

John Crane Deep Dive

smiths

30th November 2023

Improving our world
through smarter
engineering



Agenda

	09:00	Smiths Group update Paul Keel CEO		10:45	New energy solutions Frank Ma VP New Energy Solutions
	09:30	John Crane: a powerful example of Smiths' strategy in action Bernard Cicut John Crane President		11:15	Optimising customer delivery Rob Sharman VP Customer Operations
	10:00	Coffee break		11:45	Coffee break and Q&A
	10:15	Customer-led growth Sook Won Moon VP Sales and Aftermarket		12:30	Facility tour <ul style="list-style-type: none">• R&D centre• Ultra-high-pressure rig• Test and inspection• SES
				13:30	Lunch

Executive summary

The Smiths Value Engine is delivering for our stakeholders

- Our Purpose of improving our world through smarter engineering has been our North Star for over 172 years
- Fundamental strengths in engineering, market positions, global reach and financial strength underpin our long-term potential
- We focus our strengths on our three main priorities of accelerating growth, improving execution and inspiring and empowering our talented and committed people
- We are building a track record of delivering for our stakeholders

Our businesses share a common purpose, business models, and Group-wide capabilities

- Common purpose: improving our world through smarter engineering
- Similar business models: sophisticated OE products coupled with world-class service, often serving the same end markets
- Group-wide capabilities: safety, talent, sustainability, SES, M&A, R&D, infrastructure, balance sheet

We featured Flex-Tek and Smiths Interconnect at last year's Capital Markets Event; John Crane is our focus for today

- Last year we took deep dives into Flex-Tek and Smiths Interconnect
- John Crane is another good example of the Smiths Value Engine in action
- John Crane is well positioned for sustained profitable growth over the near, medium and longer term

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



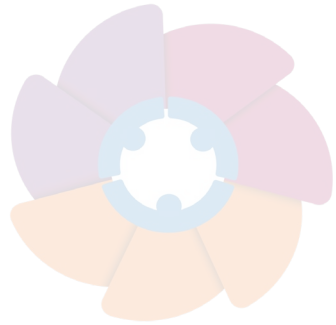
Execution



People

Our fundamental strengths

OUR PURPOSE



PIONEERS OF PROGRESS

Improving our world through smarter engineering

OUR STRENGTHS



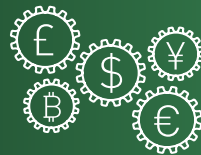
World-Class Engineering



Leading Positions in Critical Markets



Global Capabilities



Robust Financial Framework

OUR PRIORITIES



Growth



Execution



People



World-class engineering

- Highly-skilled engineers in new product development, operations and service
- Meaningful investment in developing differentiated, proprietary technologies
- Valued and trusted partners to customers for critical applications
- Innovation driving a quarter of our growth and a third of our total revenues



Mission-critical technologies and services for energy, new energy and process industries



Differentiated proprietary technologies for security screening and threat detection



