



**Srini Seshadri**

Group Managing Director,  
Smiths Medical

**smiths medical**  
bringing technology to life

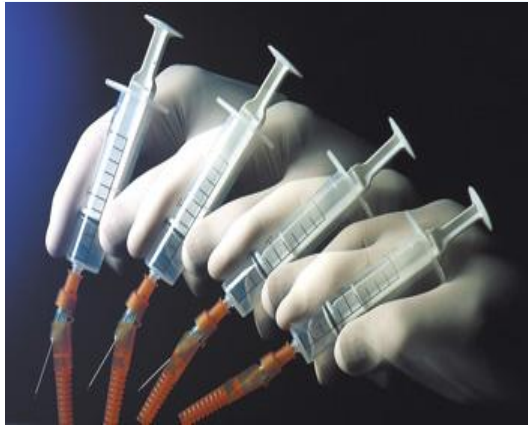
**Investor Day: Bringing technology to life, London, Thursday, 3 May 2007**

# Profile of Smiths Medical

- High-margin specialized medical device company
- Global sales of c.£700M in 2006. Net margin of 19%
- Well placed to capitalize on patient demographics & market trends
- Leading positions in key segments & with customers
- Growth driven by innovation, geographic expansion, disease state / care area strategy
- Global reach in design, production and distribution
- More coherent branding...12 flagships
- Executing on operational improvements ... more to do



## Smiths Medical: Bringing technology to life



Smiths Medical is a world leader in the practical application of advanced technologies.

Making the world, safer, healthier and more productive

# Smiths Medical: How we do what we do

## Operating in sectors of high growth

- Targeting chronic disease states
- Capitalising on strong presence in high margin, high growth segments

## Reaching deep into global markets

- Expanded sales & marketing activities to over 100 countries
- Going direct in key markets

## Developing technology to help customers succeed

- Developing new solutions within portfolios
- Integrating technologies across the product portfolios

## Delivering constant improvement

- Integrating the business on to a single ERP software platform
- Rationalising manufacturing & localising in low cost countries

## Improving the business mix

- Medex acquisition established us as a leader in safety devices
- Using our core competencies to move in to high growth adjacencies

## Doing business the right way

- Rigorous attention to stringent medical device regulatory requirements
- Supporting clinical research – Young Everest Study

# Regional demographic & healthcare market factors

## Europe

- 9% GDP spend on healthcare
- 400M population
- 17% population  $\geq$  65
- 2.25M hospital beds

## China

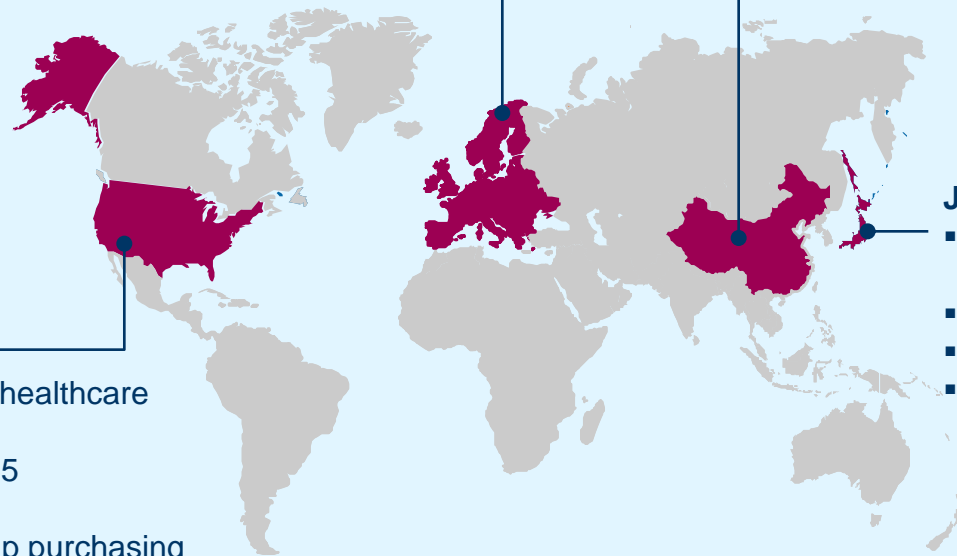
- 6% GDP spend on healthcare
- 1.3b population
- 8% population  $\geq$  65
- 3m hospital beds

