

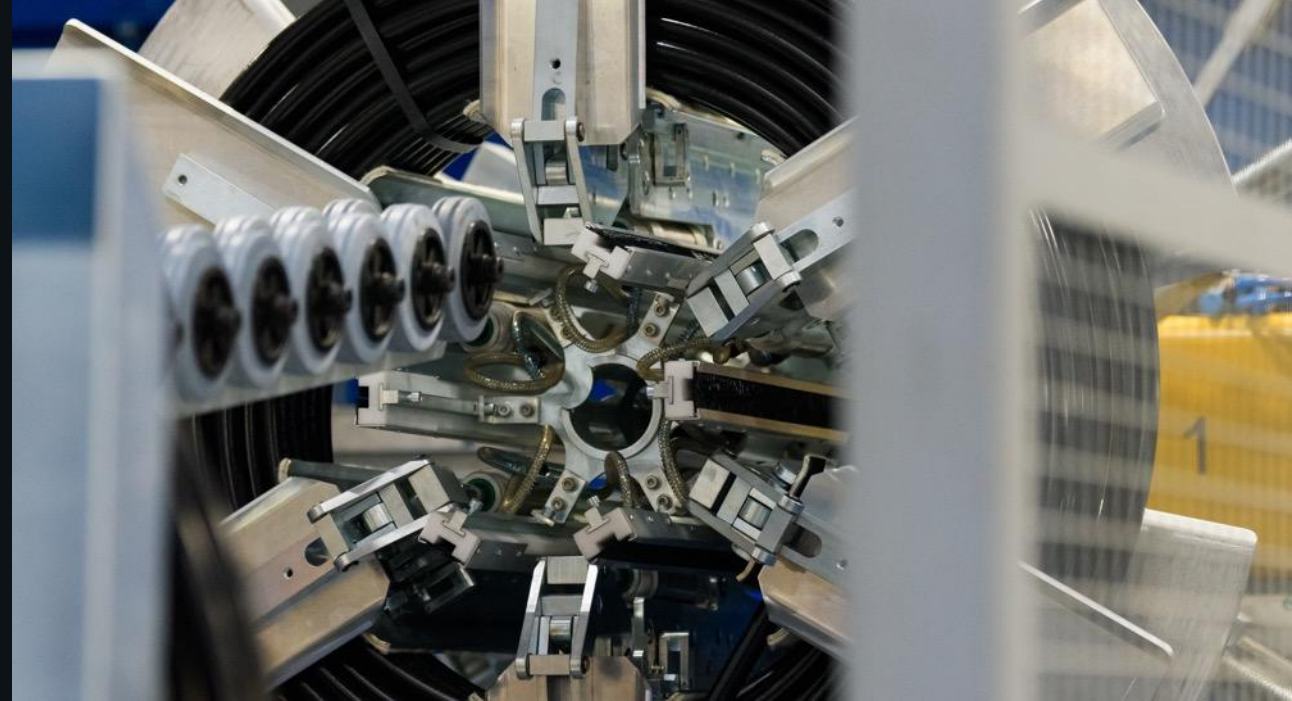
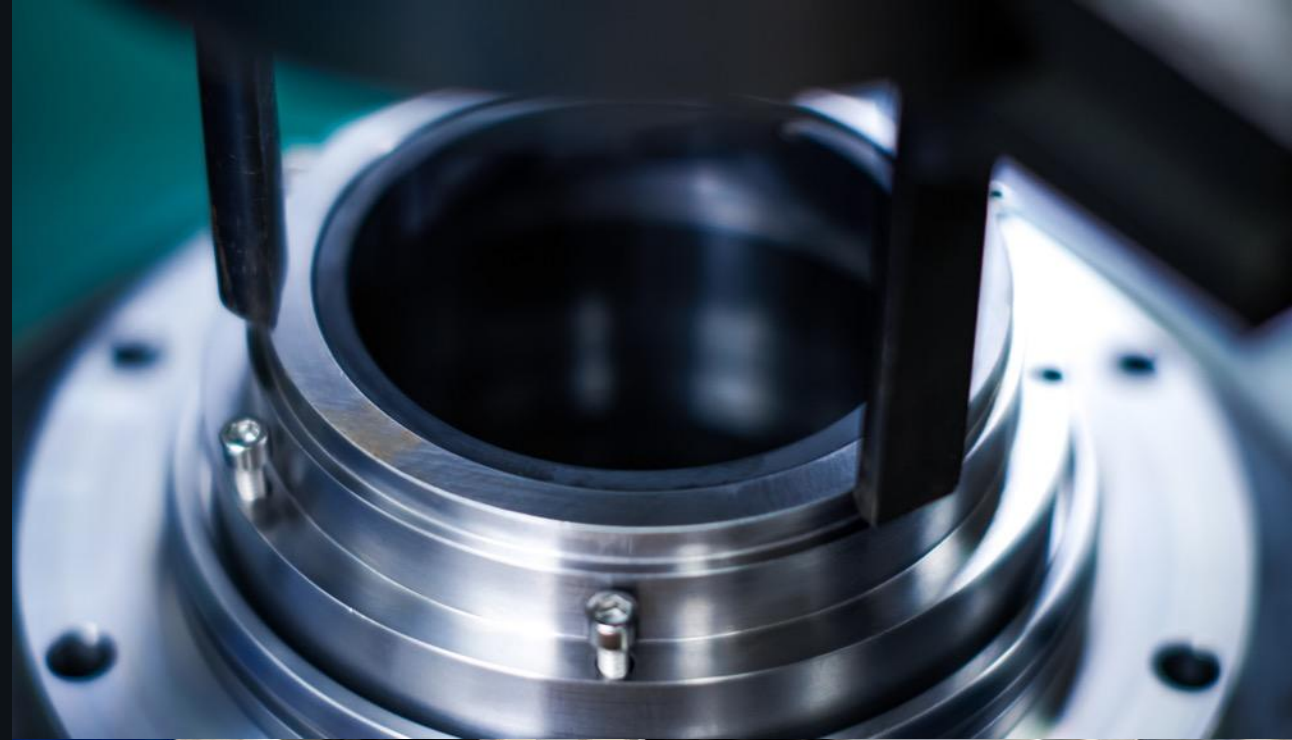
smiths

# ENGINEERING A BETTER FUTURE

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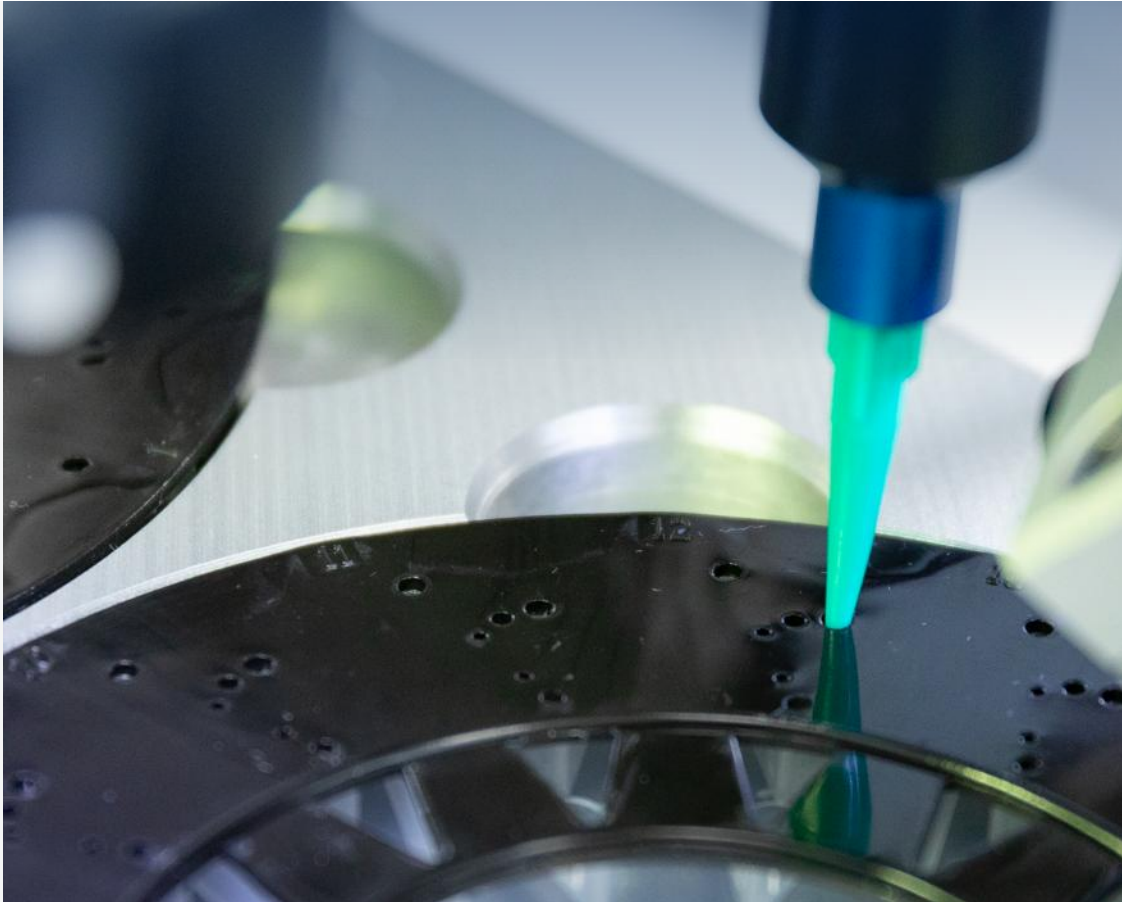
SMITHS GROUP PLC  
HY2025 RESULTS

