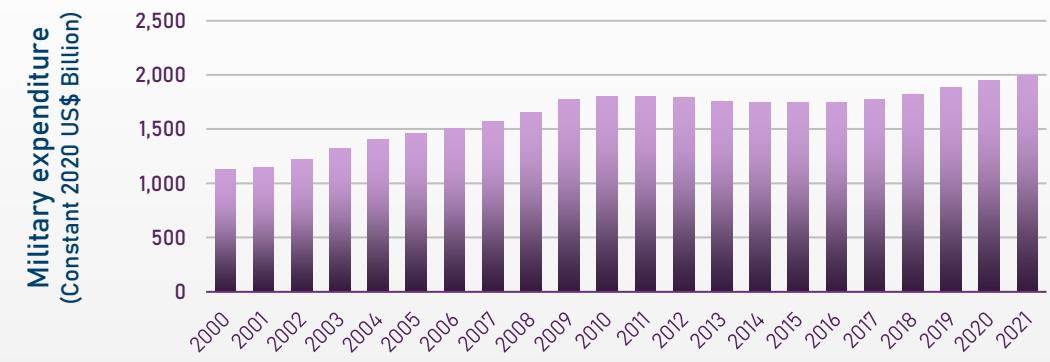
- With 1 manufacturing site, 2 R&D centres

## 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"> <li>• Leading defence, providers and primes</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborative development with US DoD</li> <li>• Partnership with US primes on critical defence programmes</li> </ul>	<ul style="list-style-type: none"> <li>• RF subsystem design and expertise</li> <li>• Expertise in antenna system design</li> </ul>

World military expenditure passes \$2 trillion for first time in 2021<sup>1</sup>



# 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



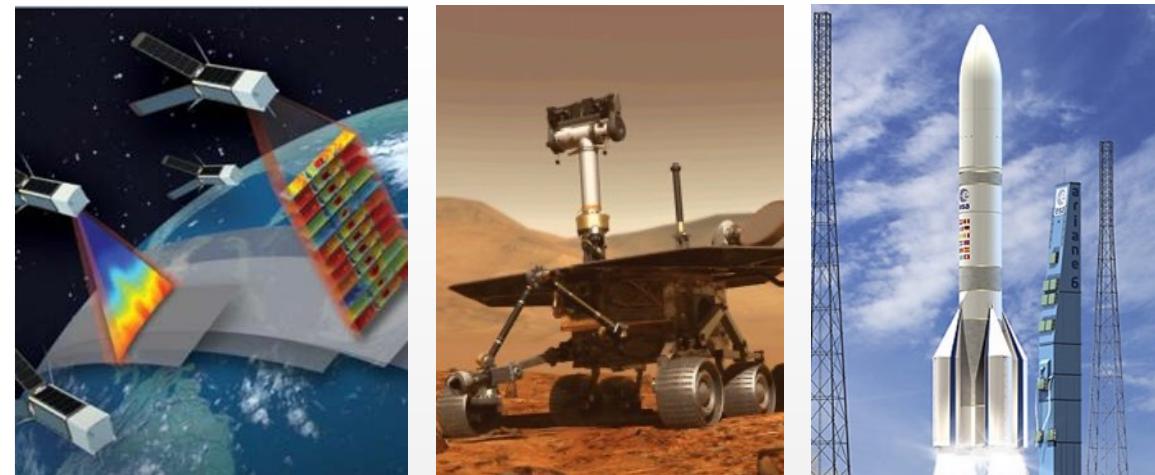
We have a global position:

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



## 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

# Sustainability at Smiths

Chief Sustainability Officer

# John Ostergren



# John Ostergren, Chief Sustainability Officer

Stanford University

- JD (2002), PhD (1999), Environmental Geochemistry

Dorsey & Whitney LLP – Environmental Law & IP litigation (2002-07)

3M Company (2007-19)

- Global EHS Director
- Associate General Counsel, Supply Chain

Zymergen Inc., Senior Legal Director (2020-21)

Joined Smiths in January 2022 as Group's first CSO

- Role reports directly to CEO and sits on the Executive Committee
- Governed by Science, Sustainability and Excellence Board committee



# Sustainability is at the heart of our Purpose

## 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

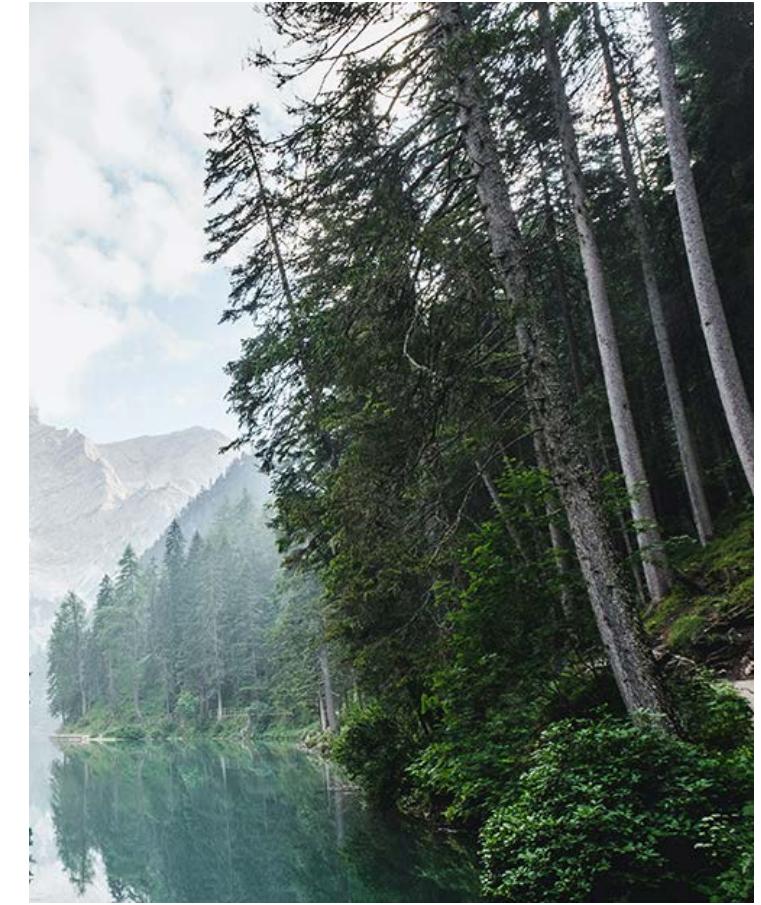
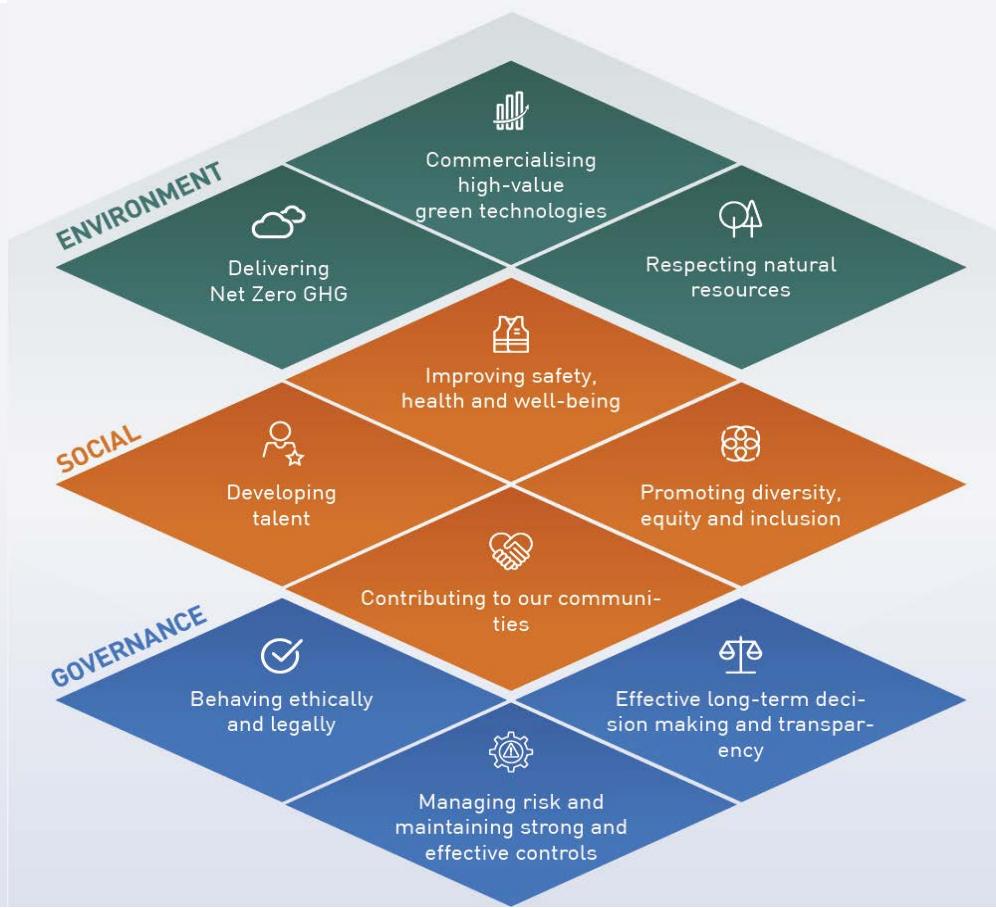


