

Smith+Nephew

Third Quarter 2024



Forward looking statements and non-IFRS measures

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Certain items included in 'trading results', such as trading profit, trading profit margin, trading attributable profit, tax rate on trading results (trading tax expressed as a percentage of trading profit before tax), Adjusted Earnings Per Ordinary Share (EPSA), trading cash flow, free cash flow, trading profit to trading cash conversion ratio, leverage ratio, and underlying revenue growth are non-IFRS financial measures. The non-IFRS financial measures in this announcement are explained and, where applicable, reconciled to the most directly comparable financial measure prepared in accordance with IFRS in our Second Quarter and Half Year 2024 Results announcement dated 1 August 2024.

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Summary

+ Q3 underlying revenue growth of +4.0%

- US Recon returns to growth; OUS Recon, Sports Medicine and AWM remain strong in established markets
- Slow China quarter impacted growth by -190bps: reflecting VBP price impact in Sports; slow demand and resulting channel adjustments in Recon

+ Updating growth and margin outlook

- 2024: Around 4.5% underlying revenue growth, and up to 50bps trading margin expansion, primarily reflecting slower China through Q4
- 2025: 19.0%-20.0% trading margin, reflecting 2024 outlook and ongoing China headwinds; significant expansion driven by continued delivery of 12-Point Plan improvements

+ Transformation to higher growth company remains on the right course

- Growth in US Recon, the last area of structural weakness; China specific headwinds roll off in 2025
- Continued improvements in operating and commercial metrics show 12-Point Plan and cultural changes increasingly embedded

Q3 2024 Revenue



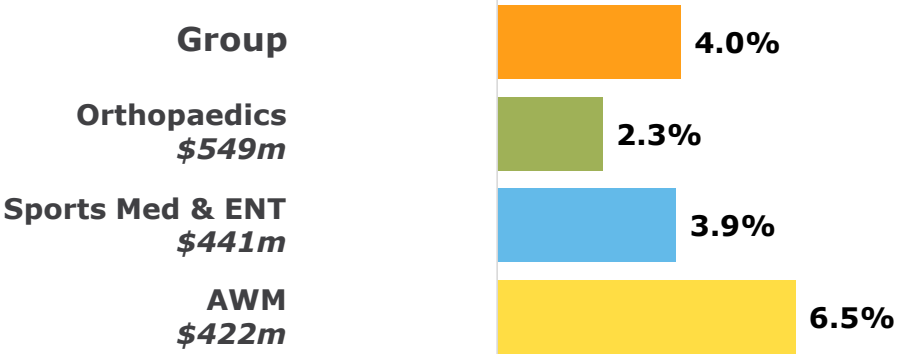
Q3 2024 summary revenue performance



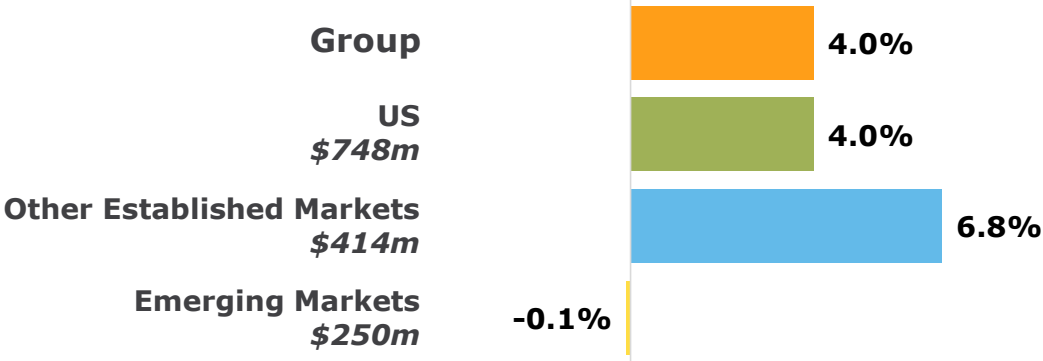
Growth by Business Unit*

Total revenue of \$1,412m

- Underlying revenue growth **+4.0%**, **+4.0%** reported
- Same number of trading days vs Q3 2023



Growth by Region*



*Growth rates are versus Q3 2023. Business Unit and Regional growth figures are on an underlying basis and without adjustments for number of selling days