25 MARCH 2025





# Disclaimer

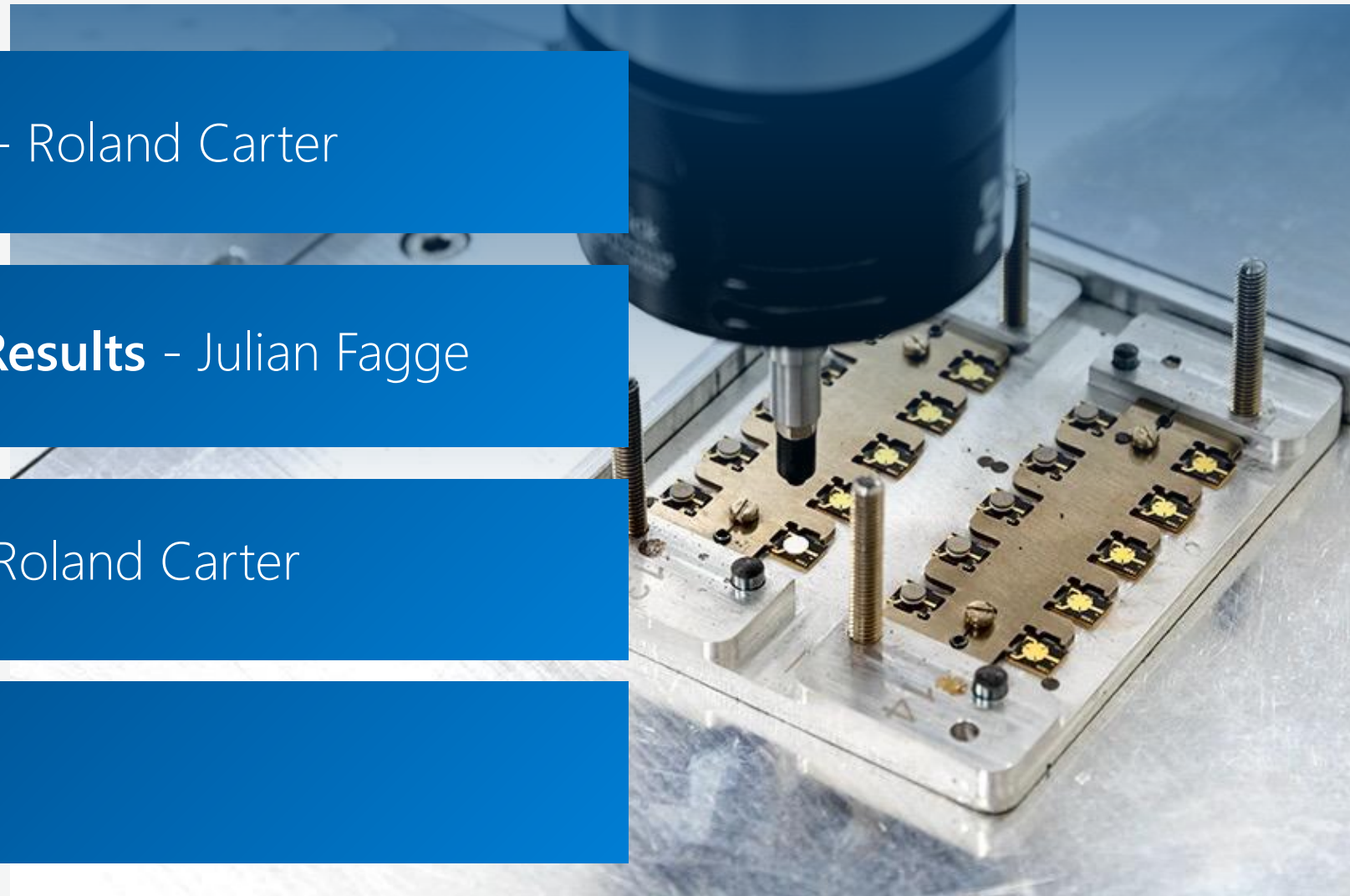


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- > **Opening Remarks** - Roland Carter
- > **HY2025 Financial Results** - Julian Fagge
- > **Strategy Update** - Roland Carter
- > **Q&A**





# Opening Remarks

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**ROLAND CARTER**

CHIEF EXECUTIVE OFFICER





# Strategic actions underway to unlock significant value and enhance returns to shareholders

Focus on high performance technologies for efficient flow and heat management - John Crane and Flex-Tek



Separate Smiths Interconnect and Smiths Detection



Disciplined capital allocation with enhanced capital returns



Simplified and more focused

Further value creation ahead



## Strong HY2025 financial results; FY2025 outlook reaffirmed

**+9.1%**

Organic<sup>1</sup> revenue growth

**+50**bps

Organic<sup>1</sup> operating profit margin expansion to 16.7%

**17.1%**

ROCE

**+14%**

Basic EPS growth

**94%**

Operating cash conversion

**£213**m

Cash returned to shareholders<sup>2</sup>

**£129**m

Acquisitions<sup>2</sup>

**0.23**

Recordable incident rate

FY2025 outlook reaffirmed, supported by order book strength

All measures above on a headline basis. Headline excludes items defined in note 3 of the financial statements

<sup>1</sup> Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions

<sup>2</sup> Year to date up to 24 March 2025



# HY2025 Financial Results

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**JULIAN FAGGE**

CHIEF FINANCIAL OFFICER





# HY2025 – Continued strong financial performance

	HY2025	HY2024	Reported change	Organic <sup>2</sup> change
<b>Smiths Group</b> Headline <sup>1</sup>				
Revenue	<b>£1,608m</b>	£1,507m	+6.7%	+9.1%
Operating profit	<b>£269m</b>	£246m	+9.5%	+12.6%
Operating profit margin	<b>16.7%</b>	16.3%	+40bps	+50bps
Basic EPS	<b>55.5p</b>	48.7p	+14.0%	
Operating cash conversion	<b>94%</b>	89%	+5pps	
ROCE	<b>17.1%</b>	15.7%	+140bps	
Dividend	<b>14.23p</b>	13.55p	+5.0%	

<sup>1</sup> Headline excludes items defined in note 3 of the financial statements

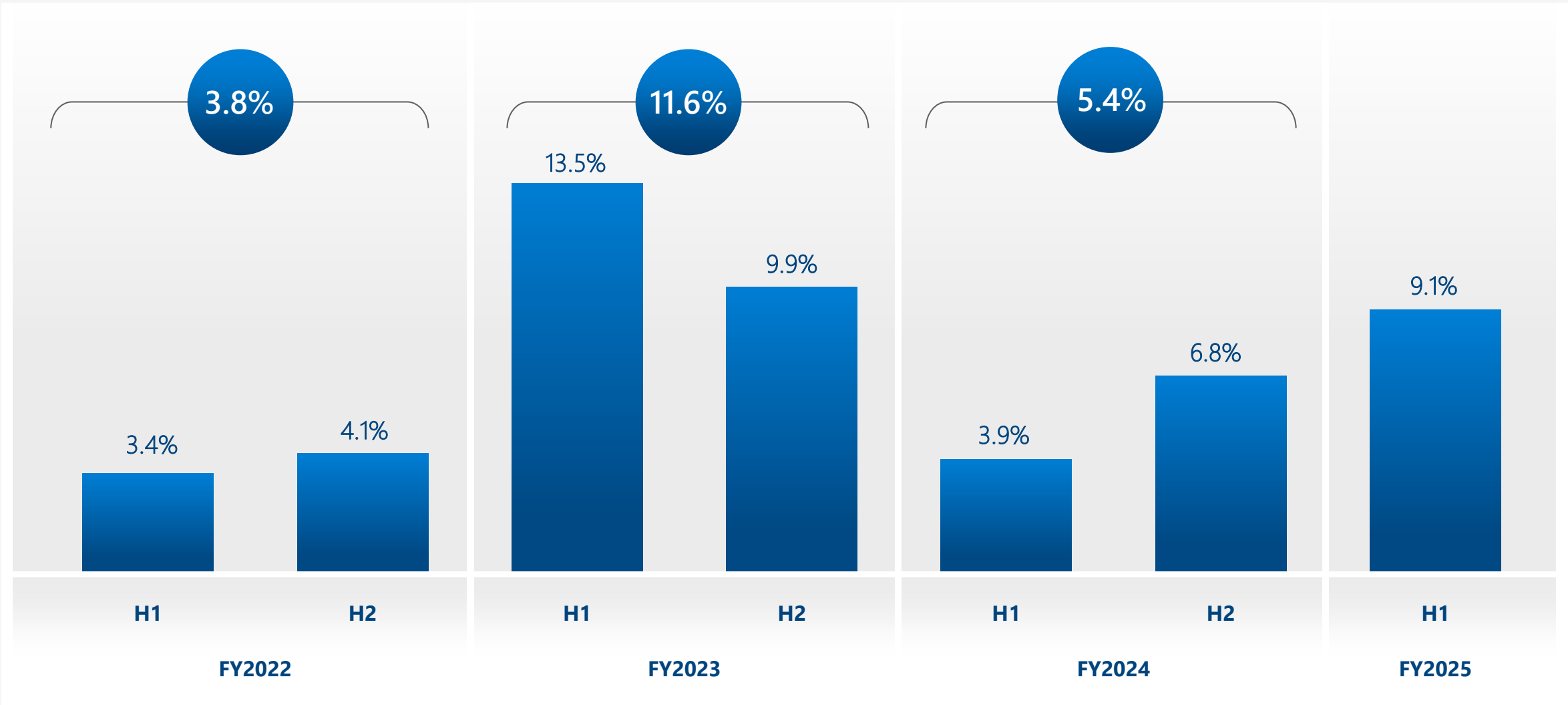
<sup>2</sup> Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions

## Summary

- Strong revenue and operating profit growth with continued margin expansion
- EPS growth enhanced by acquisitions and share buyback
- Good cash conversion of 94%
- ROCE expansion driven by profit growth and efficient use of capital
- Dividend growth of +5.0%, supplemented by further capital returns
- Minimal financial impact from cyber security incident

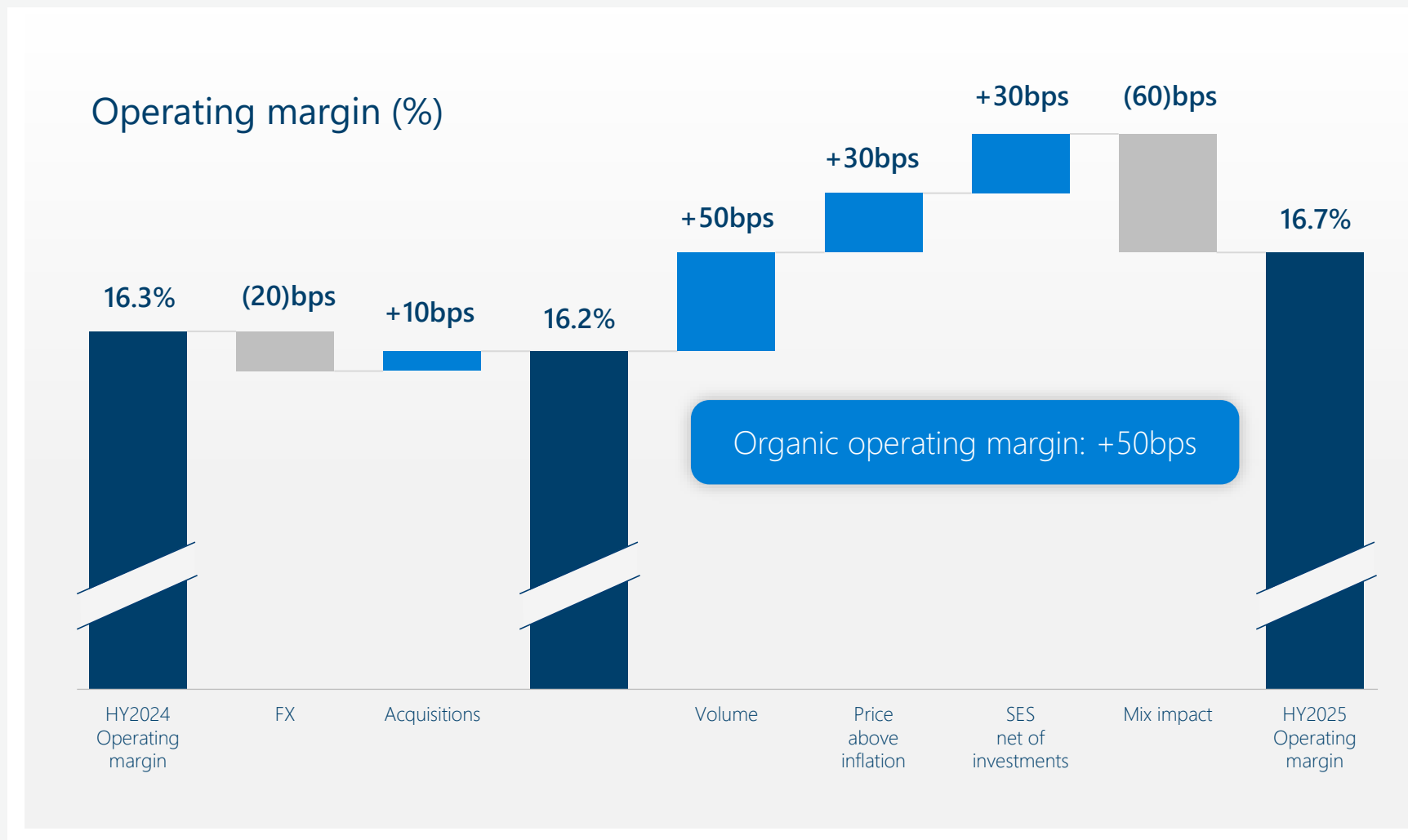


# Extending our track record of organic revenue growth





# Continued operating margin expansion

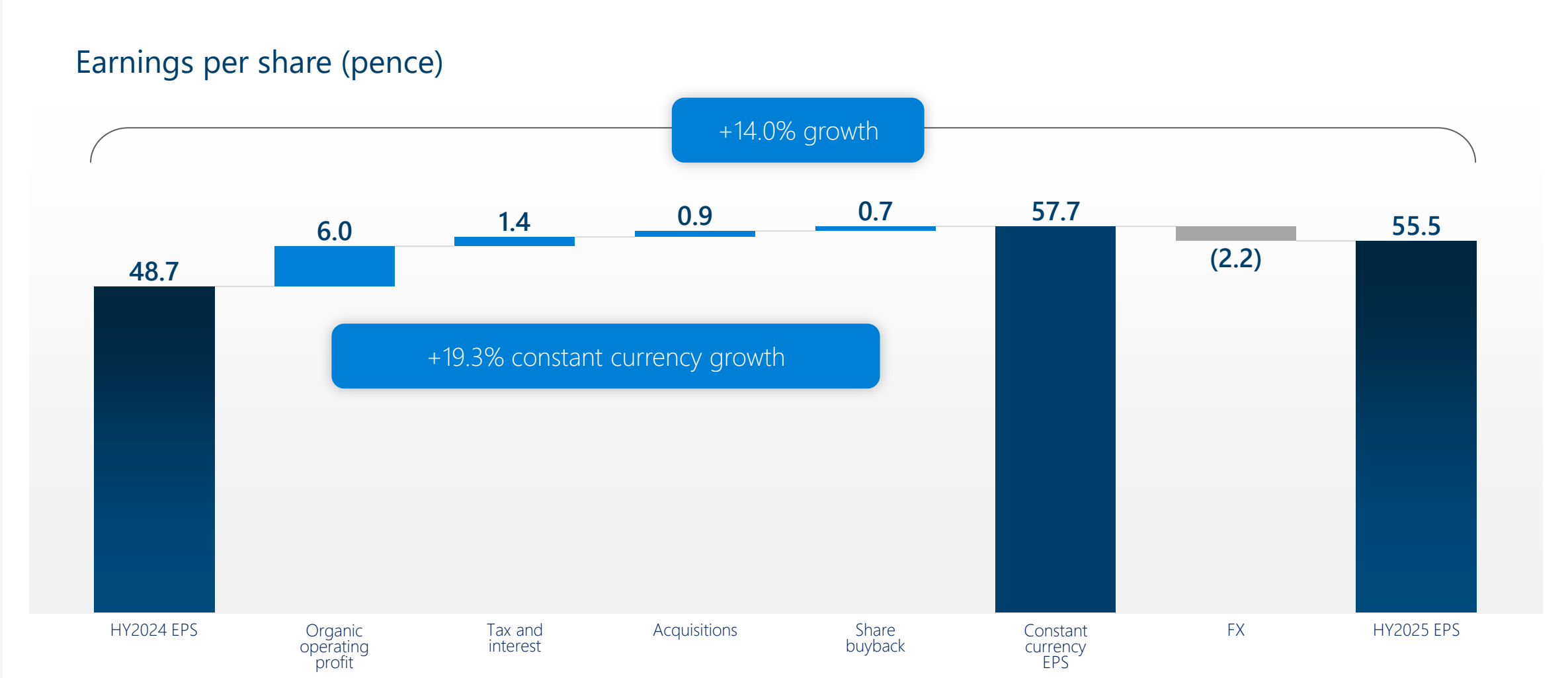


## Margin movements

- Operating leverage from strong volume growth, particularly in Smiths Detection and Smiths Interconnect
- Continuing to capture price in excess of input inflation
- SES and other efficiency savings partially reinvested in growth
- Impact from business and product mix