People

Delivering for all our stakeholders

# Our ESG Framework: from purpose to action

## Sustainability at Smiths



Improving our world through smarter engineering

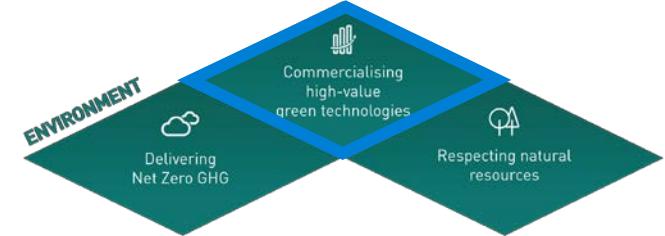
# Our Priorities – delivering for all our stakeholders



Growth

## Deliver for our customers

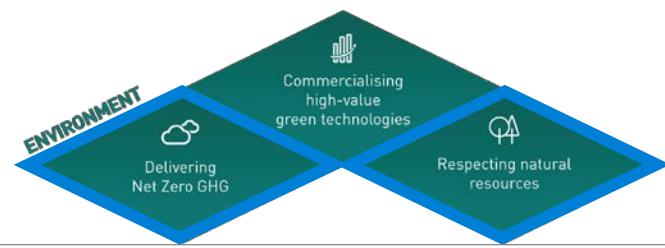
- Commercialise high-value green technologies
- Prioritise new product development that delivers sustainability performance benefits that our customers need and want



Execution

## Deliver for our communities

- Net Zero GHG emissions (Scopes 1-3) and Science Based Targets
- Respect natural resources – reduce waste, water, and packaging



People

## Deliver for our colleagues

- Reduce risk while supporting and growing strong safety culture
- Develop and empower Smiths talent for the future
- Embed an inclusive and diverse culture

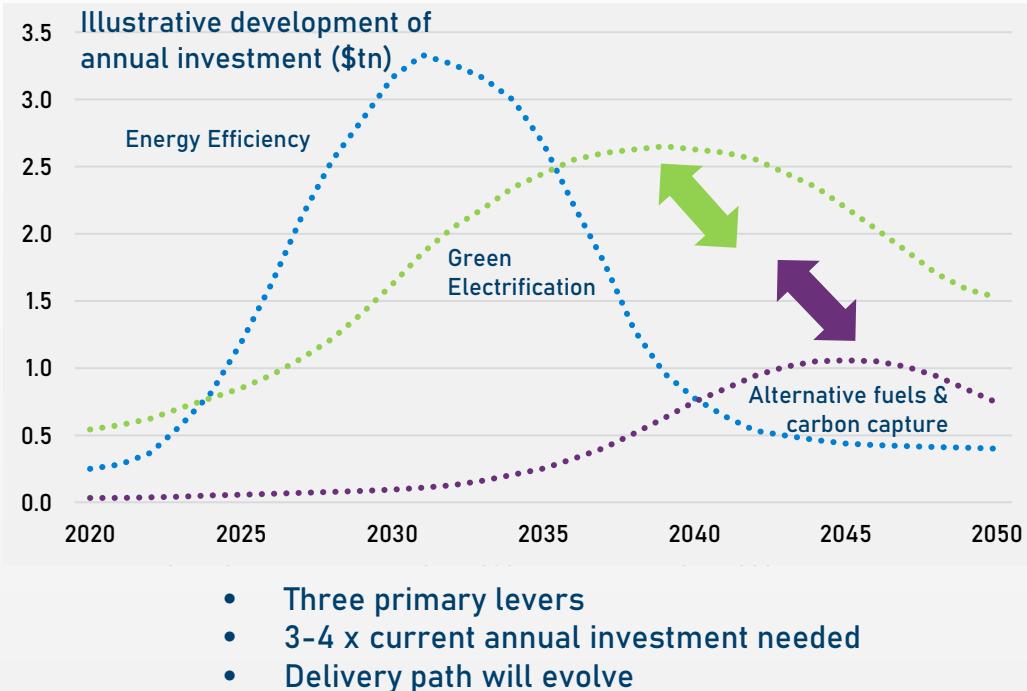


Stakeholder value  Shareholder value

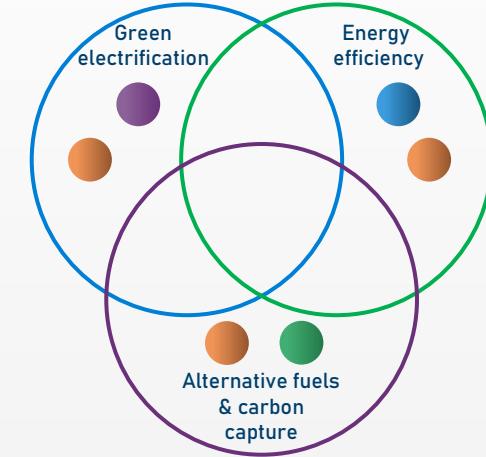
# Deliver for our customers



The energy transition agenda will drive investment of over \$100tn in the next 30 years



This creates significant group-wide opportunities



- Divisions align with customer needs
- Group addresses three dimensions
- Delivery creates value

## Enabling energy transition

# Deliver for our customers



## Smiths Detection



Energy efficiency – addressing Smiths Group's Scope 3 emissions (products-in-use for lifetime)



Energy efficiency – latest generation X-Ray product portfolio reduces TCO, helps meet customer goals while maintaining security



## John Crane



Supporting customers today to create and preserve our path to tomorrow – safety, compliance, conservation and efficiency



Enabling energy transition e.g. methane, carbon capture, hydrogen



## Smiths Interconnect



Sustainable supply chains



Growth opportunities with energy transition – green electrification (e.g. renewable energy generation, electric vehicle charging)



## Flex-Tek



Core markets evolving with energy transition – efficiency, electrification and low-carbon fuels



Significant opportunities emerging – e.g. green steel (electrification)



