

smiths

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# PIONEERS OF PROGRESS

IMPROVING OUR WORLD  
THROUGH SMARTER  
ENGINEERING

SMITHS GROUP PLC  
**Annual General Meeting**

17 NOVEMBER 2021

# DISCLAIMER

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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. Nothing in this presentation should be construed as a profit forecast. 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.

## Chairman's address



CHAIRMAN

SIR GEORGE  
BUCKLEY

## Pam Cheng and Tanya Fratto



## Chairman's address



CHAIRMAN

SIR GEORGE  
BUCKLEY

## Chief Executive's review



CHIEF EXECUTIVE

PAUL KEEL

# Agenda

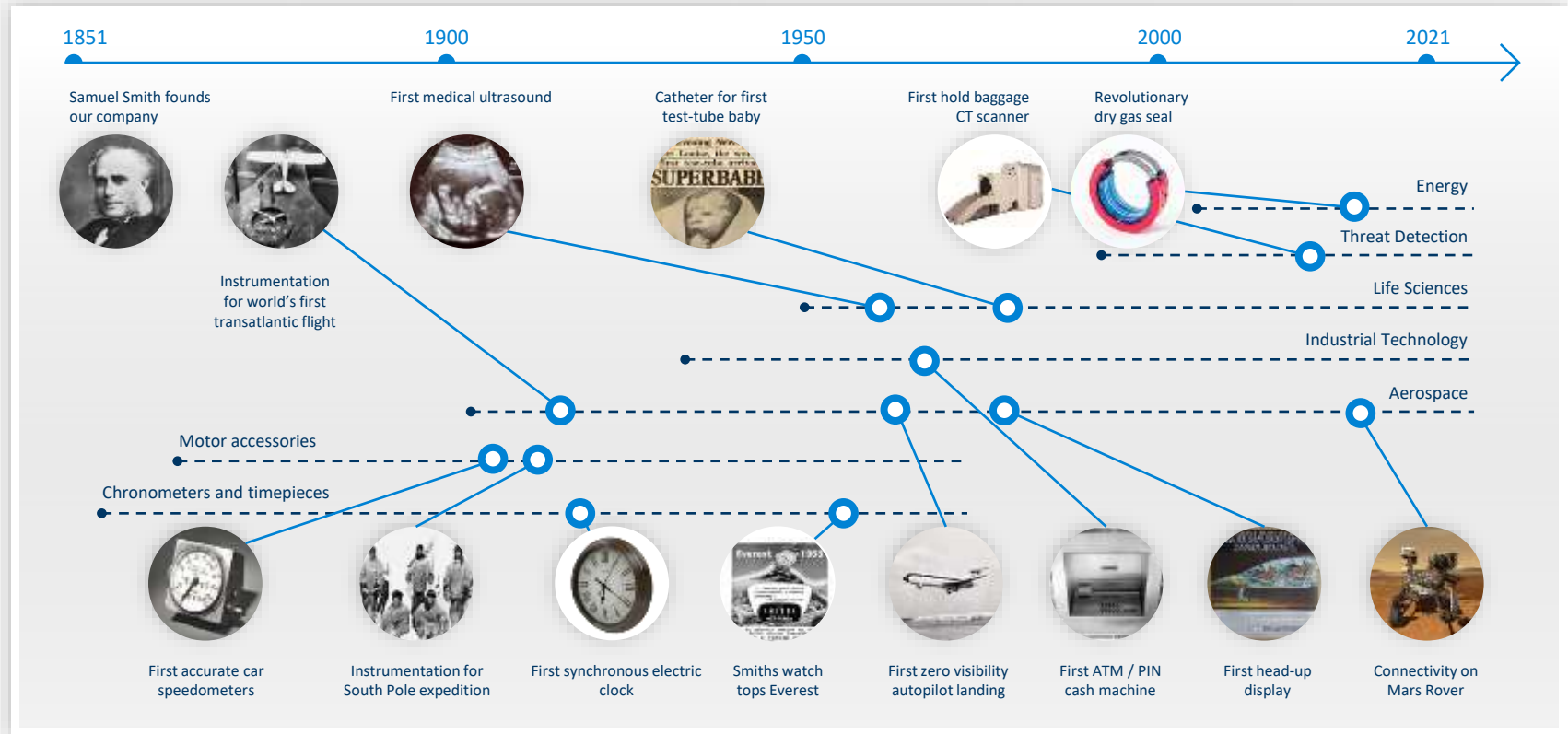
→ Early observations

→ Recap of FY21 results

→ Our focus moving forward



# 170 years of pioneering across technologies, markets and geographies







## PIONEERS OF PROGRESS

Improving our world through  