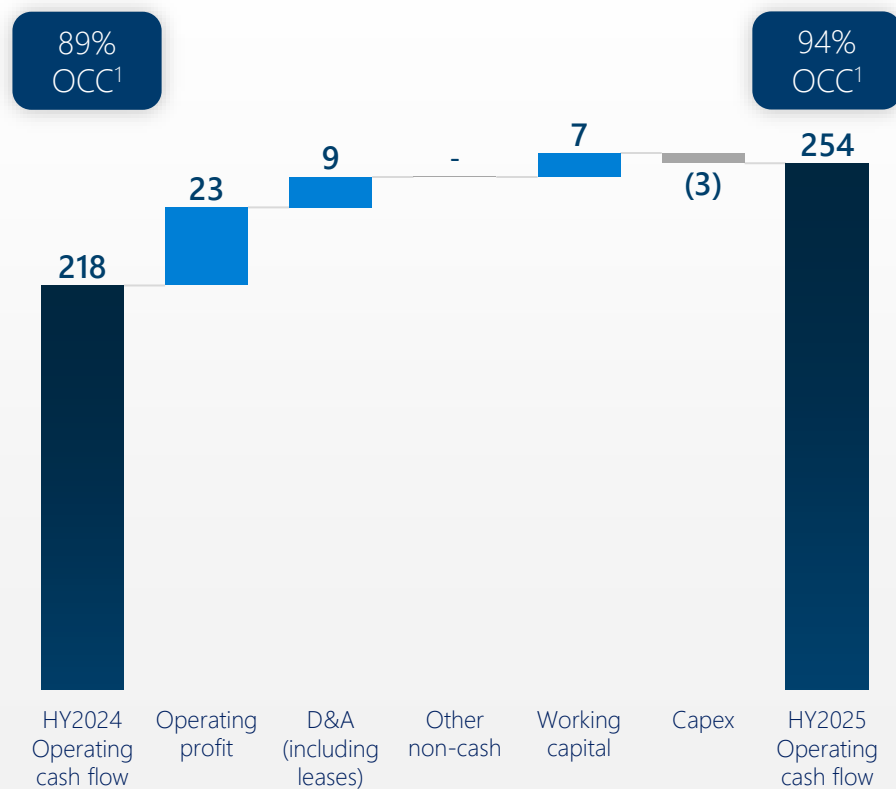
# Strong EPS growth driven by operating performance





# Improvement in cash conversion

## Operating cash flow



Actuals	HY2025 £m	HY2024 £m
Operating profit	269	246
D&A	34	26
Lease depreciation	18	17
Other non-cash	12	12
Working capital	(38)	(45)
Capex	(41)	(38)
Operating cashflow	254	218

## Summary

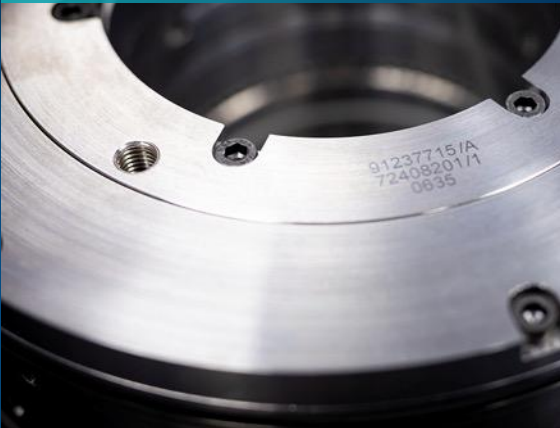
- 94% operating cash conversion, up from 89%
- Lower working capital outflow
- Capital expenditure focused on increasing capacity and automation
- Investing for the future: FY2025 capex now expected at ~£100m (previously £110m) given timing of investments
- £143m of free cashflow generated, +28% YoY

<sup>1</sup> Operating cash conversion



# Business Update

JOHN CRANE



FLEX-TEK



SMITHS DETECTION



SMITHS INTERCONNECT





# John Crane – strong Q1, Q2 growth constrained by cyber incident; order book supports H2 outlook

## Revenue

£551m

+3.8%<sup>1</sup>

Growth against a strong prior year comparator, led by strong OE sales:

Energy +3.3%:

- Original equipment: +12.2%
- Aftermarket: +0.6%

Industrial +4.6%:

- Original equipment: +5.8%
- Aftermarket: 4.0%

## Revenue breakdown

Aftermarket 71%

OE 29%

Energy 63%

Industrial 37%

## Operating profit

£126m

+3.9%<sup>1</sup>

## Operating margin

22.9%

+10bps<sup>1</sup>

Good operating profit growth and margin expansion:

- Pricing actions offsetting cost inflation, and efficiency savings
- Mix impact from strong OE growth and higher investment in capacity and automation to support current and future growth

## Business update

- H2 growth to improve on H1 supported by robust order book and market demand. Order delivery affected by cyber incident moderating FY2025 growth expectations
- Capex investments continue in H2 FY2025
- Expect strong medium-term demand to continue, supported by energy outlook
- Well positioned to capture growth across full energy spectrum



Mission-critical technologies and services for energy and process industries

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



# Flex-Tek – solid growth and execution despite challenging market conditions in US construction

## Revenue

£401m

+2.5%<sup>1</sup>

Acquisitions added a further +4.4% to growth  
Growth led by resilient HVAC sales within industrial and good growth in aerospace

- Industrial: +2.0%
- Aerospace: +4.8%

## Revenue breakdown

Industrial 81%

Aero  
19%

Construction: 62%

## Operating profit

£80m

(5.1)%<sup>1</sup>

## Operating margin

19.8%

(160)bps<sup>1</sup>

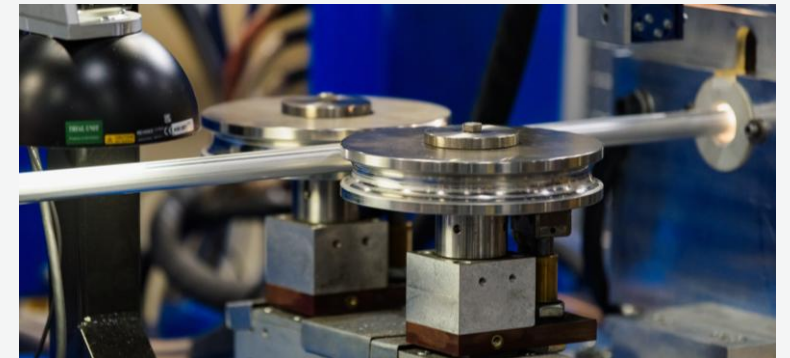
Margin performance reflects:

- Negative mix including the benefit in the prior year of high margin industrial heating contracts
- Positive pricing and efficiency savings

Acquisitions were accretive to margin, adding +20bps

## Business update

- Timing of US construction market recovery uncertain, but well positioned to benefit
- Strong aerospace order book supports continued growth
- Well placed to capture growth of electrification trend, including future industrial electrical heating projects
- Modular Metal and Wattco acquisitions completed in Q1 and Duc-Pac in Q3