## Sustainability our customers need and want

# Deliver for our communities



Priority actions		Results	
		Target FY2022-2024	FY2022 Progress
	<b>Net Zero 2040 – Scope 1&amp;2 GHG (operations)</b> <ul style="list-style-type: none"><li>- Setting Science-Based Targets (SBTs) in 2023</li><li>- Group-wide energy team managing efficiency and renewables</li><li>- Expanding on-site solar generation</li></ul>	Renewable electricity	5% increase to 66% 2% increase to 63% <input checked="" type="checkbox"/>
	<b>Net Zero 2050 – Scope 3 GHG (suppliers &amp; customers)</b> <ul style="list-style-type: none"><li>- Setting SBTs in 2023</li><li>- Category 1: purchased goods and services</li><li>- Category 11: products-in-use</li></ul>	Scope 1 & 2 GHG emissions	5% reduction normalised to revenue 7.2% reduction <input checked="" type="checkbox"/>
	<b>Respecting natural resources – core operational goals</b> <ul style="list-style-type: none"><li>- Reduce waste</li><li>- Reduce water use (stressed areas and projects)</li></ul>	Baseline inventory complete – supply chain & products in use >90%  Non- recyclable waste Water use in stressed areas Water reduction projects	 Smiths Detection product portfolio 55% energy savings <sup>1</sup>   EV Leasing Scheme 70% of UK Smiths Detection renewals

## Meeting our commitments

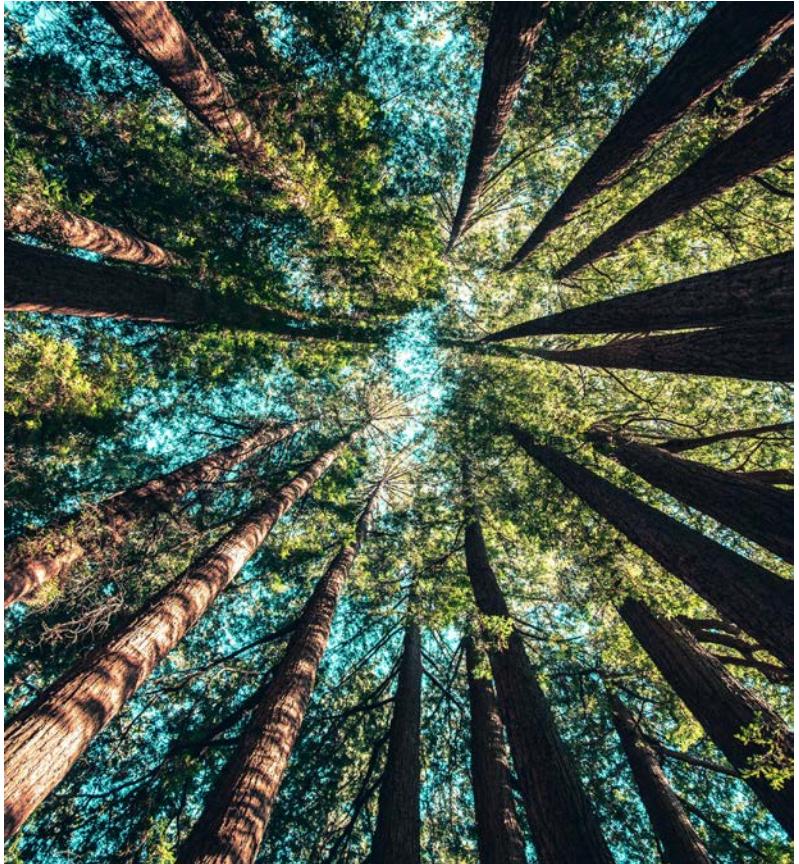
# Delivering for our colleagues



Priority Actions	Results
 <p><b>Workplace safety</b></p> <ul style="list-style-type: none"><li>- Support and continue to grow strong safety culture</li><li>- See and act to engage teams and reduce risk</li><li>- Engineered solutions that improve the work</li></ul>	<ul style="list-style-type: none"><li>- Top-quartile<sup>1</sup> RIR (0.5), 86 colleagues injured in FY2022 <input checked="" type="checkbox"/></li><li>- &gt; 15,500 Safety Leading Indicators in FY2022 <input checked="" type="checkbox"/></li><li>- &gt; 1,700 guarding improvement projects in FY2022 <input checked="" type="checkbox"/></li></ul>
 <p><b>Development</b></p> <ul style="list-style-type: none"><li>- Group-wide training and resources</li><li>- Leadership development programmes</li><li>- Enhance technical careers and manage internal talent mobility</li></ul>	<ul style="list-style-type: none"><li>- Leadership Behaviour dedicated to “develops self and others” <input checked="" type="checkbox"/></li><li>- SES programme prioritises transferrable Lean Six Sigma skills <input checked="" type="checkbox"/></li><li>- Common technical career ladder and focus on early career talent <input checked="" type="checkbox"/></li></ul>
 <p><b>Diversity, Equity &amp; Inclusion</b></p> <ul style="list-style-type: none"><li>- Board – implementing Diversity policy action plan</li><li>- Leadership – increasing diverse talent</li><li>- Recruitment and retention</li></ul>	<p>Focused action on Gender Diversity (% female)</p> <ul style="list-style-type: none"><li>- Board Directors : 45% <input checked="" type="checkbox"/></li><li>- Executive Committee : 31% <input checked="" type="checkbox"/></li><li>- Senior leadership : 24%. Target: 27% in FY23, 30% in FY24 <input checked="" type="checkbox"/></li></ul>

Building on strength and committed to improve

## Delivering for investors



- Delivering for investors: purpose-driven value creation for all stakeholders
- ESG Framework translates purpose to action
- Prioritising delivery of high-value sustainable returns
  - Delivering for our customers – sustainability performance that our customers need and want
  - Delivering for our communities – Net Zero; meeting our commitments
  - Delivering for our colleagues – safety, development, diversity, equity, and inclusion

Improving our world through smarter engineering

# Financial Progress

Chief Financial Officer

## Clare Scherrer



## Top investor questions

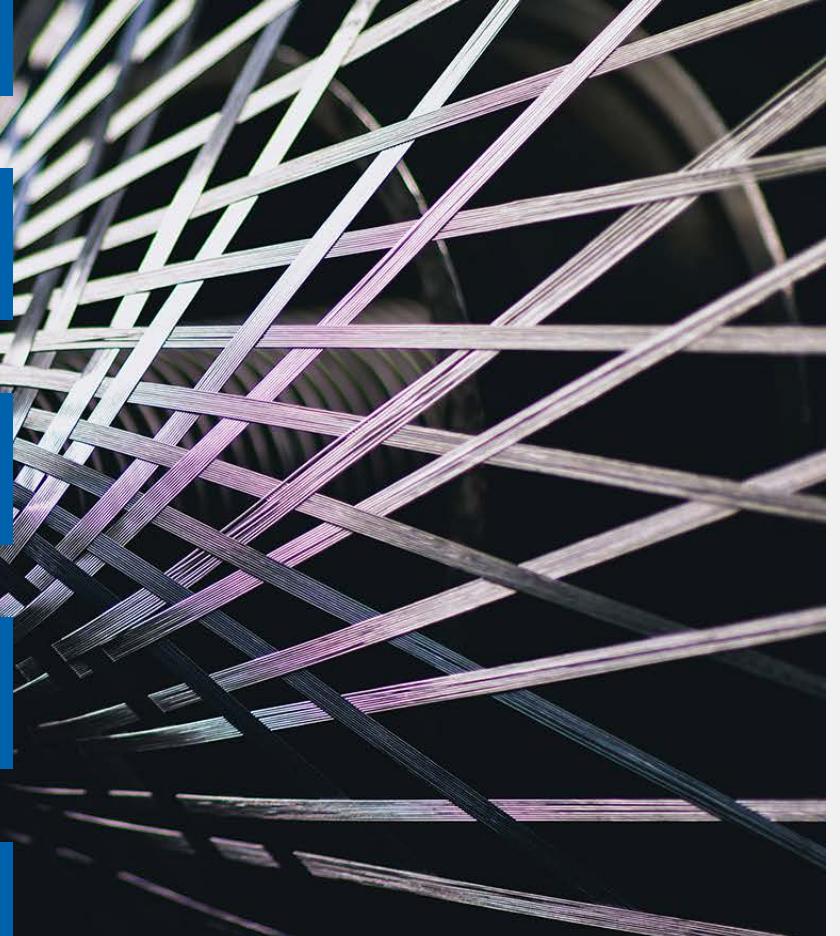
- What attracted you to Smiths and what are your early impressions?