smarter engineering

# Our fundamental strengths



## World-Class Engineering

Pioneers across multiple geographies and industries over time



## Leading Positions in Critical Markets

Valued partners supplying mission-critical products and services



## Global Capabilities

The depth and reach to think globally while acting locally



## Robust Financial Framework

Resilient, repeatable revenues with low asset intensity and high cash generation

# Our global service network allows us to deliver real-time, mission-critical support in demanding operating environments

## Smiths Global Capabilities

- 300+ service locations
- 1600+ sales representatives
- 2000+ services personnel
- 3000+ engineers
- More than 100 nationalities



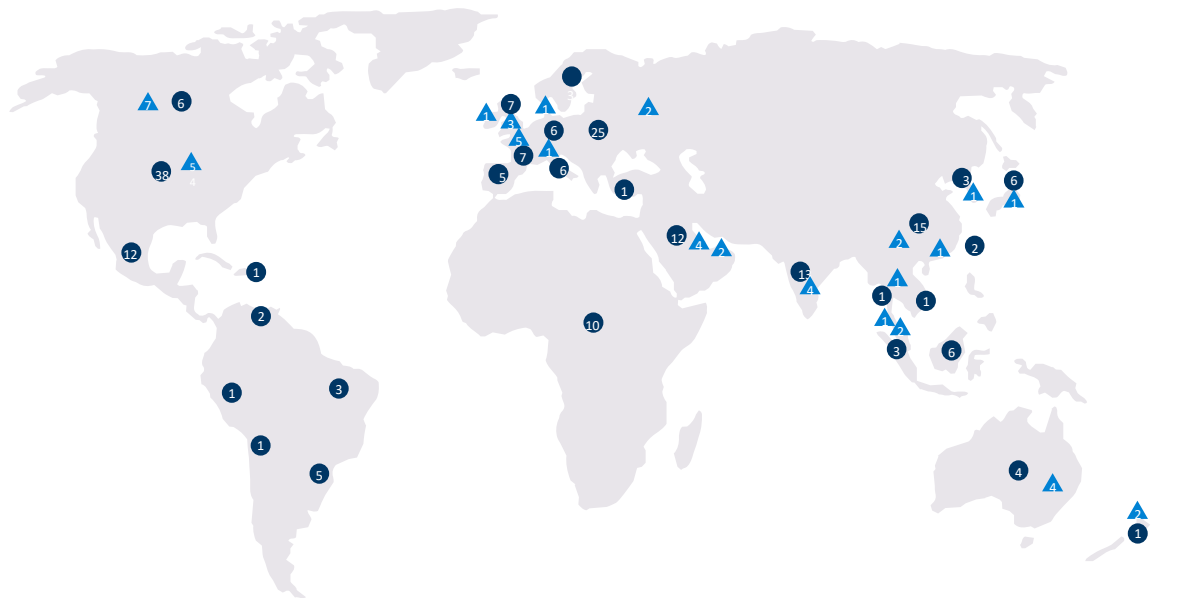
## John Crane and Smiths Detection Global Service Network