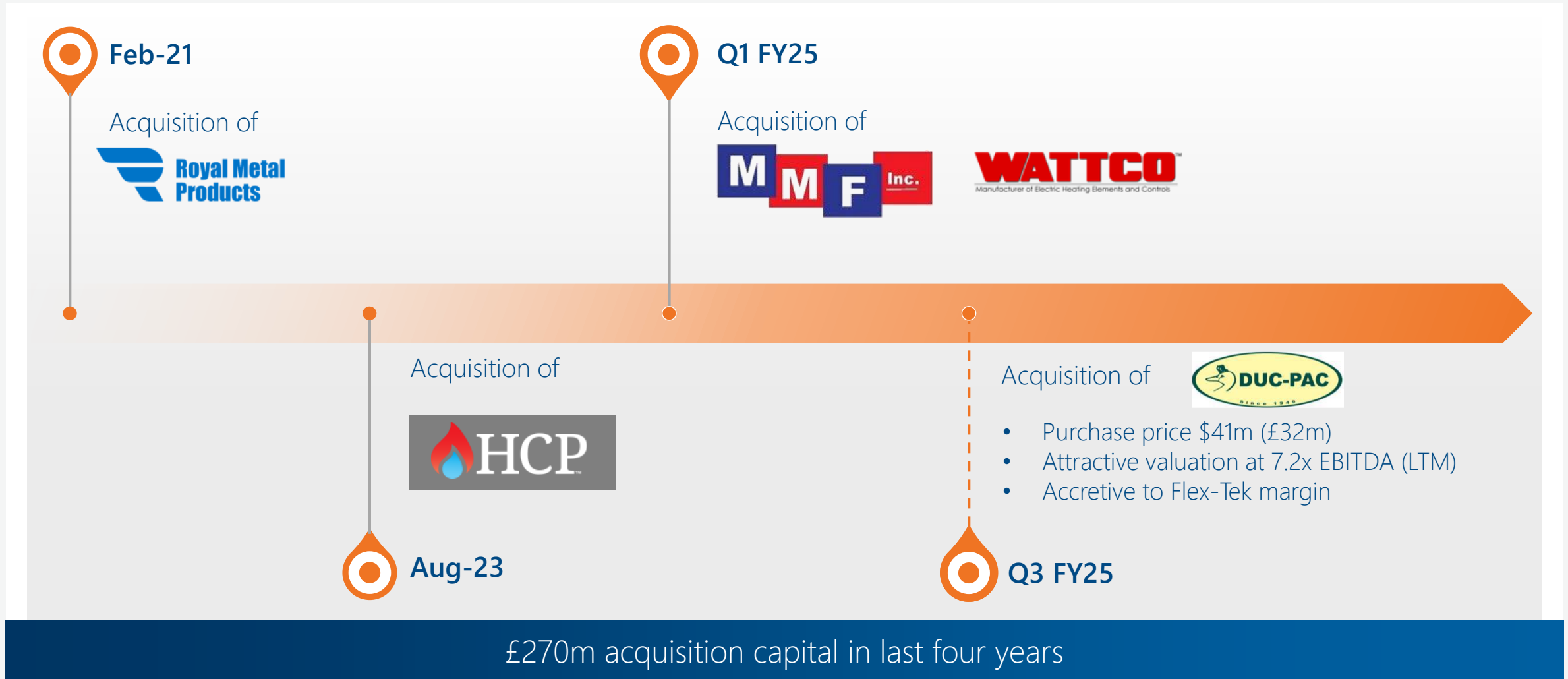


Innovation leader in the safe and efficient movement and temperature management of fluids

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



# Building on our successful track record with acquisition of Duc-Pac Corporation





# Smiths Detection – significant volume growth in aviation; continued margin expansion

## Revenue

£454m

+15.3%<sup>1</sup>

Strong growth led by performance in aviation; OSS decline reflects tough comparator and phasing of certain contracts:

- |   |                               |
|---|-------------------------------|
| Aviation<br>+28.7%:                         | - Original equipment: +43.2%  |
|   | - Aftermarket: +18.4%         |
| Other Security<br>Systems (OSS)<br>(11.3)%: | - Original equipment: (13.4)% |
|   | - Aftermarket: (8.8)%         |

## Revenue breakdown

Aftermarket 52%

OE 48%

Aviation 74%

OSS 26%

## Operating profit

£51m

+23.2%<sup>1</sup>

## Operating margin

11.3%

+70bps<sup>1</sup>

Strong operating profit growth and margin expansion reflecting:

- Significant volume growth, especially in aviation, and positive pricing
- Efficiency savings

## Business update

- OE aviation wins globally – now sold 1,600+ CTiX scanners with a good win rate; programme around halfway through with 2-3 more years to run
- Strong multi-year order book supports growth into H2, and beyond
- Next-generation detection capabilities:
  - X-ray diffraction undergoing certification in Europe
  - Advancing iCMore software offer



Differentiated proprietary technologies for security screening and threat detection

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



# Smiths Interconnect – innovation and execution driving strong growth

## Revenue

£202m

+26.8%<sup>1</sup>

Strong execution in positive market conditions, particularly in semi-test:

- Aerospace & Defence: +15.9%
- Industrial: +39.8%

## Revenue breakdown

Aerospace &  
Defence 50%

Industrial  
50%

Semiconductor: 28%

## Operating profit

£35m

+80.3%<sup>1</sup>

## Operating margin

17.2%

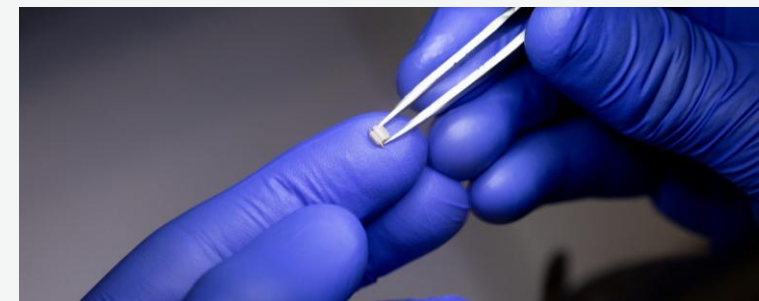
+510bps<sup>1</sup>

Profit performance reflects:

- Notably higher year-on-year volumes
- Pricing actions offsetting inflation
- Positive mix effects
- Efficiency and automation benefits

## Business update

- Strong product innovation leading to growth in key programme wins (high speed GPUs and artificial intelligence)
- Semi-test DaVinci 112 product externally recognised in industry awards
- Well positioned to benefit from accelerating growth in aerospace and defence markets
- Positive order outlook supports H2 FY2025, albeit growth expected to moderate, given comparator



Leading provider of technically differentiated connectivity solutions

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



# Disciplined capital allocation with enhanced returns

## Disciplined use of capital



Organic investment



Value accretive bolt-on acquisitions



Enhanced shareholder returns

Strong balance sheet supporting growth

Maintain investment grade rating

## HY2025

- Capex £41m
- RD&E £56m<sup>1</sup>

- £97m for acquisitions<sup>2</sup>

- Dividends paid £104m
- Interim DPS +5.0%
- Completed £150m of £500m buyback<sup>3</sup>

## FY2025 and beyond

- Continued investment in organic growth

- £32m for Duc-Pac in February 2025
- Disciplined bolt-on M&A

- Additional £350m buyback by end CY2025 supplementing dividend
- Plan to return large portion of all disposal proceeds

<sup>1</sup> Including John Crane's customer-specific engineering-related projects

<sup>2</sup> Amount relates to acquisitions of Modular Metal and Wattco in Q1 FY2025

<sup>3</sup> Of the £150m initial share buyback: £41m returned in FY2024, £44m returned in HY2025 and a further £65m in February and March 2025. Overall programme increased to £500m in 31 January 2025 announcement



## Tailwinds

- Continued strength in our end markets
- Strong Smiths order book
- New product launches

## Headwinds

- Uncertainty of timing of US construction market recovery
- Continued macro and geopolitical uncertainty
- Pricing growth moderating vs prior year

## Investing for the future

- Operating cash conversion reflects investment in John Crane's capacity and automation, as well as Acceleration Plan

## Reaffirming FY2025 guidance

- Organic revenue growth of 6-8%
- Margin expansion of 40-60bps
- Operating cash conversion in the low 90%s