- How is FY23 going so far?

- Do you remain confident in the FY23 guidance?

- What is management's view on cash conversion, and in particular working capital?

- What are the Group's capital allocation priorities?



## Top investor questions

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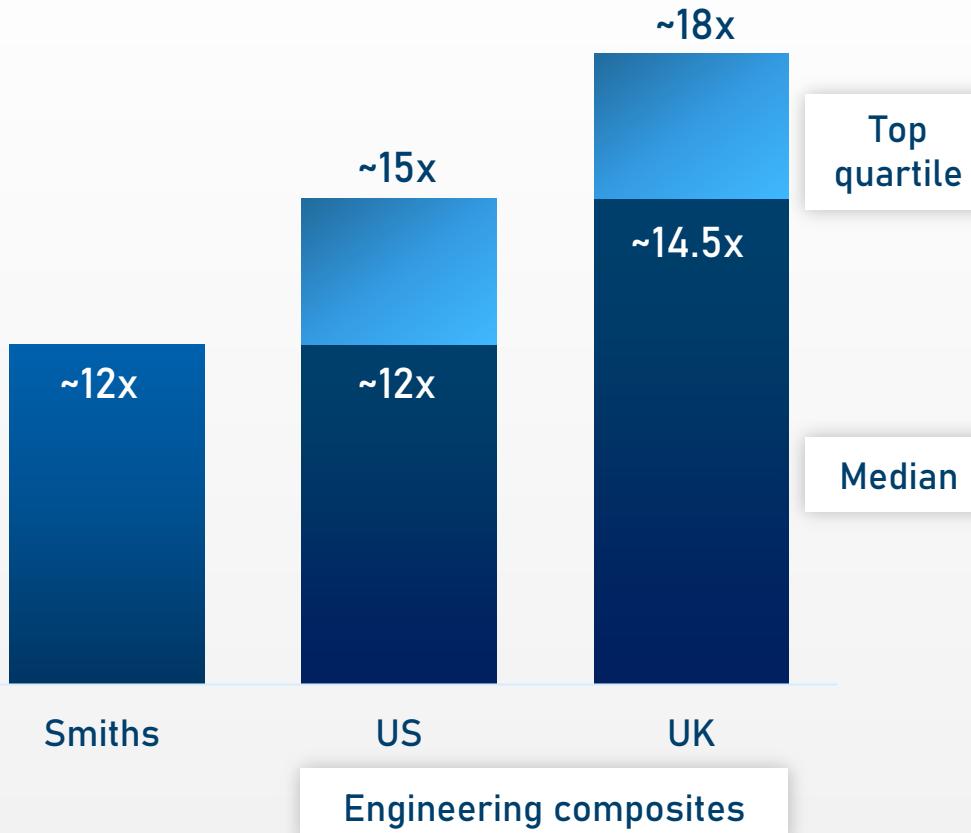
- What are the Group's capital allocation priorities?

# A great opportunity in a great company



# Significant value creation potential

## EV / Next 12 months EBIT



## Key financial metrics

	Top quartile	Smiths medium-term targets
<b>US mid-cap engineering peers</b>		
Sales growth <sup>1</sup>	~5.5%	4-6%
EBIT margin <sup>2</sup>	>20%	18-20%
Cash conversion <sup>3</sup>	>100%	100%+
<b>UK engineering peers</b>		
Sales growth <sup>1</sup>	~6.5%	4-6%
EBIT margin <sup>2</sup>	>20%	18-20%
Cash conversion <sup>3</sup>	>100%	100%+

Source: Market data as of 2-Nov-2022. UK engineering composite includes Halma, IMI, Melrose, Rotork, Spectris, Spirax-Sarco, Weir. US engineering composite includes Carlisle, Dover, Fortive, IDEX, ITT, Pentair, Rexnord, Textron. Financials calendarised to July year end.

<sup>1</sup>Sales growth represents 2024 vs. 2023 growth rate.

<sup>2</sup>EBIT margin represents 2023 EBIT margin.

<sup>3</sup>Cash conversion represents 2023 cash conversion, defined as (EBITDA – Capex+/-net working capital movement) / EBIT.

## Top investor questions

- What attracted you to Smiths and what are your early impressions?

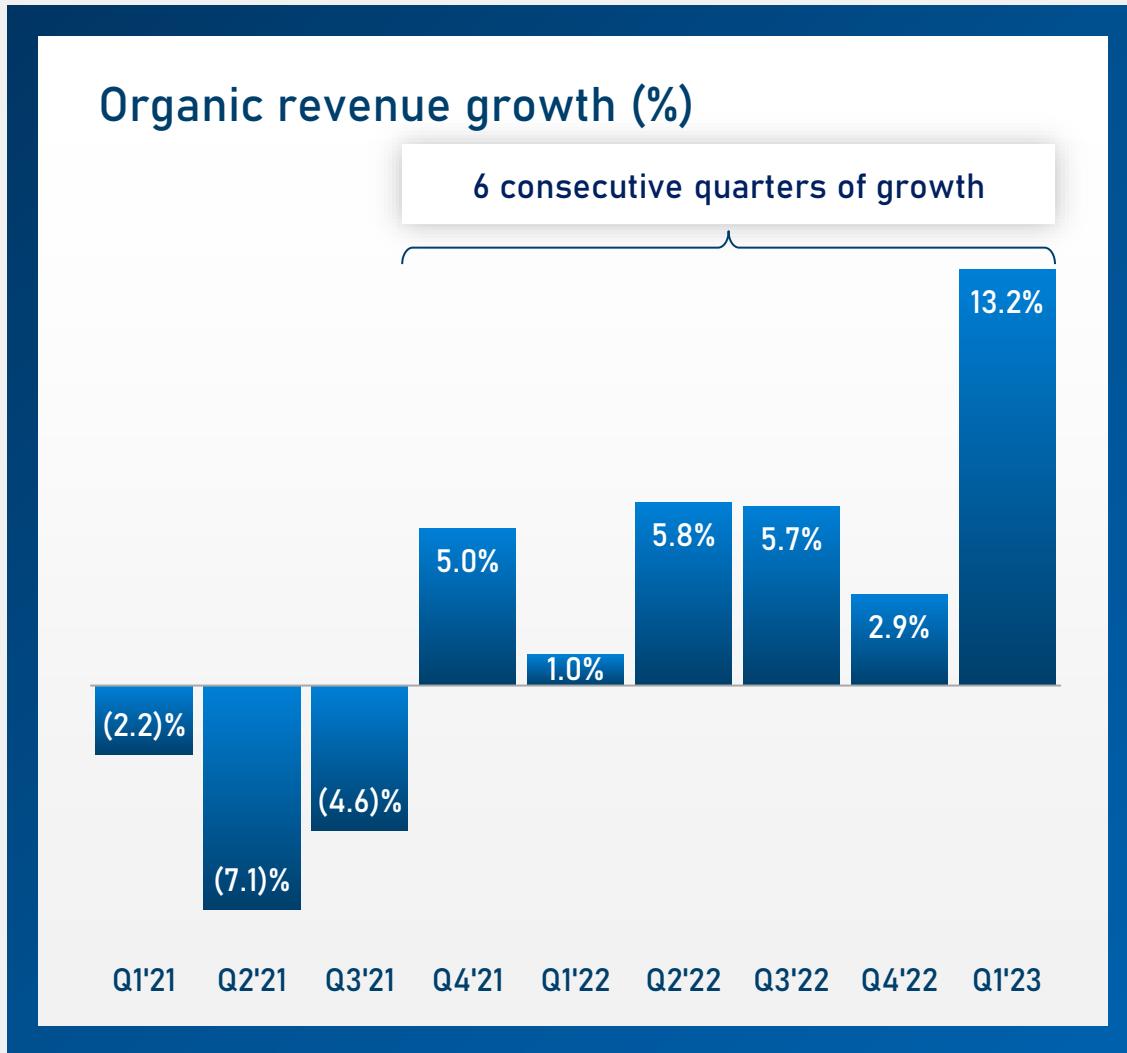
- How is FY23 going so far?