## Japan

- 8% GDP spend on healthcare
- 125m population
- 21% population  $\geq$  65
- 1.8m hospital beds

## USA

- 16% GDP spend on healthcare
- 300M Population
- 13% population  $\geq$  65
- 1m hospital beds
- 63% market via group purchasing



**Source: Medistat. Note:** Europe data comprised of the following countries: UK, France, Germany, Italy, Spain, Belgium, Netherlands, Sweden, Norway, Finland, Denmark, Poland, Hungary, Czech Republic, Switzerland

# Key market themes & trends

## Patient demographics

- ↑ middle class in developing markets & aging population in developed markets
- Healthcare going outpatient (eg. oncology centres and pain clinics)

## Clinical convergence

- Boundaries between specialties blurring
- Diagnosis & therapy convergence

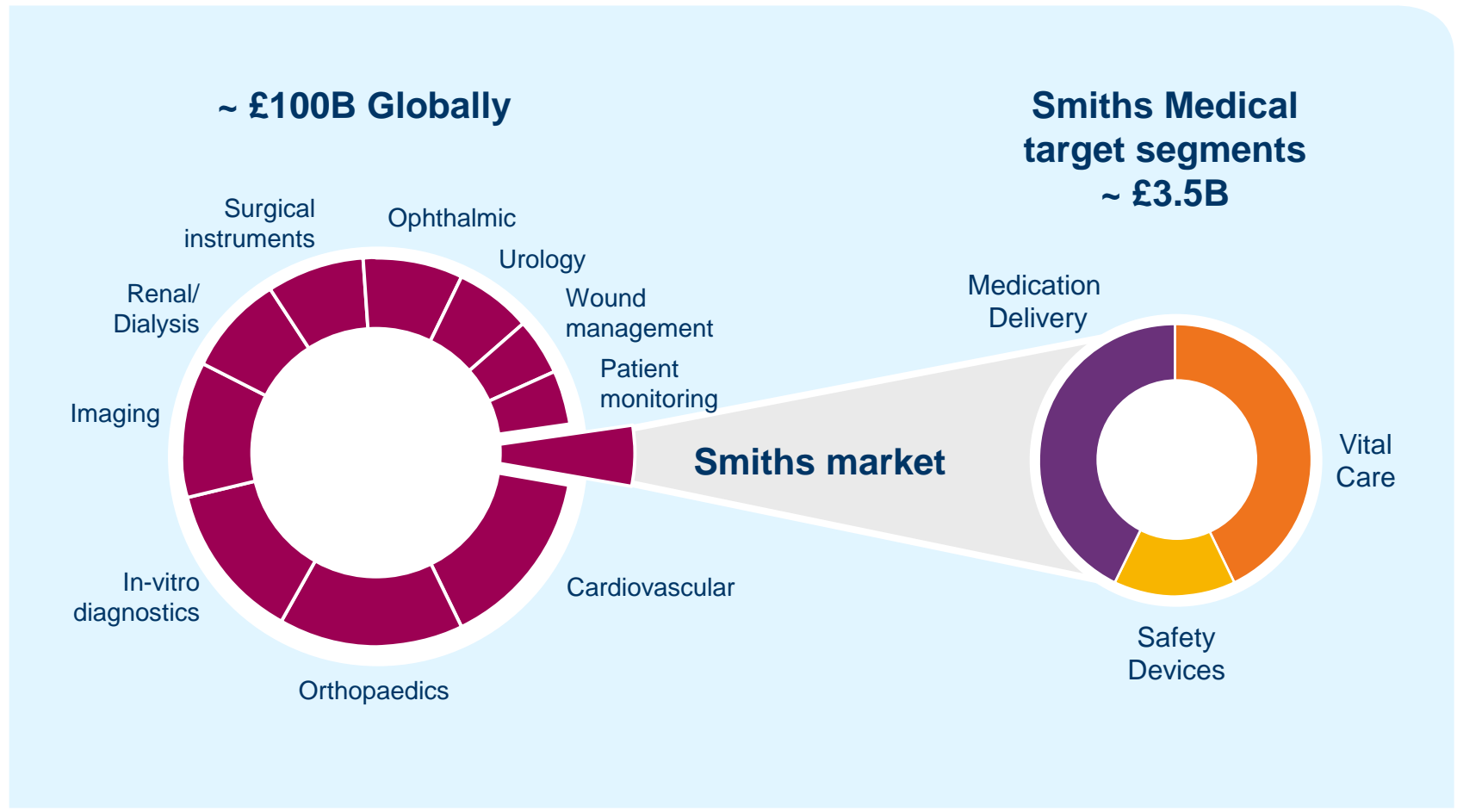
## Customer productivity

- ↑ demand for cost/benefit analysis; higher prices for innovation
- ↓ hospital stays ... Intuitive, easy to use, products will win