# Strategy Update

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**ROLAND CARTER**

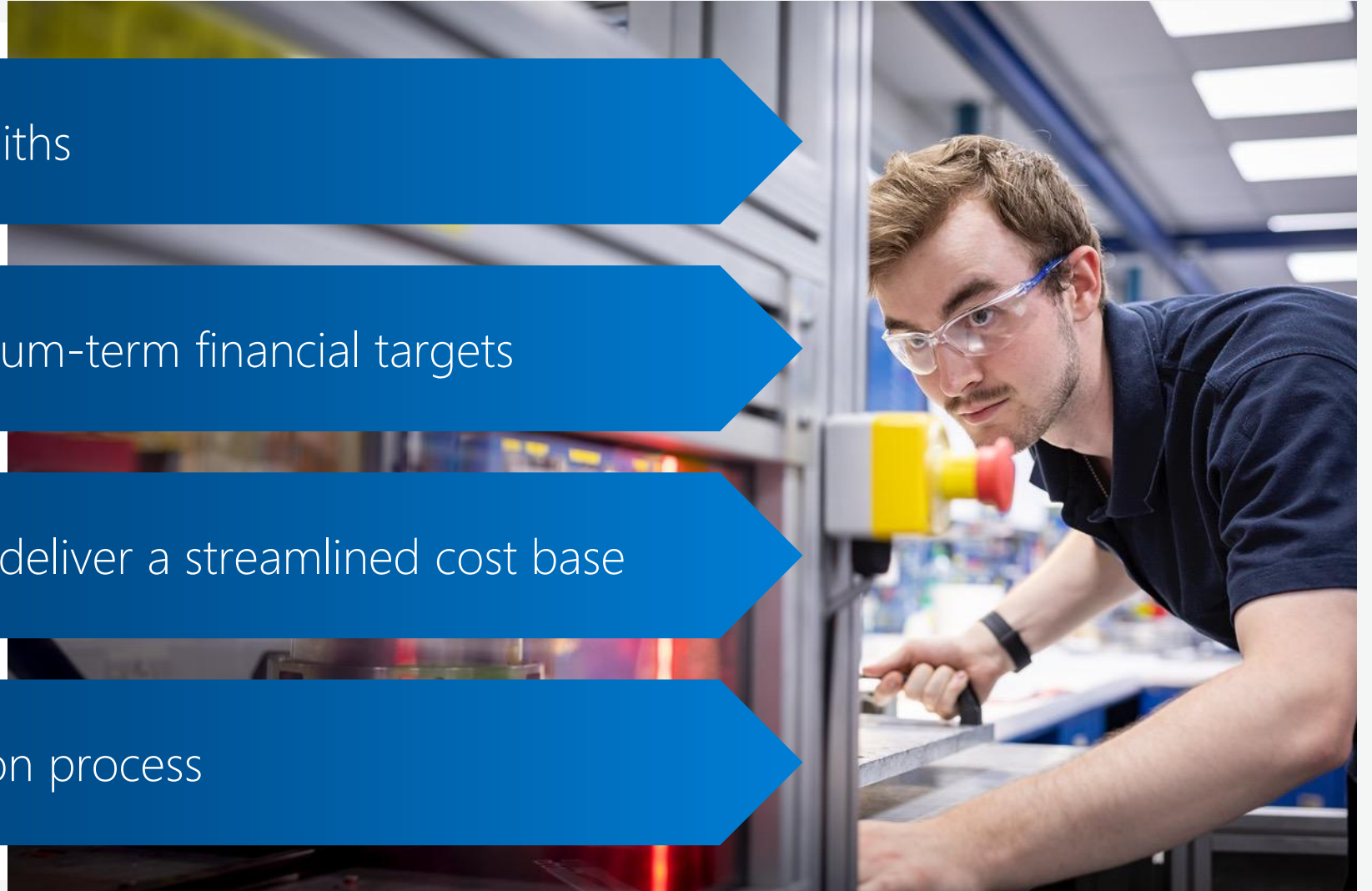
CHIEF EXECUTIVE OFFICER





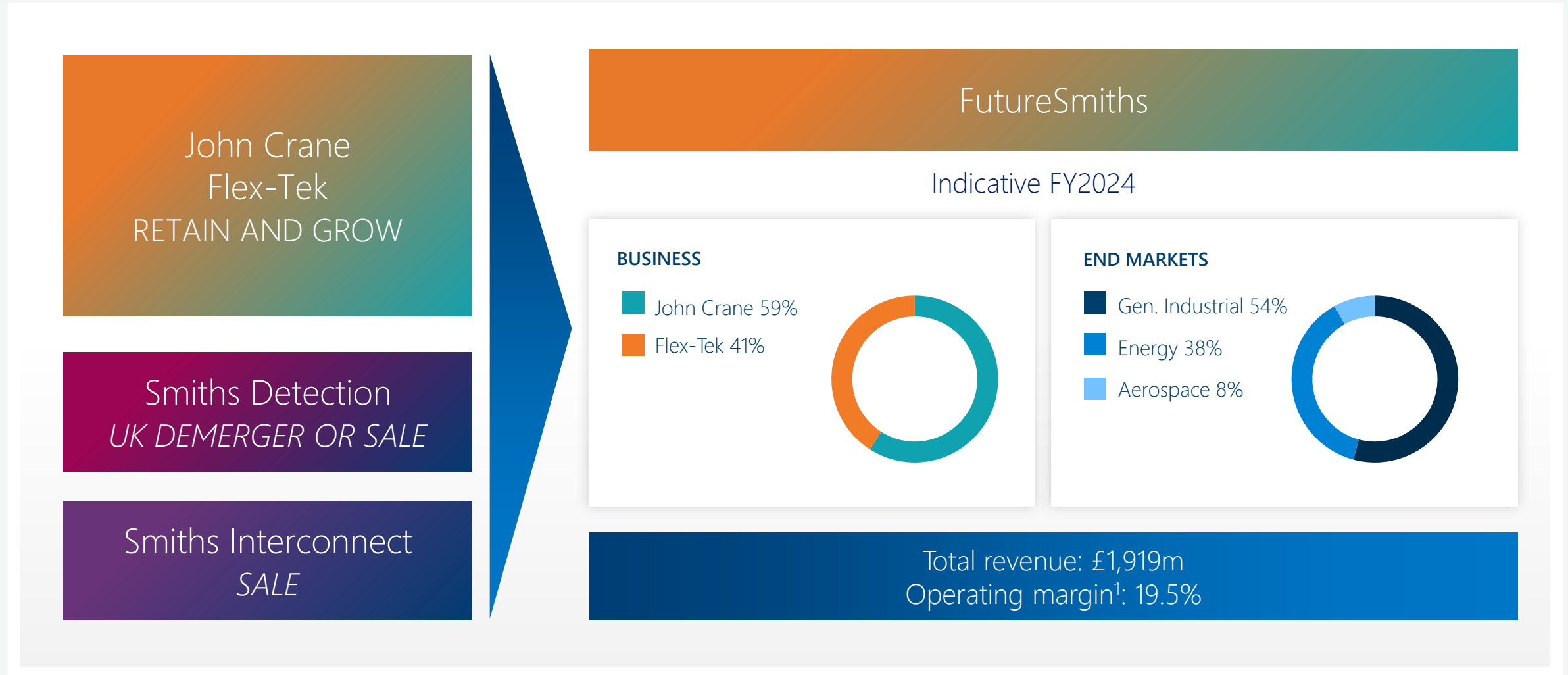
## Strategic actions to unlock significant value and enhance returns to shareholders

- Update on FutureSmiths
- New enhanced medium-term financial targets
- Acceleration Plan to deliver a streamlined cost base
- Update on separation process





# FutureSmiths – focusing on our world-class John Crane and Flex-Tek businesses

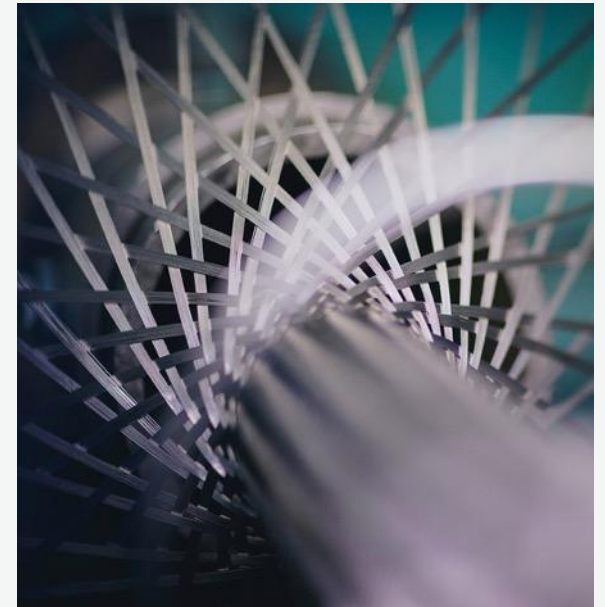


<sup>1</sup> Including FY2024 central costs of £49m



# FutureSmiths – engineering a better future

- World-class engineering company specialising in high performance technologies for efficient flow and heat management
- Leading positions in attractive, growing markets, aligned with structural mega-trends
- Valued customer relationships with customised products and solutions
- Coherent operating model with a focus on operational excellence and a streamlined cost base
- Strong financial profile of sustainable growth, high returns and good cash generation with low capital intensity