- Do you remain confident in the FY23 guidance?

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- What are the Group's capital allocation priorities?

## Q1'23 – a very strong start to the year



- Q1'23: +13.2% organic revenue growth, our sixth consecutive quarter of growth
- John Crane posted steady growth and demand remains strong
- Smiths Detection benefitted from a strong Q1 orderbook to deliver growth, strengthening our confidence in its return to growth this year
- Flex-Tek continues its strong performance
- Smiths Interconnect contributed solid growth in the first quarter against a strong comparator

# Strong balance sheet provides security and flexibility

## Net debt : EBITDA<sup>1</sup>



## £107m share buyback in Q1

- Share buyback now 83% complete with £617m returned

## Proforma leverage

- FY22 proforma net debt:EBITDA of 0.8x adjusts for the completion of the full £742m share buyback expected to complete in early CY23

## Capital management

- Stated leverage policy is to operate under 2.0x as we've done in the past
- In the current environment <1.0x is appropriate but would consider increasing leverage for the right opportunities
- Strategy in line with capital management policy to maintain a solid investment grade credit rating

## Top investor questions

- What attracted you to Smiths and what are your early impressions?

- How is FY23 going so far?

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- What are the Group's capital allocation priorities?

# Capitalising on opportunities and navigating headwinds

	Tailwinds	Headwinds
	<ul style="list-style-type: none"><li>- Strong demand reflected in record orderbook</li><li>- Targeted actions to simplify end to end value chain</li><li>- Methane remediation and energy transition underpinning medium-term growth</li></ul>	<ul style="list-style-type: none"><li>- Supply chain disruption currently expected to continue throughout FY23</li><li>- H1'23 headwind from cessation of sales to Russia</li></ul>
	<ul style="list-style-type: none"><li>- Strong order book</li><li>- Growth in Other Security Systems</li><li>- Growth in aftermarket</li><li>- Targeted restructuring actions</li></ul>	<ul style="list-style-type: none"><li>- Critical electronic components shortage expected to continue throughout FY23</li><li>- H1'23 headwind from cessation of sales to Russia</li></ul>
	<ul style="list-style-type: none"><li>- New product launches including Python Line sets and H2 Green steel</li><li>- New facility in Houston generating sales from Q1</li><li>- Continued aerospace recovery</li></ul>	<ul style="list-style-type: none"><li>- US housing slowdown expected but still not visible in our sales</li></ul>
	<ul style="list-style-type: none"><li>- Strong new product pipeline</li><li>- Growing demand for our space products</li></ul>	<ul style="list-style-type: none"><li>- Potential slowdown in semi-conductor market (~3% of Group sales)</li></ul>

## Maintaining FY23 guidance

### Tailwinds

- Clear strategy with better focused execution priorities
- Strong order books
- Pricing power across most of the portfolio (and improve in weaker markets through technology diversification)
- High impact new product launches
- SES projects beginning to yield results
- Energised and inspired organisation executing at a faster pace

### Headwinds

- Ongoing supply chain challenges
- Record inflation
- Geopolitical and macroeconomic uncertainty

Expect to deliver  
4.0-4.5% organic  
revenue growth with  
moderate margin  
improvement in  
FY2023

## Top investor questions

- What attracted you to Smiths and what are your early impressions?

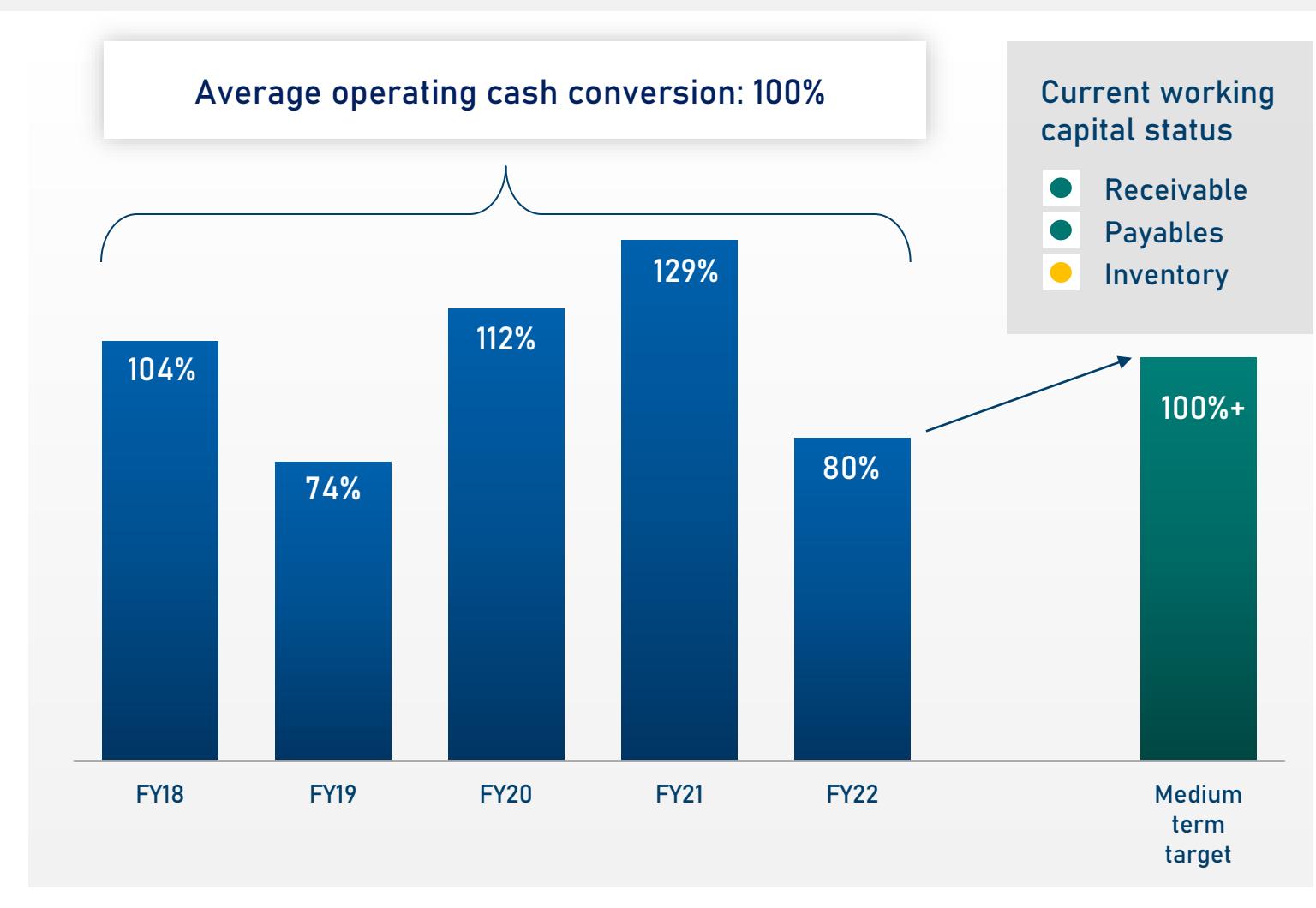
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## Strong operating cash conversion