## Information convergence

- Connectivity to hospital & clinical IT systems
- Home care settings increasingly require Internet capabilities

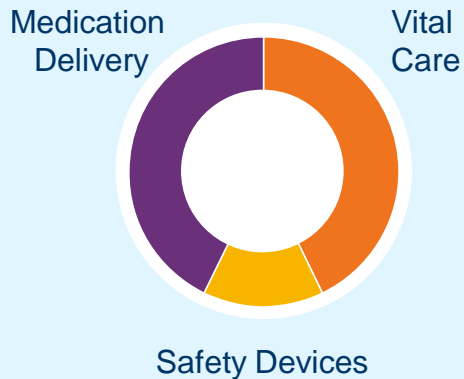
# Global medical device market



High margin niche player in a huge market

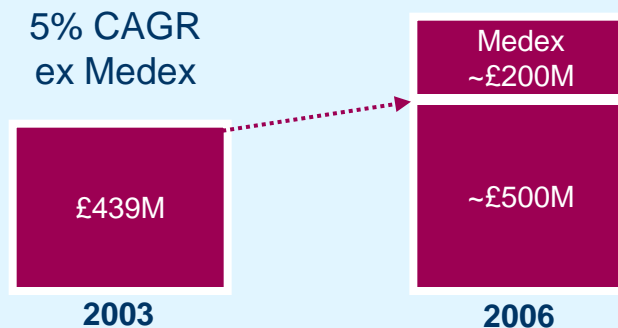
# Smiths Medical market position

## Addressable market ~£3.5B



	Market size	Market growth	Smiths Medical sales FY06	Smiths Medical approx share
<b>Medication Delivery</b>	~£1.5B	6%	~£250M	17%
<b>Vital Care</b>	~£1.5B	4%	~£300M	20%
<b>Safety Devices</b>	~£0.5B	6%	~£150M	30%
<b>Total</b>	~£3.5B	5%	~£700M	20%

## Smiths Medical historical sales growth



## Key growth drivers

- Needle & sharps safety
- Insulin pumps
- Ambulatory infusion pumps
- Tracheostomy tubes
- Pain Management
- Smaller niches eg. IVF

# Smiths Medical Strengths

## Deliver Medication



## Provide Vital Care



## Keep People Safe



# Smiths Medical Strengths

## Deliver Medication



## Provide Vital Care



## Keep People Safe



## Deliver Medication

- Relieve acute & chronic pain with drug delivery systems
- Treat cancer through chemotherapy delivery devices
- Deliver insulin through user friendly pumps
- Reduce programming & delivery errors with intelligent pumps

# Deliver Medication: Market dynamics

## Drivers

- Growth of chronic conditions (eg. Pain, Cancer)
- Integration with hospital IT systems
- Evolution to new sites of care

## Trends

- Wireless information flow
- High quality displays
- Standardisation: technology, platforms & protocols

Market size:  
**~ £1.5bn**

Market growth:  
**~ 6%**



# Deliver Medication: Key brands

FY06 Sales: ~£250m

CADD<sup>TM</sup>

No.1



- Drug delivery systems that allow complete patient mobility
- Customers: Anaesthesia, Oncology & Pain Management
- Key Competitors: Baxter & Hospira

medfusion<sup>TM</sup>

No.1  
US



- Superior accuracy makes it No.1 for neonatal drug delivery
- Customers: Anaesthesia & Paediatrics
- Key competitors: Alaris (Cardinal) & B.Braun

CozMORE<sup>TM</sup>

No.2  
US



- Comprehensive range for insulin delivery & glucose monitoring
- Customers: Endocrinology & Diabetes Care
- Key Competitors: Minimed (Medtronic), Disetronic (Roche) & Animas (J&J)

# Smiths Medical Strengths

## Deliver Medication



## Provide Vital Care



## Keep People Safe



## Provide Vital Care

- Manage the airway during & after surgery
- Provide respiratory care to those with breathing difficulties
- Maintain correct body temperature
- Monitor vital signs such as blood pressure & heart rate
- Assist reproduction through IVF therapy