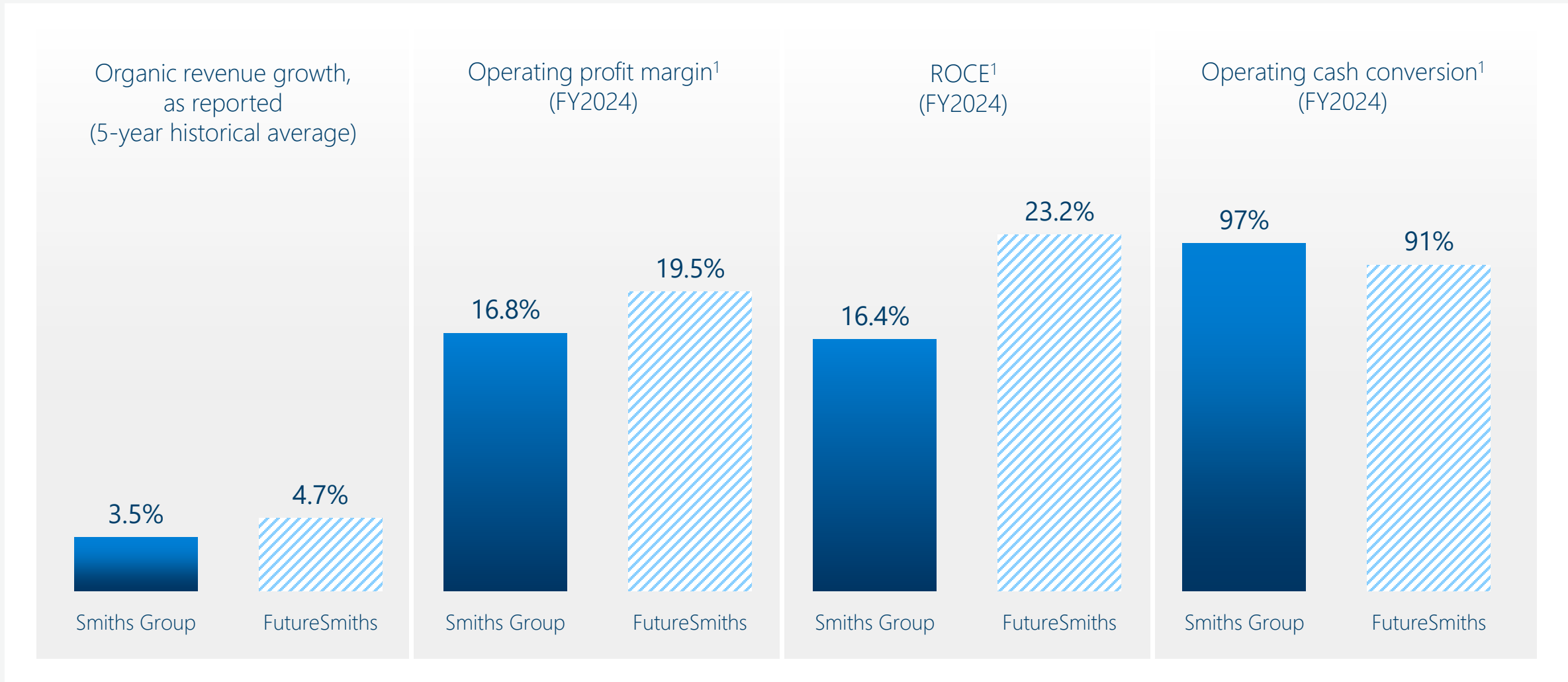
# Attractive and complementary business models, industry characteristics and financial performance

	John Crane	Flex-Tek
Long-term growth vectors	<ul style="list-style-type: none"><li>- Global demand for secure energy supply</li><li>- Increased demand for energy efficiency, environmental safeguarding and energy diversification</li></ul> <p>Attractive growth markets<sup>1</sup>:</p> <ul style="list-style-type: none"><li>- Energy: ~3-4%</li><li>- Industrial: ~4-5%</li></ul>	<ul style="list-style-type: none"><li>- Positioned to address the buildings and aircrafts of the future</li><li>- Customer focus on efficiency and performance improvement</li><li>- Infrastructure development and reduction in emissions</li></ul> <p>Attractive growth markets<sup>1</sup>:</p> <ul style="list-style-type: none"><li>- Construction: ~3-4%</li><li>- Aerospace: ~5-6%</li><li>- Industrial: ~4-5%</li></ul>
Aftermarket/ recurring revenue	<ul style="list-style-type: none"><li>- 160+ service centres in ~50 countries</li><li>- Aftermarket accounted for 72% FY2024 revenue</li><li>- &gt;90% installed base serviced by John Crane</li></ul>	<ul style="list-style-type: none"><li>- Well-established OEM and distributor relationships</li><li>- &gt;90% repeat business</li></ul>
Expansion opportunities	<ul style="list-style-type: none"><li>- Geographical expansion</li><li>- New sealing solutions and services</li></ul>	<ul style="list-style-type: none"><li>- Geographical expansion</li><li>- Industrial process heat technologies</li></ul>
Significant potential for growth and value creation		

<sup>1</sup> Expected market CAGR over 2024-2029 period



# Enhanced financial performance of FutureSmiths



<sup>1</sup> Central costs included in FutureSmiths metrics



## Enhanced medium-term targets – reflecting further growth and higher return potential



New targets support a premium rating for FutureSmiths

Through-cycle medium-term targets apply to FutureSmiths  
<sup>1</sup> Organic revenue growth excludes the effects of foreign exchange and acquisitions



# Clear plan with focused execution agenda underpin growth and value creation ambition

	GROWTH			EXECUTION		
	Near Term		Medium Term	Near Term		Medium Term
Medium-term 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
	Efficiency and emissions reduction – industrial processes and energy	Industrial Hydrogen CCUS Digital-JC Sense	New sealing solutions and aftermarket capabilities	Improve operating leverage with growth	Value stream optimisation Automation	Footprint optimisation Shared services Standardised work & processes
	Recovery in US construction	New HVAC products Python line sets Industrial process heat	Industrial process heat Aerospace components	Growth/economies of scale from acquisitions	Overall Equipment Effectiveness (OEE) 'One Aerospace' 'One Construction'	Automation System improvements Footprint rationalisation
<i>Shared opportunity</i>	Commercial seals Industrial hose	Control panels/skids	Aerospace seals	Organisation design	Procurement Supply chain management	Global Business Services Footprint optimisation Streamlined central cost structure



# Medium-term margin expansion supported by Acceleration Plan

## Programme of targeted investment

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

## Continue to refine focus and timing of programme

- Activities continue in all businesses
- Timing of costs now weighted to FY2026; spend of £20-25m in FY2025
- Committed to right-size central costs in line with portfolio changes
  - c.1.5-1.7% of revenue, post completion of separation processes

Now expect to deliver annualised benefits of £40-45m, up from prior £30-35m

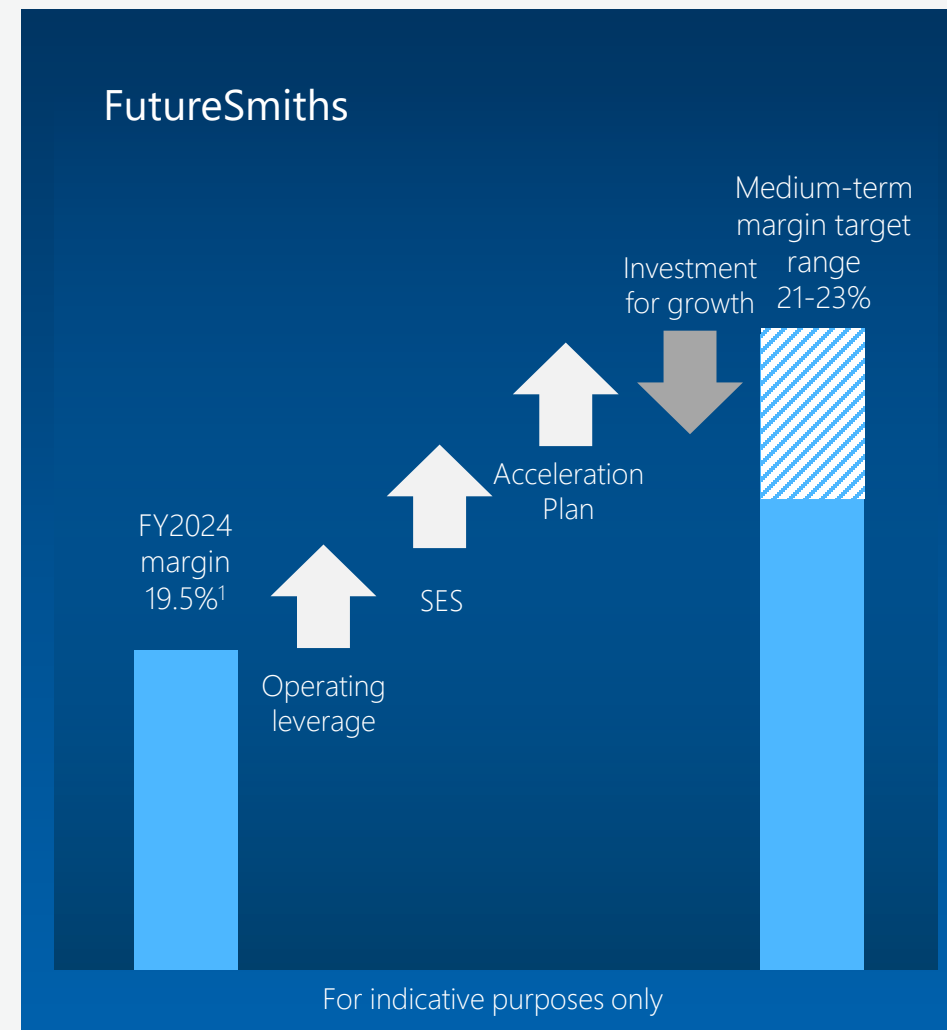
FY2025 cost  
**£20-25m**

Total cost  
**£60-65m**

Total annualised  
benefits  
**£40-45m**

~2/3 of these total costs and benefits relate to FutureSmiths

<sup>1</sup> Including FY2024 central costs of £49m





# Separation of Smiths Interconnect and Smiths Detection initiated



## Maximise value creation

- Smiths Interconnect: sale with targeted announcement by end CY2025
- Smiths Detection: UK demerger or sale following sale of Smiths Interconnect
- Advisers appointed