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



Leading provider of technically differentiated connectivity solutions

~3,000
Engineers

~2,700
patents













3.7%
R&D spend % sales

31%
Gross vitality¹

+310bps
Revenue growth from
new products



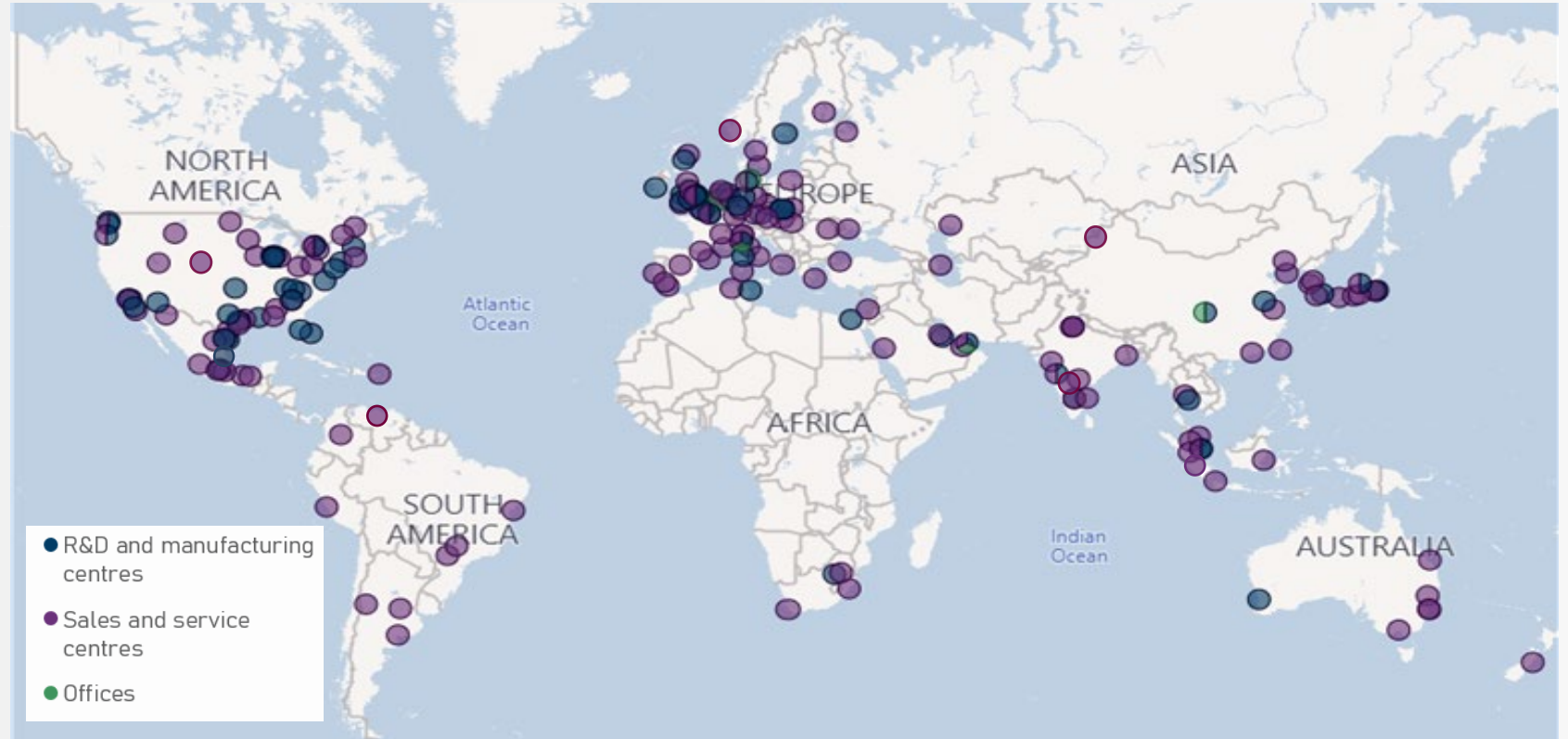
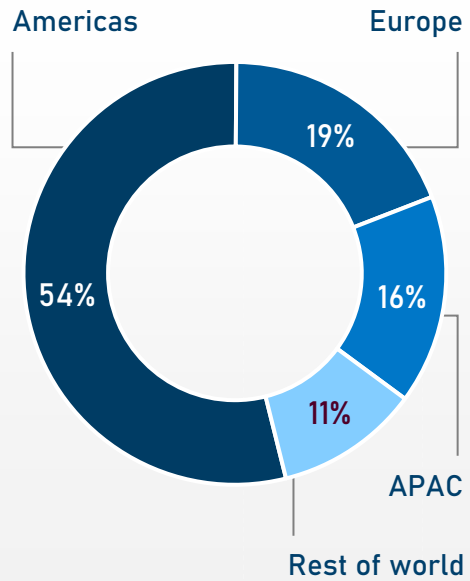
Leading, defensible positions in structurally attractive markets

	% of Group	Business	Medium-term growth outlook ¹	Market update
 General Industrial	40%	  	2-3%	<ul style="list-style-type: none">• Strong demand continues in all industrial markets served by John Crane• Softness in Flex-Tek's US construction and Smiths Interconnect's connectors and semiconductor end markets; expected to recover in H2 2024
 Safety & Security	31%	 	3-4%	<ul style="list-style-type: none">• Strong growth in aviation security supported by ever-rising passenger/cargo volumes and mandated regulatory upgrades (e.g., CT baggage scanning)• Surging demand for chemical detection and defence electronics
 Energy	22%		3-4%	<ul style="list-style-type: none">• Traditional energy markets strong, driven by energy security, efficiency and emission reduction• High energy transition activity, including hydrogen and carbon capture projects
 Aerospace	7%	 	4-5%	<ul style="list-style-type: none">• Aircraft build rates growing high-single-digits across next five years• Double-digit growth in low Earth orbit satellite markets