## Provide Vital Care: Market dynamics

### Drivers

- Operations & intensive care beds growing
- Rapid increase in respiratory diseases & obesity
- Increasing demand for single use products

### Trends

- Increasing adoption of minimally invasive procedures
- Cost/benefit justifications required for new products
- Technology driving interest in antimicrobial coatings

Market size:

~ **£1.5bn**

Market growth:

~ **4%**



## Provide Vital Care: Key brands

FY06 Sales: ~£300m

**PORTEX**<sup>TM</sup>

No.2



- Life saving products that keep you breathing
- Customers: Anaesthesia & Intensive Care
- Key Competitors: Covidien (Tyco), Teleflex & LMA Company

**LEVEL 1**<sup>TM</sup>

No.1  
or 2



- Delivers life saving fluids at the correct temperature
- Customers: Anaesthesia, Intensive Care & Emergency Rooms
- Key Competitors: Covidien (Tyco) & Arizant

**medex**<sup>TM</sup>

No.1



- Modular systems for invasive blood pressure monitoring
- Customers: Anaesthesia, Intensive Care & Cath Labs
- Key Competitors: Edwards, Hospira & Codan

# Young Everest Study & Xtreme Everest



## The 2007 Everest Medical Research Expedition

Exploring Human Physiology at Extreme Altitude



- Funding for high altitude laboratory at Namche Bazaar
- Organised by University College London, 45 scientists and 208 volunteers to research hypoxia - lack of oxygen in cells
- Most intensive care patients suffer from hypoxia, which requires invasive treatment
- 'SMYES' is occurring in parallel and will conduct research specific to children
- 'SMYES' study led by Prof. Monty Mythen, Smiths Medical Chair of Anaesthesia and Critical Care at UCL
- Results from both studies will be used in the development of new medical devices



# Smiths Medical Strengths

## Deliver Medication



## Provide Vital Care



## Keep People Safe



## Keep People Safe

Prevent injuries & reduce cross infections through easy to use & effective safety devices for:

- drawing blood samples
- giving injections / vaccinations
- delivering intravenous drugs

# Keep People Safe: Market dynamics

## Drivers

- Cross selling with other IV & infusion systems
- New markets: eg. dental & pharmaceutical
- Growth of HIV & other infectious diseases

## Trends

- Market moving towards passive, intuitive devices
- Countries adopting safety legislation (EU pending)
- Shorter product life cycles, speed of innovation

Market size:  
~ **£0.5bn**

Market growth:  
~ **6%**



# Keep People Safe: Key brands

FY06 Sales: ~£150m



Intravenous Catheters



No.2

Blood Sampling



No.2

Needle Protection



No.3

- Comprehensive range that saves lives by preventing cross infections
- Helps reduce estimated 2 million needlestick injuries per year
- Customers: Anaesthesia, Intensive Care & Infection Control
- Key Competitors: Becton Dickinson, Covidien (Tyco) & B.Braun

# Smiths Medical Strengths

## Deliver Medication



## Provide Vital Care



## Keep People Safe



We focus on improved outcomes. We help deliver medication, provide vital care and keep people safe so that every intervention can succeed.

## Keys to future growth



New product innovation and introduction



Near neighbour adjacencies



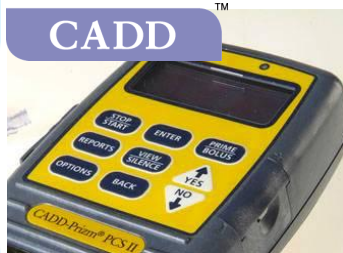
Geographical expansion



Branding coherence

# Growth Initiatives: Deliver medication

## New products



Next Generation Ambulatory Pump

## Addressed needs

- Helps minimise medication errors
- Compact & higher quality display
- Easy to programme
- Links to Hospital IT systems

## Adjacent areas

- Use with new pharmaceuticals
- Enteral feeding



Syringe Pump Enhancements

- Barcode reading
- Connectivity with hospital IT systems
- Delivers relief for acute/post-operative pain

- New applications for delivering anaesthetics



Cleo 90: Insulin Infusion Set

- Easy insertion for subcutaneous delivery
- One-handed operation
- Automatic needle safety mechanism

- Other therapy areas (eg. Pain management)

# Growth Initiatives: Provide Vital Care

## New products



Suction Pro 72 Closed Suction

## Addressed needs

- ↓ Ventilator Associated Pneumonia
- Used with Endotracheal & Tracheostomy tubes
- Longer usage times