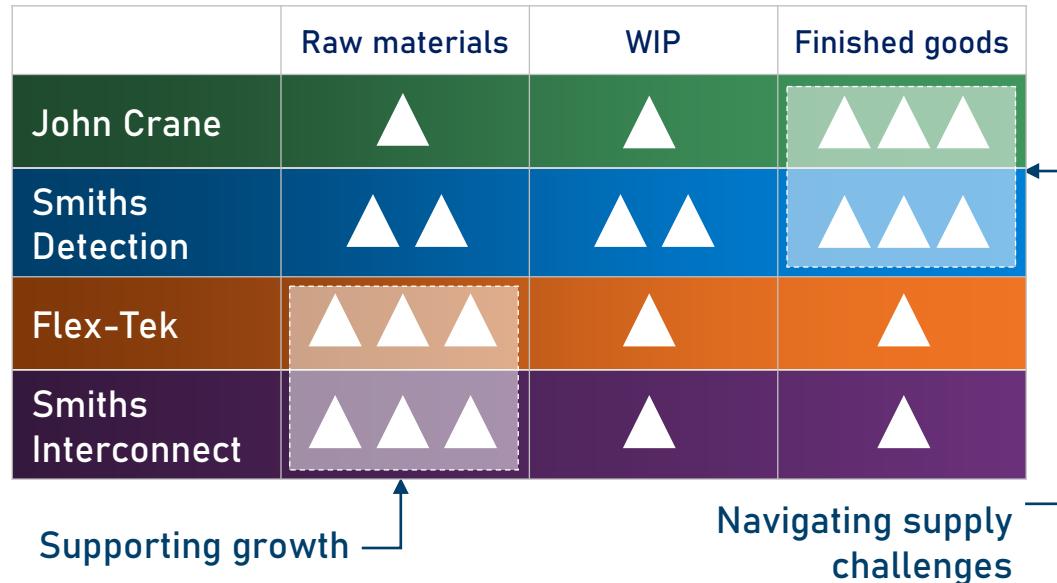


Return to 100%+ operating cash conversion over time as we:

- Manage inventory levels as supply chains stabilise through FY23/FY24
- Continue to manage other working capital
- Remain true to our asset light model (capex 2.5-3.0% of sales), being an assembler not a vertically integrated manufacturer

# Managing growth and supply chain whilst maintaining inventory discipline

## FY22 inventory composition



### Current situation

- FY22 increase in inventory of £154m a result of:
  - Supporting revenue growth
  - Securing supply
  - Inflation and FX

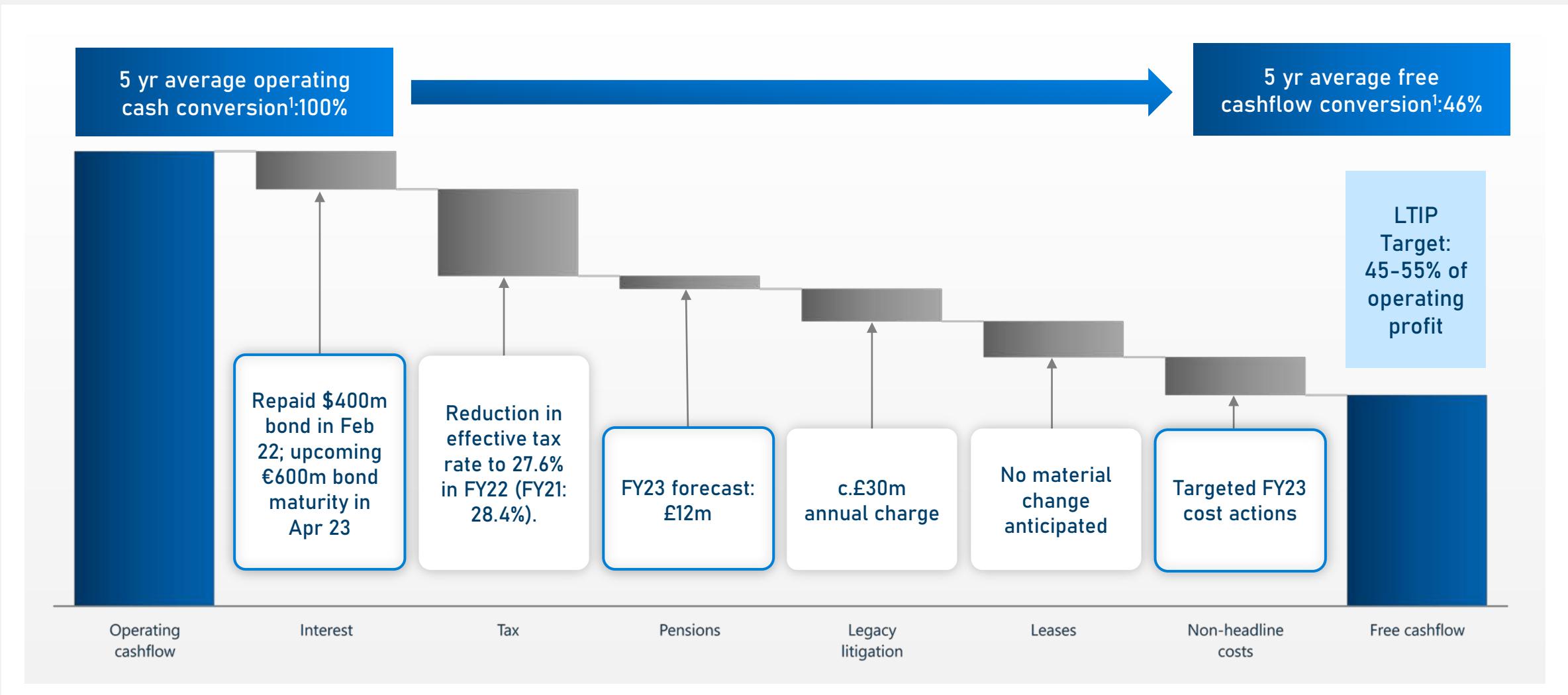
## FY23 action plan

	Examples of SES projects
John Crane	<ul style="list-style-type: none"><li>• Improved demand and capacity planning</li><li>• Continued reduction of single source supply</li></ul>
Smiths Detection	<ul style="list-style-type: none"><li>• Improved forecasting, global standardisation and best practice alignment</li></ul>
Flex-Tek	<ul style="list-style-type: none"><li>• Capacity expansion for high demand products</li></ul>
Smiths Interconnect	<ul style="list-style-type: none"><li>• Improved demand and capacity planning</li><li>• Capacity expansion and automation</li></ul>

### Ongoing actions

- 15 SES projects currently underway focused on inventory management
- Supplier diversification reduced single sourcing across the business
- Anticipate continued supply chain disruption through FY23 in John Crane and Smiths Detection

## Continued active management of free cashflow



## Top investor questions

- What attracted you to Smiths and what are your early impressions?