Global capabilities

Smiths Group FY23 Revenue by geography



Operations in over 50 countries

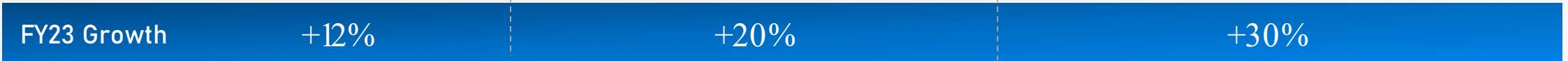
Over 100 manufacturing / R&D sites

Over 200 service centres

Our global presence allows us to deliver real-time, mission-critical support to our customers

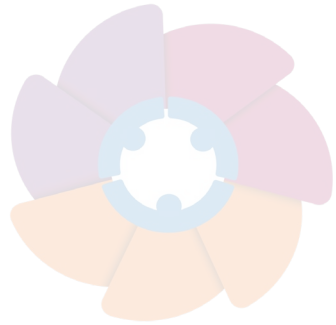


Robust financial framework



Our priorities

OUR PURPOSE



PIONEERS OF PROGRESS

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Robust Financial Framework

OUR PRIORITIES



Growth



Execution



People



Delivering consistent growth

Disciplined M&A



Building out priority
adjacencies



New product development and
commercialisation



Strong execution to maximise
market opportunity

FY23 PROGRESS

- Plastronics acquisition
- Advanced Diamond build-out
- Royal Metal Products scale-up

- Process electrification
- Semi-test durability testing
- Flex-Tek Houston facility

- H2 Green Steel
- Gas Recovery Systems
- iCMore
- Rheia Duct System

- Price capture in excess of input inflation
- Ramping manufacturing capacity to meet demand

FY24 FOCUS

- HCP acquisition
- Strong pipeline of additional bolt-on acquisitions

- Energy transition
- Security sectors beyond airports
- Process electrification

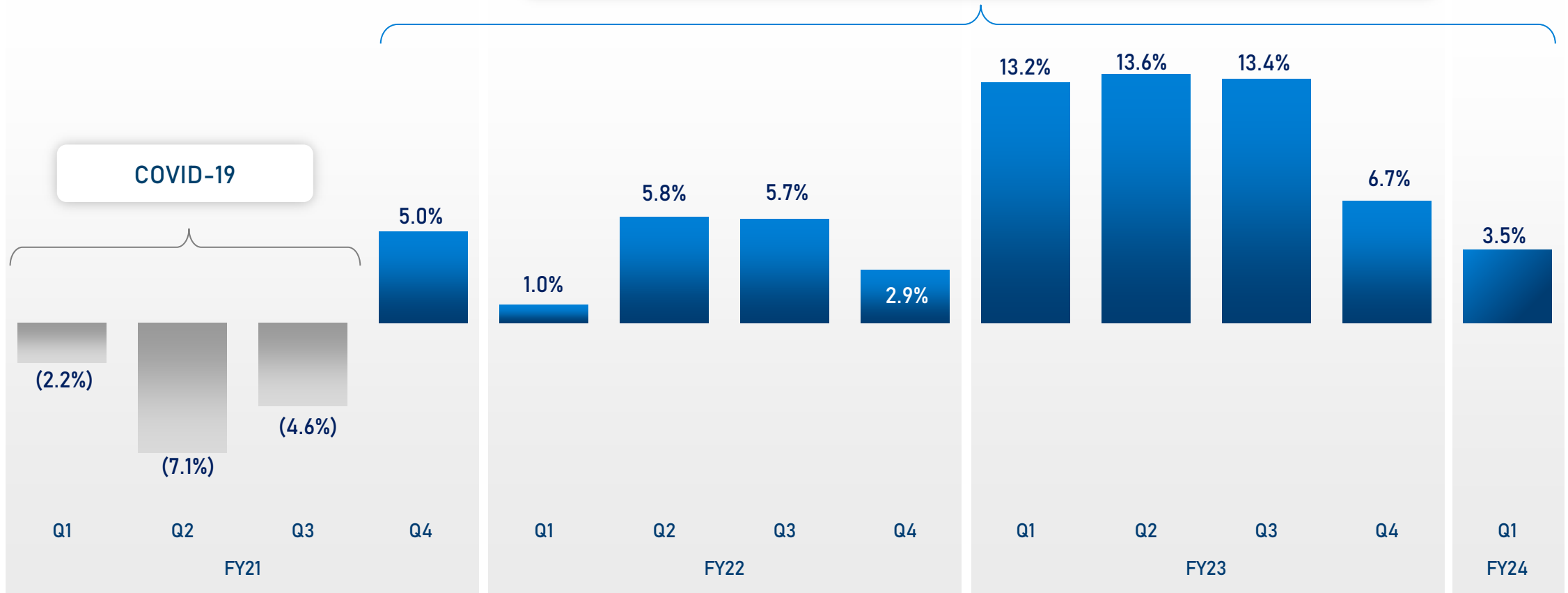
- 56 GB satellite transceivers
- John Crane Sense digital seals
- Python scale-up
- Smiths Detection digital platform

