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For immediate release

This announcement contains inside information

SMITHS GROUP PLC

Strategic actions to unlock significant value and enhance returns to shareholders

Building on our strong operational and financial performance, Smiths Group plc ("Smiths" or "the Group") announces a number of strategic actions to unlock significant value and enhance returns to shareholders:

- Smiths to focus on high performance industrial technologies for efficient flow and heat management
 - Focus on world-class John Crane and Flex-Tek businesses
 - Leading positions in attractive markets with structural growth mega-trends
 - Track record of organic growth, strong operational and financial performance, and attractive financial returns
- Smiths Interconnect to be divested, targeting a transaction announcement by end of calendar year 2025
- Smiths Detection to be separated either by UK demerger or sale following the sale of Smiths Interconnect
- Acceleration Plan continues and will deliver a streamlined Group cost base
- Share buyback programme increased to £500m
 - Completion of £150m already announced by end March 2025
 - Additional £350m to be returned by end December 2025
- A large portion of all disposal proceeds to be returned to shareholders in addition to share buyback programme announced today
- Capital allocation strategy will deliver enhanced returns to shareholders, together with disciplined investment for growth, while maintaining a strong balance sheet with an intended investment grade rating
- New Board committee appointed to oversee execution of the strategic actions
- Commitment to execute the strategy at pace and in the right way for colleagues and all relevant stakeholders

Roland Carter, CEO of Smiths Group plc said, "We are pleased with the financial and operating performance of the Group over recent years, including the recent upgrade to earnings. Against this strong backdrop and since my appointment, the Board has spent considerable time evaluating the options to maximise shareholder value and address the persistent discount to the significant value embedded within the Group.

"We start from a position of strength and as we execute this strategy, we will become a more focused business with significant potential for future growth and value creation. Focusing on our world-class John Crane and Flex-Tek businesses and carefully managing the separation of Smiths Interconnect and Smiths Detection, we will deliver significant value for all stakeholders.

We are conscious of the impact of making such changes on our people and will do so in a manner that is respectful of our employees, our customers and our suppliers and in the long-term interests of all our stakeholders."

Background

Over the past three years, Smiths Group has delivered strong financial performance and clear progress on its growth strategy:

- 7% compound annual organic revenue growth (FY2021-FY2024)
- 130bps reported operating margin expansion to 16.8%
- Average cash conversion of 88%
- Continued investment in growth with R&D spend at 3-4% of revenue
- Concluded five acquisitions for a combined £255m at an average multiple of 8.0x EV/EBITDA
- Returned in excess of £1.2bn to shareholders by way of dividends and buybacks

Against this backdrop of strong delivery and continued performance improvement, together with recent upgrades to FY2025 guidance, Smiths Group today announces an updated strategy to drive improved future value creation for shareholders.

Strategic focus

Focus on John Crane and Flex-Tek

Capitalising on our strong financial and operational momentum, we will now simplify the Group to focus on high performance industrial technologies for efficient flow and heat management. These technologies are delivered by our world-class John Crane and Flex-Tek businesses, which serve attractive energy and industrial end markets and are set to deliver continued growth and margin expansion. The Group is excited by the potential for the future value creation that these two strong platforms offer, including pursuing shared opportunities such as process heat control. We will provide an update on our future strategic focus for the Group at the interim results in March.

Separation of Smiths Interconnect and Smiths Detection

Smiths Interconnect and Smiths Detection are both attractive businesses with strong market positions, leading technologies and close customer relationships. Both businesses have delivered significant recent performance improvement, with Smiths Interconnect's markets returning to growth and Smiths Detection benefiting from the continued airport investment upgrade cycle.

Recognising this improvement, the Board has decided that the separation of these two divisions now best serves the prospects of these businesses, the Group as a whole and our shareholders.

Smiths today announces that it will launch a sale process for Smiths Interconnect and is targeting a transaction announcement by the end of calendar year 2025. Smiths will subsequently progress the separation of Smiths Detection either by way of a UK demerger or sale. Smiths is focused on delivering separation processes that recognise and value the strengths of each of these businesses.

The Board has established a committee of the Board to oversee the implementation of these strategic actions. This will comprise the Chairman, Steve Williams and independent non-executive directors Alister Cowan, Richard Howes, Simon Pryce and Mark Seligman, all of whom have significant value creation, capital markets and M&A experience.

Future business profile

Following the separation of Smiths Interconnect and Smiths Detection, Smiths will become a simpler business with more attractive future growth potential and a higher quality financial profile.

- **Market position:** high performance industrial technology businesses with leading positions
- **Attractive end markets:** well-positioned in attractive markets with the potential to cover a broad range of energy diversification scenarios
- **Strong margins and returns:** John Crane and Flex-Tek each delivered operating profit margins in excess of 20% and returns on capital employed in excess of 25% in FY2024
- **Further improvement potential:** continued execution of our Acceleration Plan to improve our businesses and create a streamlined Group cost base in line with portfolio changes

Further details of our updated strategy and new medium-term financial targets will be presented at the Group's interim results in March.

Disciplined capital allocation, with enhanced capital returns

On 13 November 2024, Smiths announced the increase in its share buyback programme from £100m to £150m. Today, Smiths announces a further increase in its share buyback programme from £150m to £500m.

We have completed £85m of the previously announced £150m and will complete the remaining £65m by the end of March 2025 - ahead of our original target.

We expect the additional £350m announced today to be completed by the end of calendar year 2025.

Additionally, we will return a large portion of all disposal proceeds, whilst maintaining a strong balance sheet with an intended investment grade rating.

We are excited by the future potential of a more focused Smiths Group and will continue to invest in the business organically as well as to pursue value creating bolt-on acquisitions.

Our updated strategy enables us to deliver enhanced returns to shareholders alongside disciplined investment for growth whilst maintaining a strong balance sheet with an intended investment grade rating.

Impact on our people

We acknowledge the impact that this announcement will have on our people. We will undertake all the necessary planning, engagement and consultation with all relevant stakeholders to facilitate this process.

Update on cyber incident

Further to Tuesday's announcement regarding a cyber incident, we continue to manage our response. The impact was limited to the Company's internal enterprise systems, and we have made good progress in the recovery of these, with most critical systems being back online.

As a result of the immediate, proactive measures that we took, we have been able to minimise the impact on our operations.

In terms of financial impact, our guidance for the full year is unchanged noting that, given the proximity of the incident to our half year close, we anticipate a portion of the revenue from the last week of January will shift into the second half of the financial year.

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Presentation

A webcast presentation and Q&A will begin at 09.00 (UK time) today at: <https://smiths.com/investors/results-reports-and-presentations>.

A recording will be available from 13.00 (UK time).

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About Smiths Group

For over 170 years, Smiths has been pioneering progress by engineering a better future. We serve millions of people every year, to help create a safer, more efficient and productive, and better-connected world across four global markets: energy, safety & security, aerospace & defence, and general industrial. Listed on the London Stock Exchange, Smiths employs c.15,000 colleagues in over 50 countries. For more information visit www.smiths.com

This announcement contains inside information in relation to Smiths for the purposes of Article 7 of the Market Abuse Regulation.

The person responsible for ensuring the release of this announcement on behalf of Smiths is Matthew Whyte, Company Secretary.

The person responsible for arranging the release of this announcement on behalf of Smiths is Matthew Whyte, Company Secretary

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