## Adjacent areas

- Part of an enlarged Homecare offering with the Portex Airway portfolio
- Supports expansion in growing Respiratory Disease segment



VR1 Resuscitator

- Emergency resuscitation delivered on scene
- Easy to use, hand held device
- Enhanced safety features
- Gas powered, no need of battery

- Commercial, transport & alternate site opportunities



Wireless Blood Pressure Monitoring

- Reduced need for cables
- Easy transportation of patients within hospital
- Links with vital signs monitors & Hospital IT systems

- Development of “Point of Care” monitoring

# Growth Initiatives: Keep People Safe

## New products



Edge Needle Protection

## Addressed needs

- Easy to use, one-handed activation
- ↓ drug wastage
- Integrated needle & safety mechanism
- Colour coding for quick reference

## Adjacent areas

- Alternate care sites
- Partnering with kitting & pharmaceutical companies



Fixed Needle Safety Syringe

- Easy to use, one-handed activation
- Insulin, TB & allergy injections
- Sterile syringe trays for allergy testing

- New therapy areas



Next Gen IV Catheters

- Increase ProtectIV automated capacity
- Automatic activation of safety mechanism
- Lower cost variants for developing markets
- Full range of IV catheters available

- Other “Own Brand Label” opportunities
- Veterinary & animal health

# Increasing technology spend effectiveness

## Initiative: Focus Resources on Key Portfolios



### Action

- Global Marketing and R&D Councils now operating
- Finalising Worldwide Product Plans
- Key lines for investment have been identified
- Number of products being rationalised
- Establishing R&D in China & India

### Planned outcome

- Consistent approach to developing global new products
- Improved speed to market
- Higher % of sales from new products
- Increased profitability & reduced complexity
- Regionally tailored products & more efficient use of funds

## Initiative: Continued Investment in Process Technology



### Action

- Installing high volume, high speed, automated production
- Upgrading existing lines for new products & adding capacity

### Planned outcome

- Improved margins
- Global, not phased, product launches
- Increased market share

# Regional game plan

## Americas

- New Infusion pumps
- New safety IVCs
- Capacity expansion
- Increased focus outside Hospital
- Expansion of Mexican manufacturing base

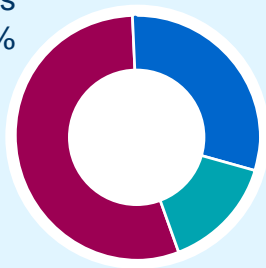
## EMEA

- New product introductions
- Conversion to Safety
- Improved customer service
- Distributor to Direct Strategy



## 2006 Smiths Medical sales (c.£700m)

Americas  
55%



EMEA  
30%

Asia Pacific  
15%

## Asia Pacific

- Focus on China & India
- Acquisitions
- Right products for the markets (price & spec)
- Direct presence to support local distributors

# Creating global brand coherence



From 100+ company & product names → 12 brand families

# Cost reduction

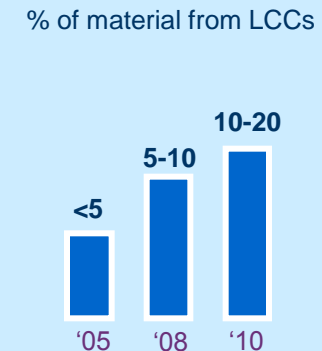
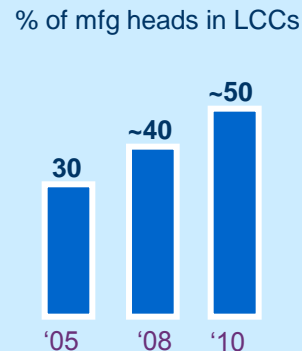
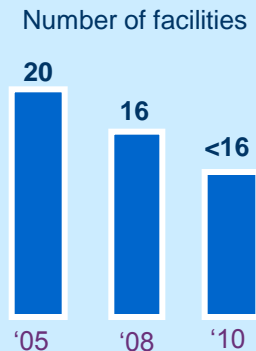
## Manufacturing Strategy

- Fewer, world class, facilities
- High volume lines automated
- High labour content in LCCs