- Market share gains across the Group
- Ramping up service capacity to meet demand



Q1 adds to our growing track record

Ten consecutive quarters of organic revenue growth



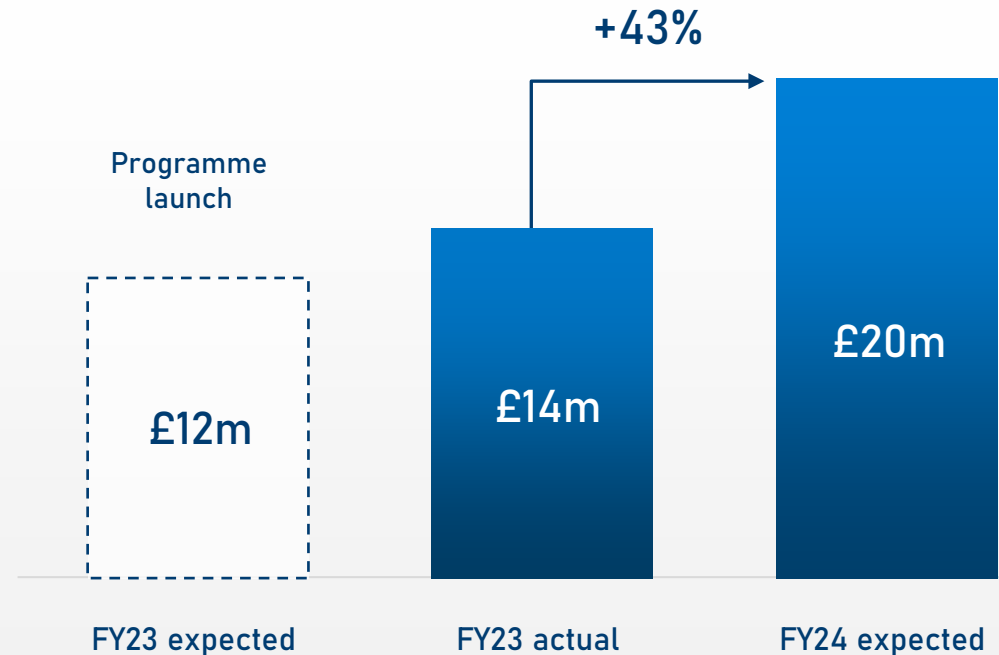


SES delivers results, develops talent, and advances our culture

Smiths Excellence System

- Continuous improvement programme now embedded across Smiths
- SES is scaling quickly with 20 projects completed and another 60 underway
- 6 Master Black Belts (MBBs) and 31 Black Belts (BBs) now in the programme
- First wave of BBs and MBBs will re-enter into high-impact leadership roles in H2 FY24; replaced by SES Wave 2 talent

SES operating profit contribution (£m)





People – delivering for all our stakeholders

Customers

Helping them achieve their goals

- New product innovation with over 300bps of growth from new products in FY23
- ~200 global service networks across the Group
- Growing in core markets and gaining share in adjacencies



Colleagues

Empowering and inspiring

- Refreshed leadership team
- Incentive compensation aligned to financial and sustainability commitments
- Record high employee engagement with attrition down over 300bps



Communities

Improving our world

- Numerous government awards and grants
- Launched the Smiths Group Foundation promoting STEM-related causes
- Global colleague volunteering initiative encouraging community support



Shareholders

Performance matching potential

- Record revenue and EPS growth
- Year-over-year improvement against all five financial commitments
- 72 straight years of dividends and over £1bn returned to shareholders over the last two years