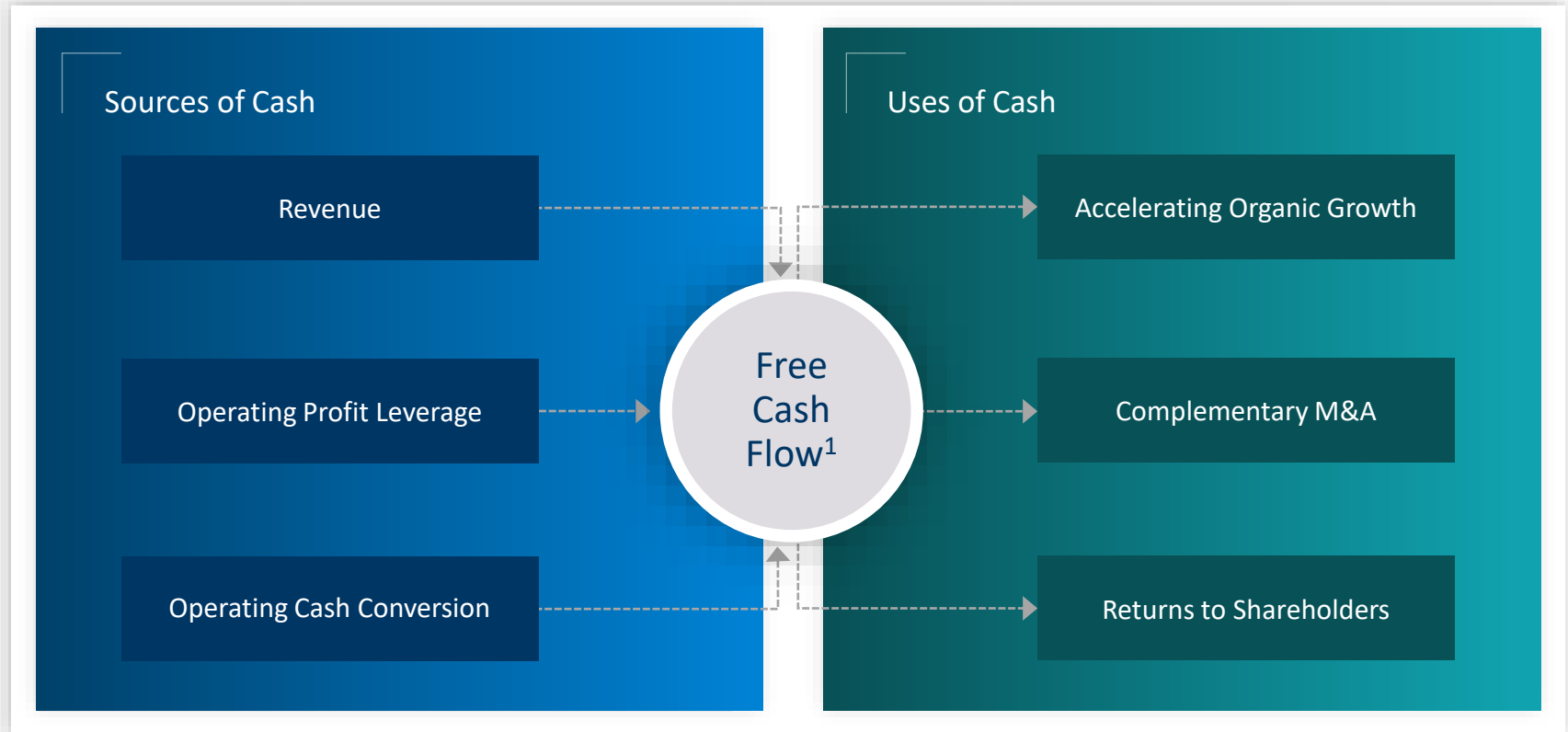
● 200 service locations, 1,350 service personnel



▲ 100 service locations, 800 service personnel



# The Smiths Financial Framework



# Our Priorities



Growing  
Faster



Executing  
Better



Inspiring and  
Empowering our People

# Fiscal 2021 Results

## STRENGTHENING TOPLINE

## STRONG PROFIT CONVERSION

## EXCELLENT CASH GENERATION

- 1 Headline excludes non operating items as defined in note 3 of the financial statements
- 2 Continuing operations exclude Smiths Medical which is accounted for as 'discontinued operations – businesses held for sale'. Discontinued operations are defined in note 28 of the financial statements
- 3 Underlying modifies headline performance to adjust prior year to exclude the effects of foreign exchange, acquisitions, restructuring costs and write-downs, and include depreciation and amortisation of discontinued operations