## Ensure process governance and oversight

- Board Separation Oversight Committee established and approved by Board
- Executive Steering Committee established
- Internal teams mobilised







## Respectful engagement with employees and other stakeholders

- Employee engagement through a range of communications channels
- Works council engagement
- Pensions trustees, rating agencies and debt providers

Separating responsibly to deliver maximum value

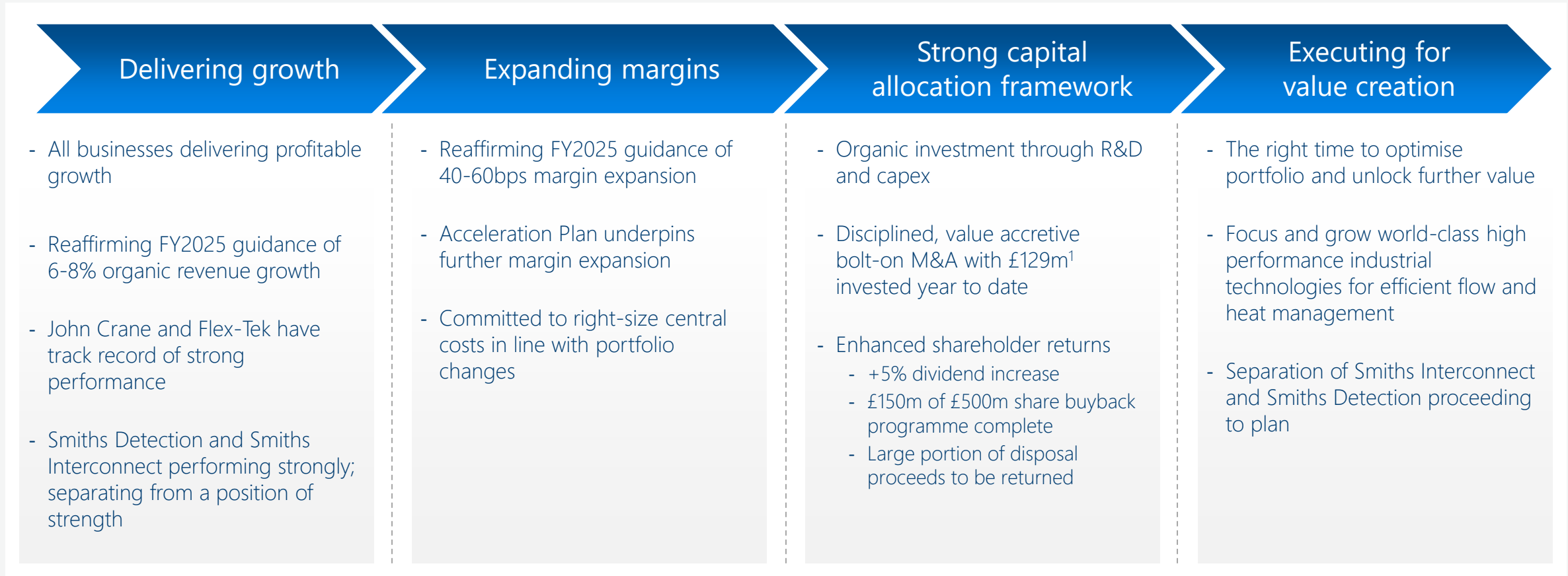


# Smiths Interconnect and Smiths Detection – strong, well-performing businesses in attractive markets

BUSINESS STRENGTHS	Smiths Interconnect	Smiths Detection
 World-class engineering	<ul style="list-style-type: none"><li>- Cutting-edge capabilities in critical applications e.g. optical transceivers for A&amp;D and semi-test sockets for AI/GPU chips</li><li>- Innovation in design and manufacturing processes</li><li>- Fast-paced innovation with strong NPI / vitality index</li></ul>	<ul style="list-style-type: none"><li>- Leading threat detection and screening technologies</li><li>- IP-driven innovation leader (&gt;£300m R&amp;D in last 5 years): track record of being first to market</li><li>- Leading capability in digital innovation</li></ul>
 Leading positions in critical markets	<ul style="list-style-type: none"><li>- Strong presence with blue-chip clients in secular growth markets (A&amp;D, semi)</li><li>- Customer partnerships to meet highly demanding specifications</li></ul>	<ul style="list-style-type: none"><li>- Global market leader with the largest installed base</li><li>- Resilient and structurally growing aftermarket revenues</li><li>- Customer intimacy and loyalty: brand strength and reputation</li></ul>
 Global capabilities	<ul style="list-style-type: none"><li>- Well-invested, broad geographical presence</li><li>- Proximity to customers in product design and development</li></ul>	<ul style="list-style-type: none"><li>- Customer proximity (service in &gt;50 countries) ensuring rapid response</li><li>- Global technical talent (service engineers and R&amp;D)</li><li>- Global manufacturing footprint at scale</li></ul>
 Value creation opportunities	<ul style="list-style-type: none"><li>- Multiple levers to accelerate growth and create value<ul style="list-style-type: none"><li>- leverage leading products and technology</li><li>- expansion into adjacent product and end-market areas</li><li>- efficiency initiatives (manufacturing and supply chain)</li></ul></li></ul>	<ul style="list-style-type: none"><li>- Opportunities for scalable growth and margin expansion<ul style="list-style-type: none"><li>- leverage leading product portfolio and capabilities</li><li>- new technological and digital solutions</li><li>- efficiency initiatives</li></ul></li></ul>
Separating Smiths Interconnect and Smiths Detection from a position of strength		



# Summary – compelling opportunity to deliver significant shareholder value



Strategic actions will unlock significant value and enhance returns to shareholders



smiths

# Q&A

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# Appendix

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# Bridge – reported to organic

£m - Smiths Group	HY2024 Headline <sup>1</sup>	Foreign exchange	HY2024 Organic <sup>2</sup>	Organic movement <sup>2</sup>	Acquisitions	HY2025 Headline <sup>1</sup>
John Crane	555	(24)	531	20	-	551
Flex-Tek	384	(9)	375	10	16	401
Smiths Detection	404	(10)	394	60	-	454
Smiths Interconnect	164	(5)	159	43	-	202
Headline revenue	1,507	(48)	1,459	133	16	1,608
John Crane	128	(7)	121	5	-	126
Flex-Tek	81	(2)	79	(3)	4	80
Smiths Detection	43	(1)	42	9	-	51
Smiths Interconnect	20	(1)	19	16	-	35
Central costs	(26)	0	(26)	3	-	(23)
Headline operating profit	246	(11)	235	30	4	269
John Crane	23.0%		22.8%			22.9%
Flex-Tek	21.2%		21.2%			19.8%
Smiths Detection	10.7%		10.6%			11.3%
Smiths Interconnect	12.2%		12.1%			17.2%
Headline operating margin	16.3%		16.1%			16.7%

<sup>1</sup> Headline excludes non-headline items as defined in note 3 of the financial statements

<sup>2</sup> Organic excludes the effects of foreign exchange and acquisitions



# Income statement

£m	HY2025	HY2024	Reported change
Revenue	1,608	1,507	+6.7%
Headline <sup>1</sup> operating profit	269	246	+9.5%
Amortisation of acquisition related intangible assets	(27)	(25)	
Legacy pension scheme arrangements	(2)	(3)	
Non-headline litigation provision movements	15	(15)	
Restructuring costs	(7)	-	
Other non-headline charges	(3)	(1)	
Post-transaction gains/(losses) and fair value adjustment unwind	(3)	(10)	
Total non-headline items	(27)	(54)	
Statutory operating profit	242	192	+26.0%

<sup>1</sup> Headline excludes non-headline items as defined in note 3 of the financial statements



# FY2025 guidance

Currency	Revenue exposure	HY2025 average rate	HY2024 average rate	% change
USD	55%	1.28	1.25	+2.5%
EUR	13%	1.19	1.16	+3.0%
Translation impact		HY2025		
Revenue		£(48)m or (3.5)%		
Operating profit		£(11)m or (4.9)%		
Financial guidance		Forecast FY2025		
Capex		~£100m		
Effective tax rate		25.5%		
Pension contributions		~£11m		
Net finance expense		~£35m		
Acquisition		TTM Revenue <sup>1</sup>	HY2025 revenue contribution	
Modular Metal Fabricators		£24m (\$32m)	£7m	
Wattco		£14m (C\$25m)	£5m	
Duc-Pac		£16m (\$20m)	-	

- Expect FX headwind of ~3% on FY25 revenue and ~4% on operating profit<sup>2</sup>
- For each \$0.10 move, the annual operating profit impact is ~£24m
- For each €0.10 move, the annual operating profit impact is ~£6m

<sup>1</sup> TTM to March 2024 for Modular Metal Fabricators and TTM to June 2024 for Wattco translated at FX of 18 September 2024, and TTM to January 2025 for Duc-Pac as at FX of 28 February 2025

<sup>2</sup> Assuming FX rates as at 28 February 2025