

Chairman's statement



Steve Williams
Chairman

Dear shareholders,

A warm welcome to our Annual Report FY2024.

It has been a busy period and I am delighted to report that my initial expectations have been exceeded. This company has a remarkable history and a very bright future.

The broader business environment has been challenging. Geopolitical tension, wars and inflationary pressures have been joined by political uncertainty, as elections around the world play out. And we continue to see the ripples of transformatory change expand – from digitisation and AI; the accelerating response to climate change; and demographic shifts in all our markets. With that said, the Group's ability to deliver strong revenue growth and continued margin expansion is testament to the fundamental resilience and underlying strengths of the Smiths business model.

This Annual Report and its companion Sustainability at Smiths report describe in detail our approach and achievements for all stakeholders. Highlights include the investment we are making to better understand our supply chains, so that we only choose suppliers who are explicitly committed to our Values and goals, and the first round of charitable grants made by the Smiths Group Foundation to organisations nominated by our people.

We were very pleased to appoint Roland Carter as CEO in March. Our ability to respond quickly to Paul Keel's decision to leave Smiths, was a result of ongoing robust succession planning work which has strengthened the entirety of the senior leadership group. This enabled us to undertake a rigorous process, ensuring a smooth transition with minimal disruption to the business. Roland is a highly regarded leader with a deep knowledge of our markets and businesses. The bench strength of our senior leadership team was further underlined by new internal appointments to the Executive Committee arising from the change in CEO.

Paul Keel left with our thanks and good wishes for his new role in the US.

There were also some changes to Non-executive Board responsibilities during the year. Richard Howes became Chair of the Audit & Risk Committee in November. Bill Seeger retired from the Board in May and his responsibility as Chair of the Remuneration & People Committee has transitioned to Karin Hoeing. I thank Bill for his service to Smiths over many years. Mark Seligman is now the designated Senior Independent Director. We also welcomed Alister Cowan to the Board at the beginning of July – his extensive experience in senior financial roles will be extremely valuable. Finally, on behalf of the Board and the whole Group, I pay tribute to Sir George Buckley who retired as Chairman in November.

We have now recorded a third year of organic revenue growth and are sustaining progress against all our medium-term financial targets, with growth in all key metrics in FY2024. Strong growth continued for our two largest businesses, John Crane and Smiths Detection and both Flex-Tek and Smiths Interconnect returned to growth in the second half of the year.

The health of the business enabled the Board to approve an additional share buyback programme during the year and an increase to both the FY2024 interim and final dividends, whilst also supporting our acquisition objectives.

Importantly, we are successfully investing in and delivering, significant opportunities to deploy Smiths technology and capabilities in new markets and end use applications. John Crane has had great success and notable contract wins in both the hydrogen and carbon

capture markets, as well as continuing to support efficiency and emission reductions in more traditional industrial and energy segments. Flex-Tek is pioneering the use of electrical heating elements in emerging industries like green steel, and Smiths Detection is working on projects which harness the potential of screening technology combined with AI for use in secondary mining and recycling processes. The Innovation, Sustainability & Excellence Committee has an exhilarating front row seat as these projects take shape.

One area where Smiths has always been innovative is in the aftermarket. Approximately 51% of Smiths revenue derives from aftermarket support of our products in the field. Keeping critical process infrastructure healthy and in service for longer is both a compelling and integral part of our customer offer and increasingly relevant, as customers focus on the sustainability of their operations.

The sustainability of Smiths operations is also high on the Board's agenda. Planning for Net Zero emissions has accelerated significantly in the last 24 months in every part of Smiths, and we have delivered another year of robust reductions in GHG emissions from operations. These are based on fundamental changes to the way we do things – from energy efficiency projects to transitioning our vehicle fleet to electric vehicles. Our pathway was validated by the Science-Based Targets initiative in December 2023 and the Board is pleased to once again align a portion of both Executive and management remuneration to achieving our targeted GHG reduction trajectory in the coming years.

Our Directors' Remuneration Policy was reviewed in the year and the updated Policy will be put to shareholders at the November AGM. We believe that the Policy serves all our stakeholders well in attracting, retaining and incentivising our most senior leaders to deliver the Group's strategic objectives.

I will close with a particular thanks to Smiths employees. People make an organisation, and it is positively true at Smiths. It has been an enormous pleasure to get to know the Smiths team and absorb the culture. I know that my fellow Board members feel the same. We have diverse and immense talent in the company. It is our most precious resource and something we commit to nurturing and supporting as our people build rewarding careers.

I thank every member of the Smiths team for their contribution during the year and members of the Smiths Board for their wise counsel and ongoing support.

Sincerely,

Steve Williams
Chairman