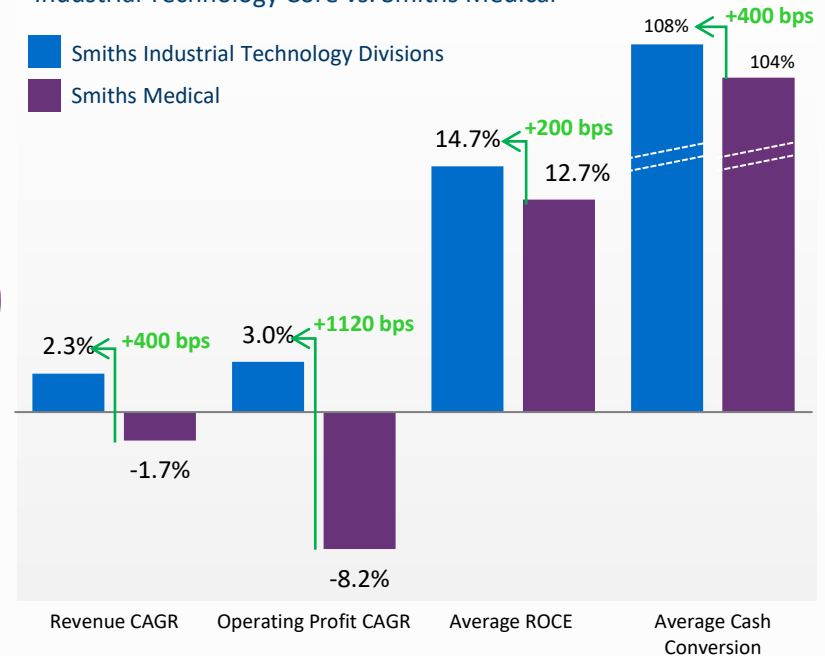
|   | FY2021 <sup>1</sup> | FY2020 <sup>1</sup> | Reported change | Underlying change <sup>3</sup> |
|---|---------------------|---------------------|-----------------|--------------------------------|
| <b>Smiths - Continuing Operations<sup>2</sup></b> |                     |                     |                 |                                |
| Revenue   | <b>£2,406m</b>      | £2,548m             | (6)%            | <b>(2)%</b>                    |
| Operating profit                                  | <b>£372m</b>        | £327m               | +14%            | <b>+7%</b>                     |
| Operating profit margin                           | <b>15.5%</b>        | 12.8%               | +270bps         | <b>+140bps</b>                 |
| <b>Total Group</b>                                |                     |                     |                 |                                |
| Profit after tax                                  | <b>£370m</b>        | £338m               | +9%             | <b>+8%</b>                     |
| Total basic EPS                                   | <b>93.1p</b>        | 84.8p               | +10%            | <b>+8%</b>                     |
| Operating cash conversion                         | <b>125%</b>         | 123%                |                 |                                |
| Free cash-flow                                    | <b>£383m</b>        | £273m               | +40%            |                                |
| Dividend  | <b>37.7p</b>        | 35.0p               | +8%             |                                |

# The benefits of selling Smiths Medical are numerous

## Status of Smiths Medical Sale

- Sale to ICU Medical announced 8 September
- Enterprise value \$2.7bn, expected value including earnout and equity stake ~\$3bn
- Shareholder approval and US anti-trust condition satisfied; expect to close early 2022
- Return ~\$1bn of proceeds to shareholders; buybacks to begin immediately
- Benefits of selling Smiths Medical:
  - Reallocate attention, resources and capital to industrial technology core
  - Further strengthen balance sheet
  - Fund acceleration of our growth strategy
  - Significantly strengthen our portfolio