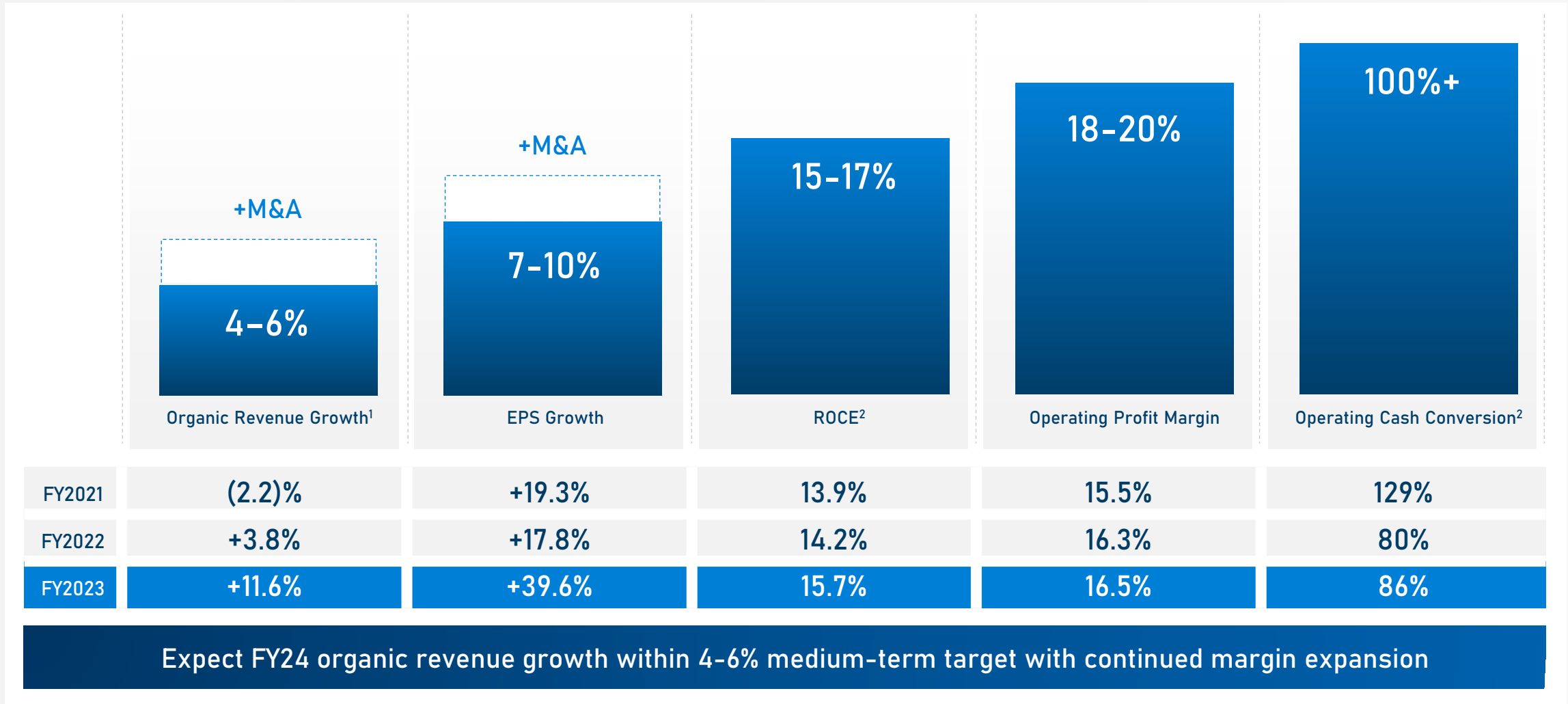


Improving our world through smarter engineering

Sustainability underpins our growth, execution, and people priorities

Our priorities	Focus	Progress
 Growth	Commercialising high-value green technology solutions that help our customers meet their sustainability objectives	<ul style="list-style-type: none">• H2 Green Steel programme progressing to plan; £8m of £45m contract received• ~30% of John Crane sales from products that provide decarbonisation benefits• Active in over 70 new energy projects; opportunity funnel doubled in last 12 months
 Execution	Delivering Net Zero Scopes 1&2 by 2040 and Net Zero Scope 3 by 2050	<ul style="list-style-type: none">• 8% improvement in energy efficiency in FY23• 10% reduction in non-recyclable waste in FY23• 12% reduction in GHG in FY23, 65% since 2007• 13% reduction in water use in stressed areas in FY23
 People	Empowering our people and living our purpose each and every day	<ul style="list-style-type: none">• Consistent, world-class safety record• Delivery of ESG commitments tied directly to short- and long-term incentive compensation• Launched Smiths Group Foundation with initial contribution of £10m