Orthopaedics

Positive growth in both of US Hips and Knees; weak quarter in China, lower T&E set sales



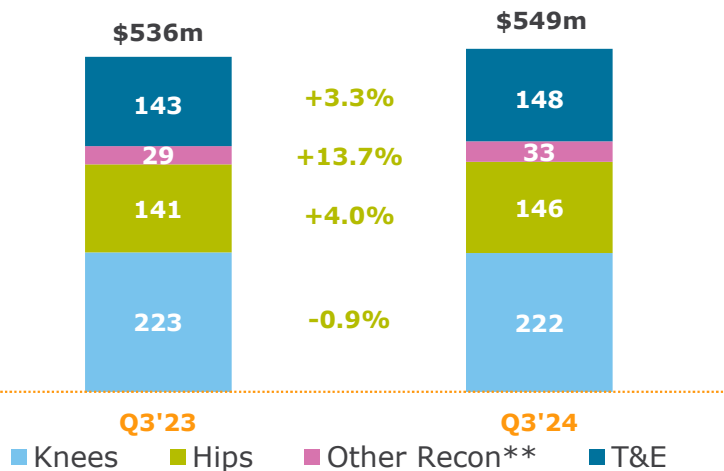
Revenue of \$549m:
+2.3% underlying*
+2.4% reported

Q3 sales factors

- + Global Knees and Hips -0.9% and +4.0%:**
 - US Knees and Hips +0.7% and +3.2%, showing benefit of operational improvements under the 12-Point Plan
 - OUS Knees and Hips -2.8% and +5.0%. Continued solid performance in established markets; c. 5% headwind from slower China
- + Other Reconstruction +13.7%**, reflecting robotics capital and consumables growth
- + Trauma & Extremities +3.3%:**
 - Continued strong momentum for EVOS[◇]; offset by a slower quarter for legacy systems and sales of full trauma sets

Near-term growth drivers

- + Continued flow through of 12-Point Plan improvements in US Recon; rollout of CATALYSTEM[◇] Hip System**
- + AETOS[◇] Shoulder System capital deployment and customer conversions**



* Growth rates are versus Q3 2023

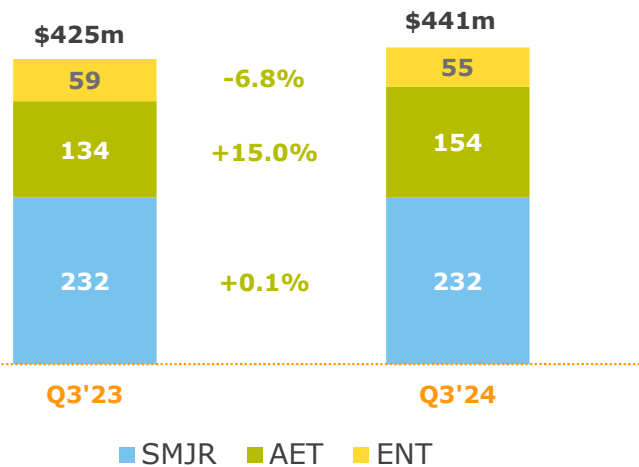
** Other Recon includes robotics capital sales, joint navigation and bone cement

Sports Medicine & ENT

Continued strong business unit performance excluding VBP



Revenue of \$441m:
+3.9% underlying*
+3.7% reported



Q3 sales factors

+ Sports Medicine Joint Repair +0.1%:

- +9.4% ex-China; continued strong growth from REGENETEN[◇] in rotator cuff
- China headwind reflects strong price headwind from VBP implementation

+ AET +15.0%:

- Strong growth across arthroscopic tower categories and from WEREWOLF[◇] FASTSEAL; also reflects soft prior year comp

+ ENT -6.8%:

- Reflects very strong prior year comp; return to more normalized growth expected in Q4

Near-term growth drivers

- + Further market penetration of REGENETEN and product expansion to foot and ankle
- + Continued high cadence of innovation across consumables and arthroscopic tower