## Smiths Financial Performance<sup>1</sup>, FY17 – FY21 Industrial Technology Core vs. Smiths Medical



# 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



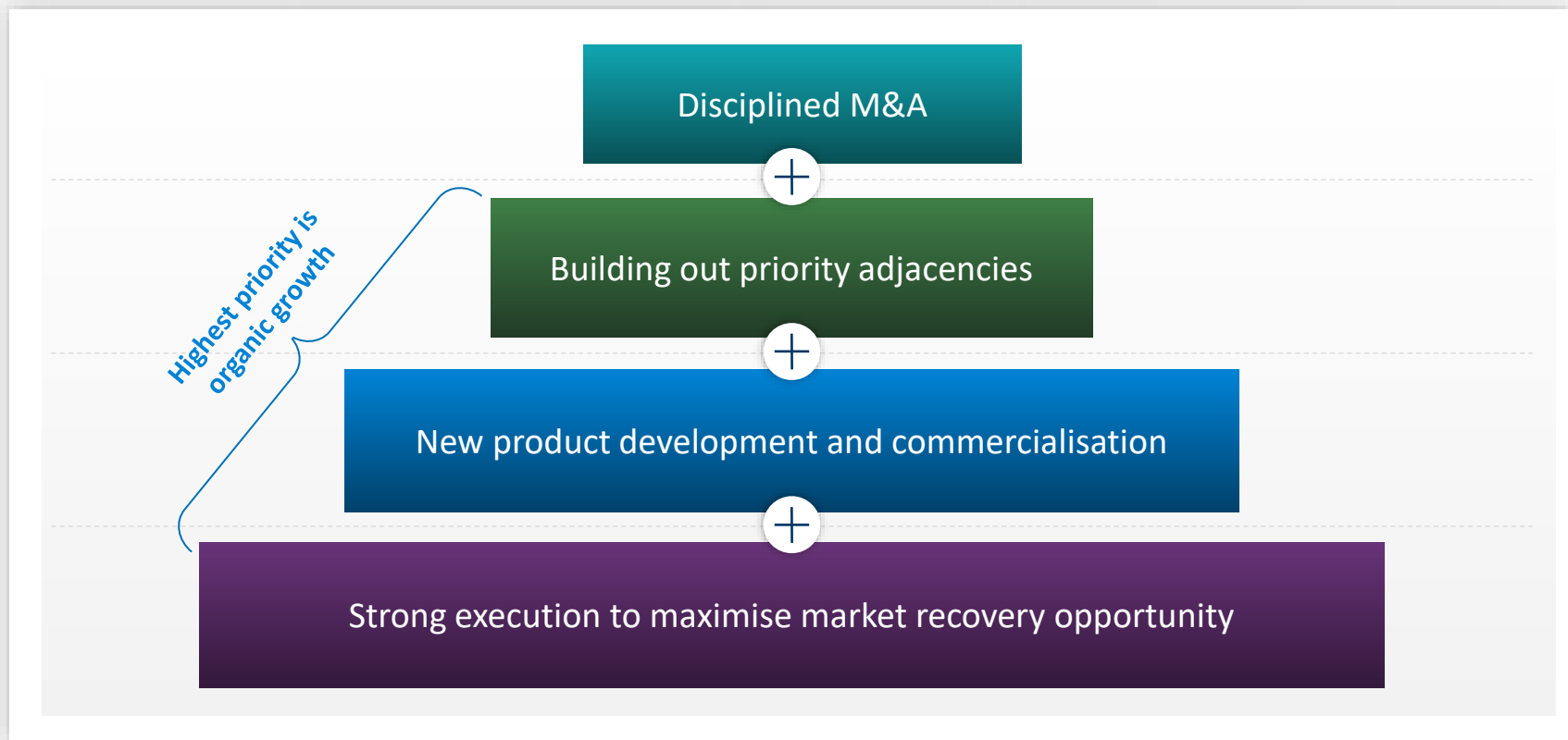
Execution



People



## We're accelerating growth with four actionable levers



# Relaunching our Smiths Excellence System underpins our focus on execution

## Laying the groundwork (FY18-FY21)

### → OBJECTIVES

- Lay the foundation for continuous improvement
- Establish common language across enterprise
- Build global network for best practice sharing

### → RESULTS

- Launched SES Academy
- Certified 350 green belts and 70 black belts through Oxford
- Introduced Lean in 40% of our plants globally
- Aligned key metrics across the business
- Delivered FY21 Procurement cost savings of 4.1%



## SES 2.0 (FY22 and beyond)

### Advancing from learning to doing

### → PLAN

- Set delivery targets tied directly to external commitments
- Resource full-time Black Belts and Master Black Belts in key businesses and functions
- Leverage Lean Six Sigma as talent development accelerator