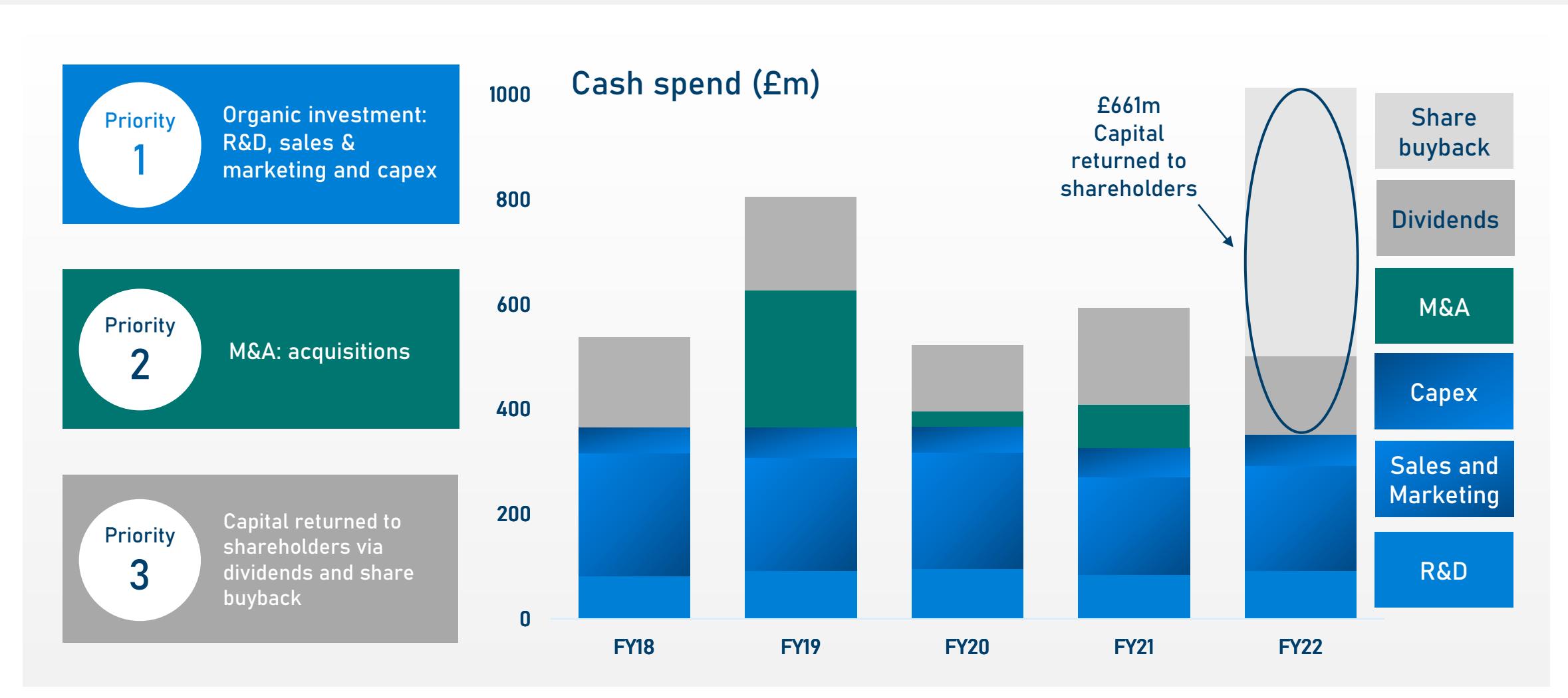
- How is FY23 going so far?

- Do you remain confident in the FY23 guidance?

- What is management's view on cash conversion, and in particular working capital?

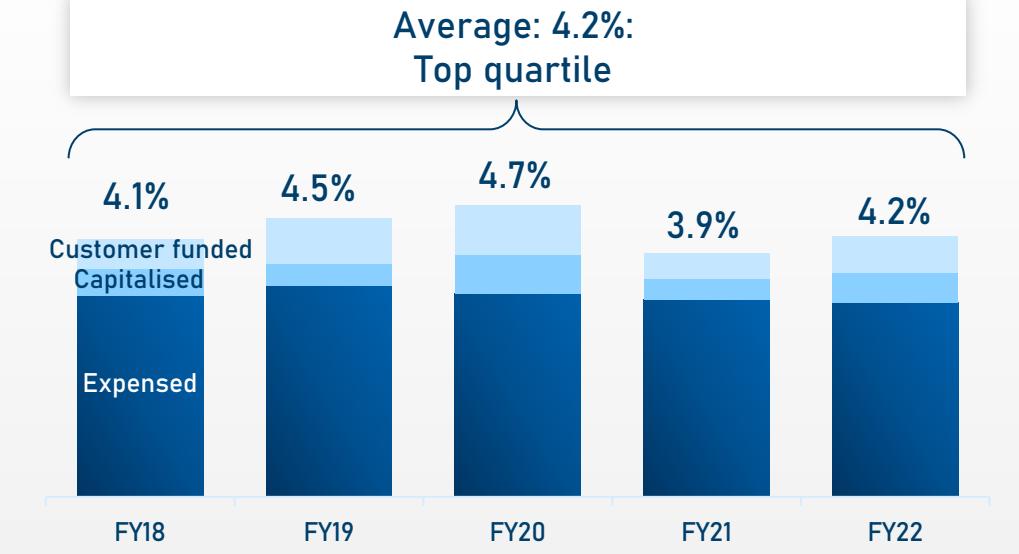
- What are the Group's capital allocation priorities?

# Capital allocation priorities: driving growth and shareholder returns



# Priority 1: Organic investment

## R&D investment (% sales)



## R&D framework

- Maintain 4-5% of R&D investment including customer funded projects
- Focus on high return investments
- Compensation linked to commercialisation of new products

## Representative R&D projects

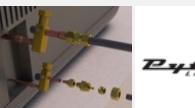


Enhanced CarbonLF  
seals for LNG

Gas seal recovery  
system for methane



smiths  
detection



Multi-layer refrigerant  
line sets

Industrial heating: Green  
electrification



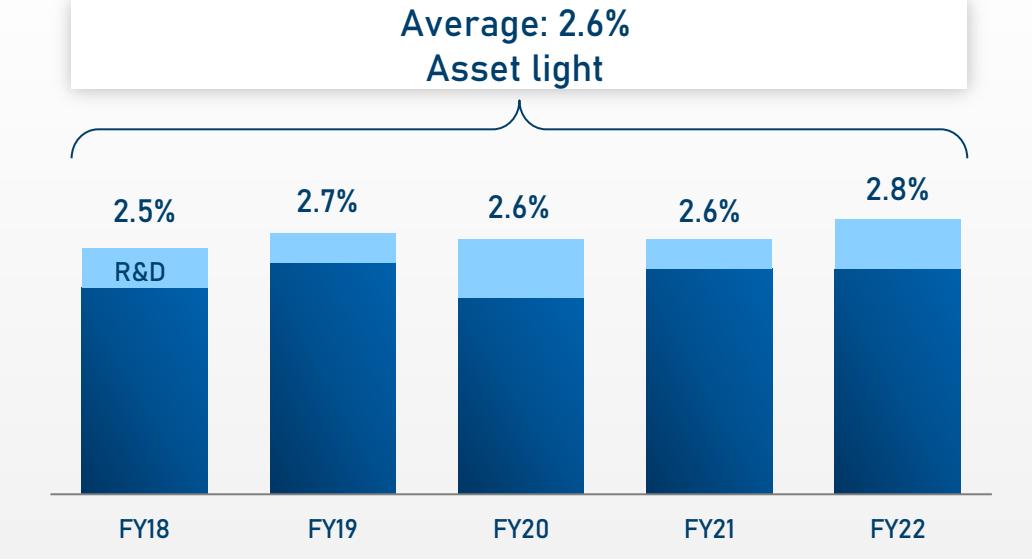
smiths  
interconnect

28G Optical transceivers  
for defence

DaVinci next gen  
test sockets

# Priority 1: Organic investment

## Capital expenditure (% sales)



## Capex framework

- Demonstrating our asset light model with capex spend of ~2.5-3.0% % of sales including R&D
- Targeted capex to support growth
- Compensation linked to ROCE, cash and free cash conversion