## Execution to drive cost down

### 2006 Plan



### Actions to date

- Duluth (US) and Munich closed
- Wampsville (US) & Hythe (UK) to close in 2007

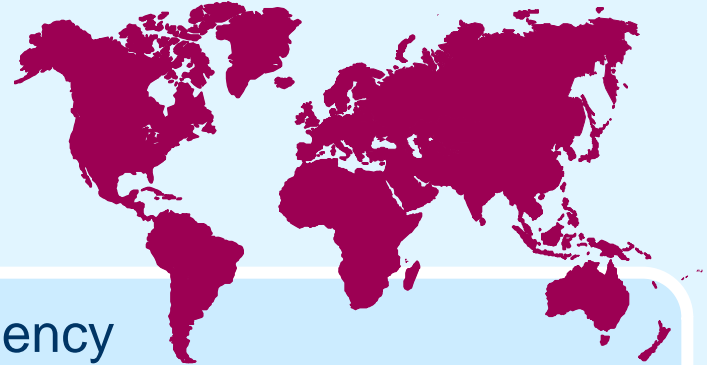
- Progress ahead of plan
- July 2006 – 35%
- March 2007 – 42%

- Global sourcing function established
- Sourcing teams set up in Mexico and China

# Focus on operating efficiency

## Operating Strategy

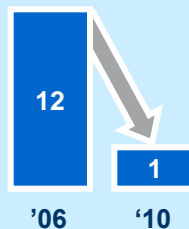
- Common, unified information
- Standardized processes
- Rationalized supply chain



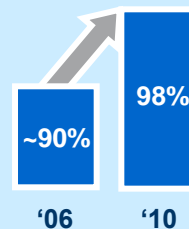
## Simplification driving operating efficiency

### 2006 Plan

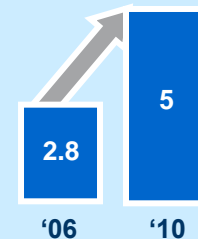
# of Business IT Systems



Service Levels



Inventory Turns

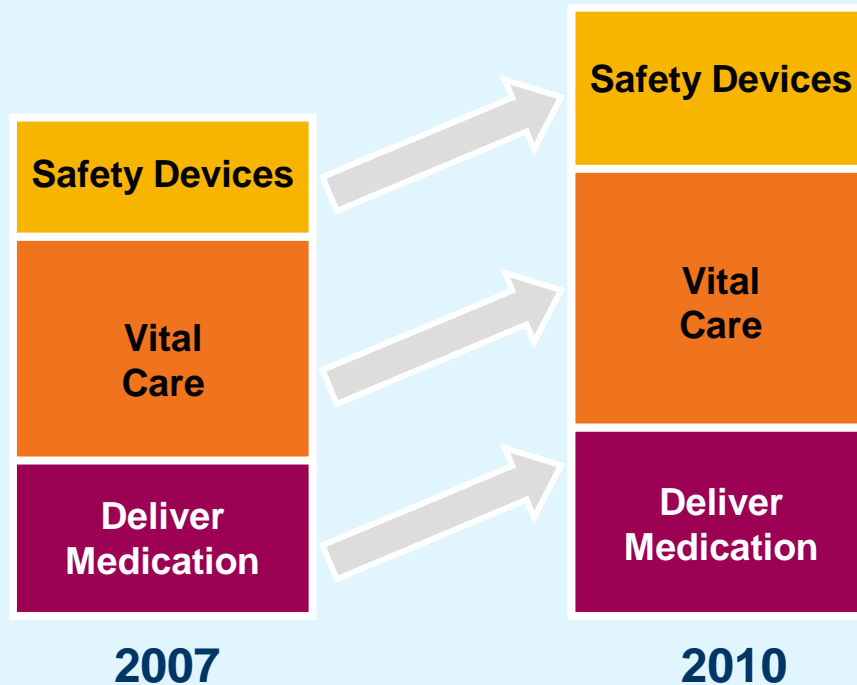


### Actions to date

- 54% of business & 60% of people operating on “one” system
- Service levels aligned to customers and products
- Common business IT system utilised
- Focused offer for sale
- Greater emphasis on lead times

# Projected Revenue Growth

CAGR: 5% - 7%



## Growth drivers

- RoW conversion
- New applications & range expansion
- Growth of automatic safety
- Regional expansion e.g. China
- New product launches
- Acute to Chronic shift
- New pump introductions
- Greater connectivity
- Infusion sets

New products ... Move to adjacencies ... Regional expansion

## How are we going to deliver?



Increased operating efficiency



Accelerated & global product development



Market penetration & expansion