### → FOCUS AREAS

- Growth
- Cost
- Cash

# Inspiring and Empowering our People

## Inclusive, Transparent, Talented, and Engaged

### Diversity & Inclusion:

- 29% of leadership roles held by women; diverse slates required for all leadership roles
- 25% of non-executive Directors ethnically diverse, 50% women
- Active employee resource groups

### Culture of Transparency

- 24/7 Speak Out hotline in all countries of operation in place for more than a decade
- Regular ethics conversions with employees; 95% ratings for living our code of ethics
- 21,000 hours of annual training and multiple regional workshops to advance programs

### Talent Development

- 350 Oxford University certified Green Belts and 70 certified Black Belts
- 93% employees trained in Lean; 54 thousand hours of on-line training annually
- 80% of leadership appointments internal

### Active engagement with all stakeholders

- World class safety record ahead of even top quartile manufacturing peers
- Average tenure 9.3 years; 50% of global team has 5+ years of service
- 84% participation in annual employee survey; 73 composite engagement score



# Our ESG progress, commitments, and targets



## Recent progress & on-going commitments

1. Sustainability committee established at Board level
2. Compensation now linked to ESG metrics
3. Put in place Chief Sustainability Officer (CSO) reporting directly to CEO
4. Supporting and amplifying Global Commitments
  - Stronger, more visible communications
  - Meet commitments: Business Ambition for 1.5C – UN Race to Zero



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Robust Financial Framework

## OUR PRIORITIES



Growth



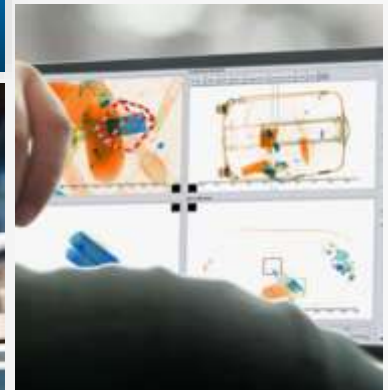
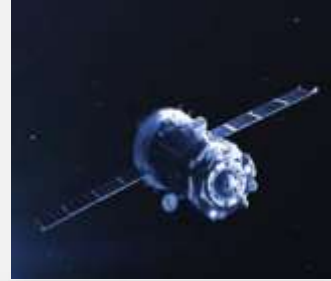
Execution



People

# Wrap-Up

- Our Purpose is clear. We are Pioneers of Progress, improving our world through smarter engineering.
- Smiths is an intrinsically strong company with the potential for significant near and longer-term value creation.
- The key to unlocking this value is moving with greater pace and urgency, delivering performance reflective of our capabilities.
- The Smiths Value Engine outlines how we do this by connecting Our Purpose, Our Strengths and Our Priorities of Growth, Execution and People.
- We carried good momentum into Fiscal 22 and are now well positioned for accelerated growth in our industrial technology core.





## QUESTIONS & ANSWERS

# Poll vote resolutions

1. Receipt of Annual Report FY2021
2. Approval of Directors' Remuneration Policy
3. Approval of Directors' Remuneration Report
4. Declaration of a final dividend
5. Election of Paul Keel as a director
6. Re-election of Sir George Buckley as a director
7. Re-election of Pam Cheng as a director
8. Re-election of Dame Ann Dowling as a director
9. Re-election of Tanya Fratto as a director
10. Re-election of Karin Hoeing as a director
11. Re-election of William Seeger as a director

12. Re-election of Mark Seligman as a director
13. Re-election of John Shipsey as a director
14. Re-election of Noel Tata as a director
15. Re-appointment of KPMG LLP as auditors
16. Auditors' remuneration
17. Authority to issue shares
18. Authority to disapply pre-emption rights
19. Additional authority to disapply pre-emption rights
20. Authority to make market purchases of shares
21. Authority to call general meetings on short notice
22. Authority to make political donations and expenditure



## Proxy votes cast

→ 329 million proxy votes cast

→ 83% of the issued share capital

→ Continued strong support -  
full results will be available on the website