## Representative capex projects



Investment in CNC capabilities and in quality management systems



Investment in chem-bio technologies facilities



New duct plant in Houston facility



Medical cable assembly expansion and automation

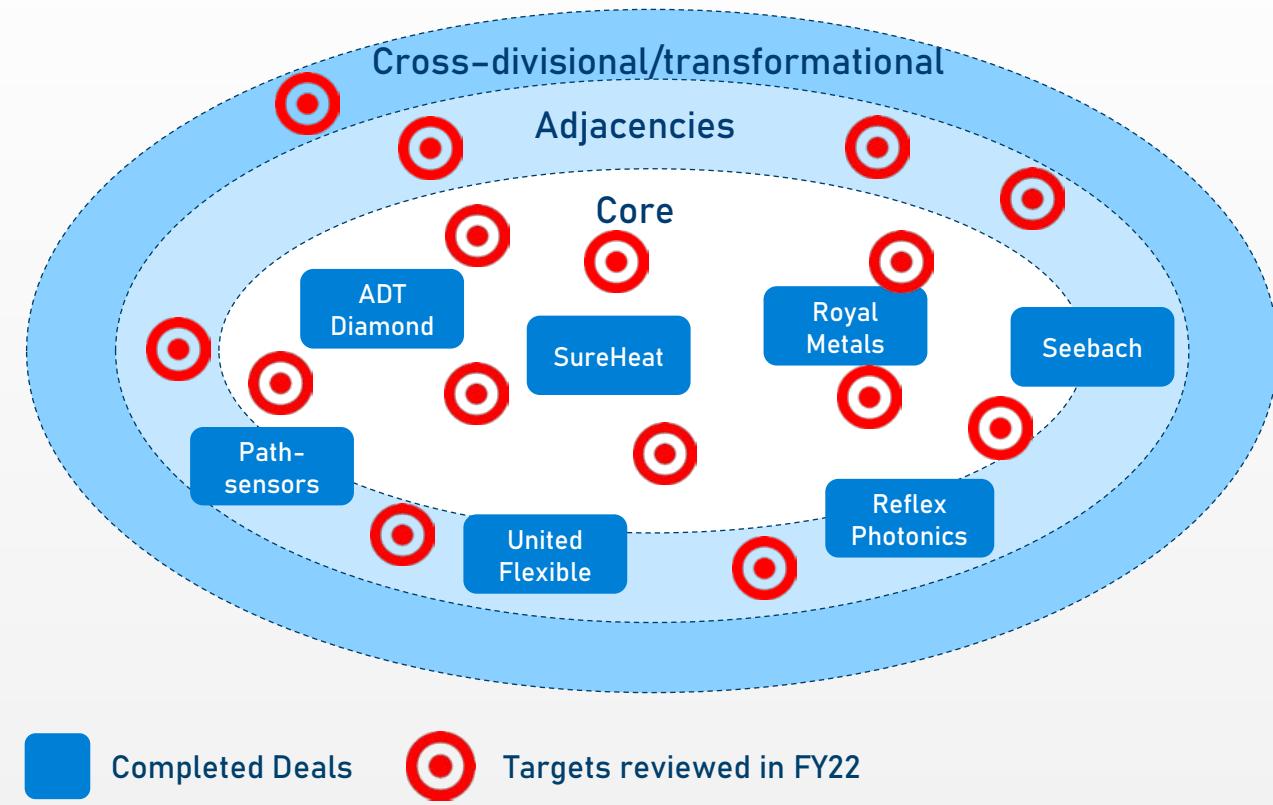


## Priority 2: Targeted M&A

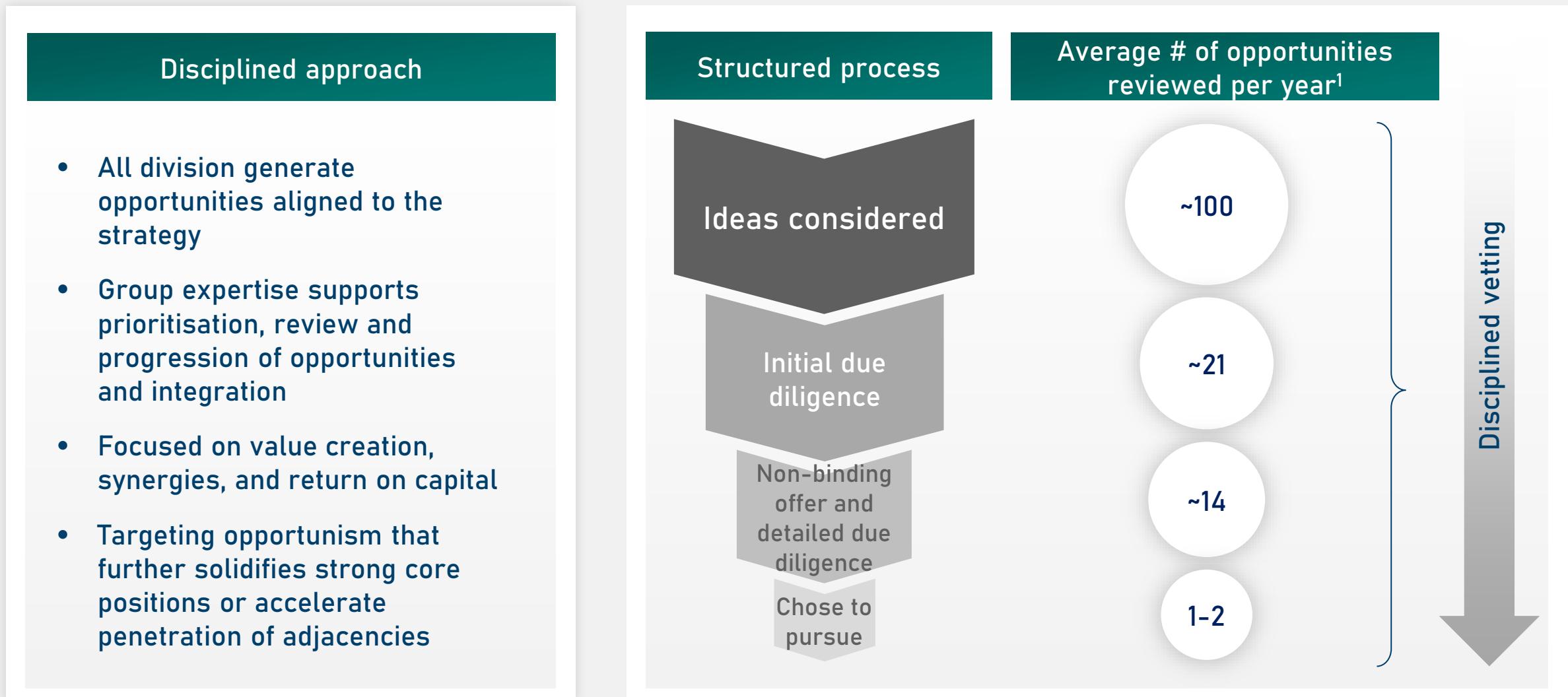
### Accelerate organic strategy

- Focus on our core and adjacencies through bolt-ons and selective larger strategic opportunities
- Strengthen market/ geographical positions
- Enhance technology roadmap
- Access priority/new adjacencies with attractive characteristics
- Accelerate growth and create scale

### Cultivate an attractive M&A pipeline



## Priority 2: Targeted M&A



## Priority 3: Capital returns to shareholders

### Progressive dividend

- Target to increase dividends in line with long-term growth in earnings
- While maintaining dividend cover of at least two times
- FY22 dividend yield of 2.6%, attractive relative to peers
- 70 years of uninterrupted dividend

### Surplus capital return via share buyback

- Return of Smiths Medical proceeds reflected shareholder input
- Currently 83% complete as at end of Q1'23
- Programme expected to complete early CY2023



## Well positioned for the near and longer term

FY2023		Medium-term
	Organic revenue growth	Maintain guidance of 4-4.5% organic growth, with a very strong start in Q1
	Operating margin	Moderate margin improvement in FY23 as we continue to navigate macro challenges
	Cash conversion	Priority remains delivering for customers as supply chains remain challenging
	EPS and ROCE	Growth of top line and moderate margin improvement will deliver better returns
		Strong positions in attractive markets supports medium-term target of 4-6%
		SES delivering stronger execution to drive margin expansion to 18-20%
		Working capital discipline to deliver 100%+ cash conversion
		EPS growth of 7-10% and ROCE of 15-17% through growth and stronger execution