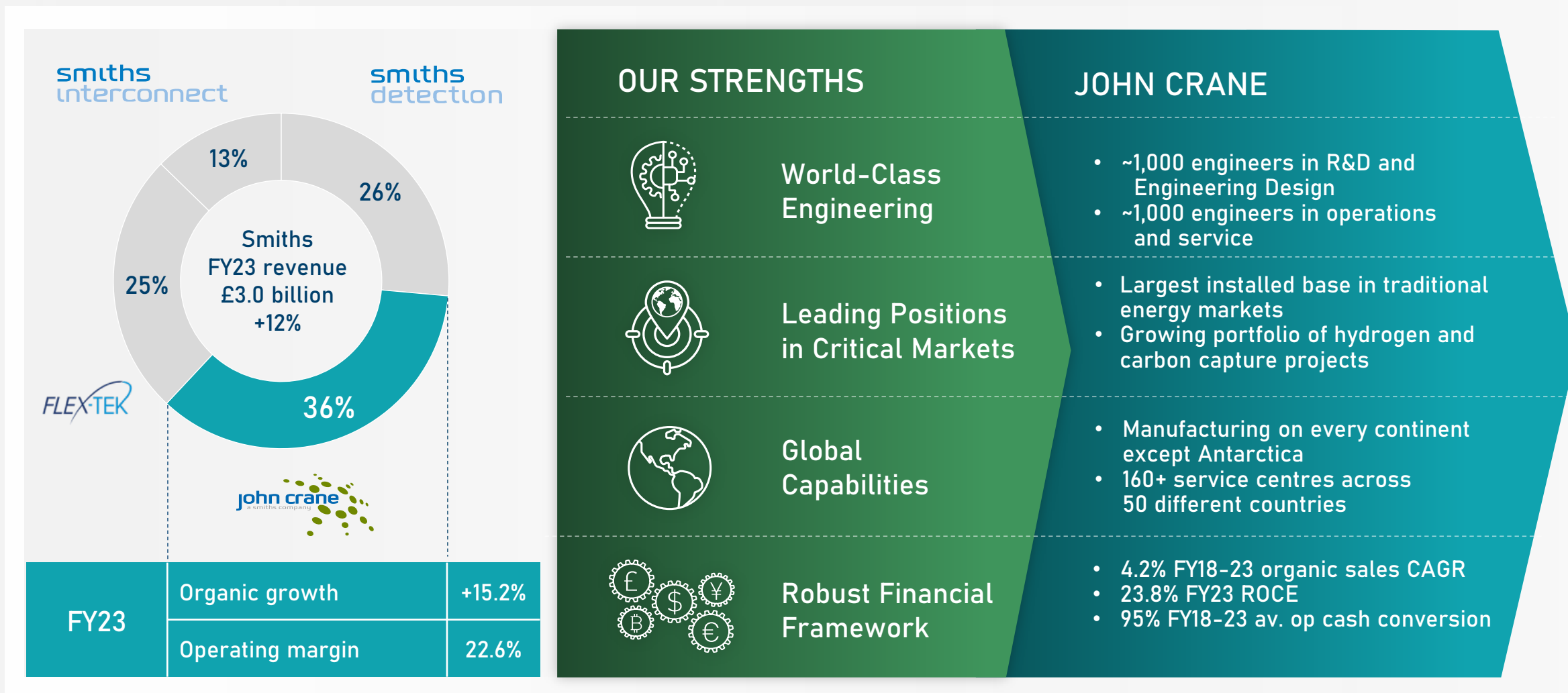
Delivering significant progress against all medium-term targets



Shared Purpose, strengths, and Group-wide capabilities are woven across Smiths



How John Crane employs the Value Engine to create value for its stakeholders



Closing remarks

Smiths is a fundamentally strong business with defensible positions in secularly attractive markets

Our businesses share a common purpose, business models and Group-wide capabilities

We have a clear strategy that is delivering value for all stakeholders

Today, we'll take a closer look at how John Crane employs the Value Engine to create value