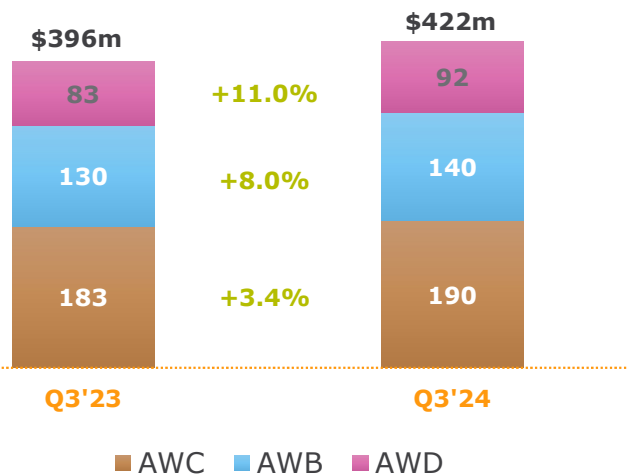
* Growth rates are versus Q3 2023

Advanced Wound Management

Broad-based growth across regions and categories



Revenue of \$422m:
+6.5% underlying*
+6.5% reported



Q3 sales factors

- + **Advanced Wound Care +3.4%:**
 - Led by ALLEVYN[◇] family of foam dressings; good growth from anti-infectives
- + **Advanced Wound Bioactives +8.0%:**
 - Double-digit growth in skin substitutes following launch of GRAFIX PLUS
 - Market behaviour largely unchanged ahead of LCD implementation
- + **Advanced Wound Devices +11.0%:**
 - Strong growth from both PICO[◇] and RENASYS[◇] in Negative Pressure Wound Therapy; good quarter from LEAF[◇] Patient Monitoring System

Near-term growth drivers

- + Continued ramp of new skin substitute version GRAFIX PLUS[◇]
- + Ongoing US and Europe roll-out of next-generation NPWT device RENASYS EDGE

* Growth rates are versus Q3 2023

Outlook

Growth and margin guidance updated for China headwind



+ 2024 underlying revenue growth of around 4.5%

- Q4 acceleration from continued Recon improvement (ex. China), stronger T&E, 2 extra trading days
- Below previous range, primarily reflecting China remaining slow

+ 2024 trading margin expansion of up to 50bps

- Margin expansion from 12-Point Plan savings, with reduced operating leverage from slower revenue growth
- Continuing to target around 85% trading cash conversion

+ 2025 trading margin of 19.0%-20.0%

- 2025 margin expansion from operating leverage, manufacturing and opex savings
- Updated view reflects expected 2024 baseline, and uncertainty around ongoing China headwinds

Strategy and 12-Point Plan update

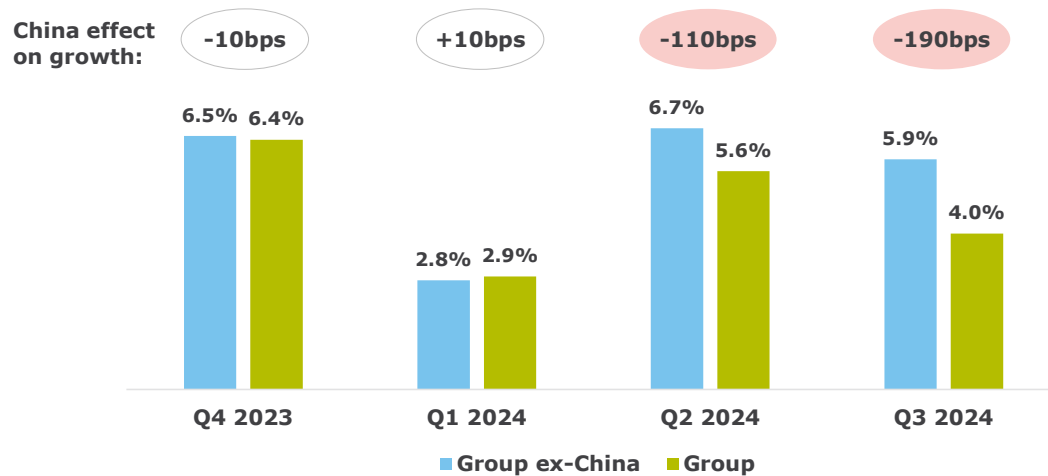


Structurally improved growth visible ex-China

China headwind from effects that roll off in 2025



Quarterly underlying revenue growth



+ China growth headwinds will roll off:

- VBP annualises in mid-2025
- Recon orders should converge with in-market sales as channel volume normalises

+ Higher growth in rest of world is underpinned by 12-Point Plan:

- Underlying growth ahead of Smith+Nephew history: +5.9% in Q3, +5.1% YTD
- Continued progress in Q3 on fixing Orthopaedics, and innovation delivery

12-Point Plan as driver of growth and productivity



Fixing Orthopaedics

Initiatives 1-5

Rewire Orthopaedics commercial delivery

- Rebuild demand planning process
 - Improve asset utilisation
 - Strengthen last-mile logistics
- 1 initiative**

Win market share with our technology

- Expansion of CORI^o base and use
 - Accelerate trauma through EVOS
 - Launch of AETOS shoulder
- 3 initiatives**

Streamline our recon portfolio

- Sales focus on key brands
 - Reduce number of implant systems in each category
- 1 initiative**

Improving productivity

Initiatives 6-10

Improve value and cash processes

- Standardised order-to-cash process excellence
 - Implementing company-wide product pricing process
- 2 initiatives**

Optimise procurement

- More consistent purchase price management across company
 - Building greater supply resilience
- 1 initiative**

Manufacturing optimisation

- Driving lean across operations
 - Further review of manufacturing network
- 2 initiatives**

Accelerating Sports & AWM

Initiatives 11-12

Scale Negative Pressure Wound Therapy

- Drive competitive conversions in traditional NPWT
 - Expand single use market globally
- 1 initiative**

Drive cross-selling in ASCs

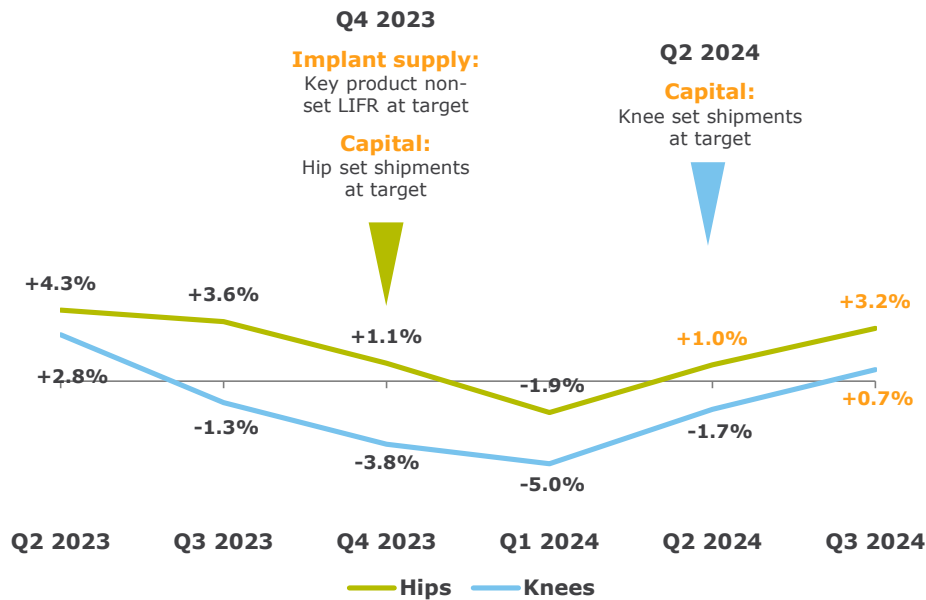
- Pursue cross-business unit deals with improved coordination, incentives and planning
- 1 initiative**

12-Point Plan driving growth in US Recon



Acceleration followed improvement in KPIs; progress beyond initial targets show new ways of working becoming embedded

US recon underlying growth



Continuous improvement culture becoming visible in KPIs:

Implant availability

- + US Key product Non-set LIFR reached goal in Q4 2023
- + Improved to **three percentage points above target** in Q3 2024

Overdue orders

- + **85% reduction** in value of US overdue knee orders in 2023
- + **Further 30% reduction** achieved up to Q3 2024

Capital availability

- + **Target kit health** percentage reached in early 2024
- + Improved to **five points above target** in Q3 2024

LIFR = Line Item Fill Rate: percentage of customer order lines filled

Good cadence of innovation in high-growth categories



Short-stem hip

- + First cases completed during Q3 2024
- + Suited for increasingly preferred direct anterior approach to total hip replacement
- + Positive initial surgeon feedback on precision, efficiency, reproducibility



Extremities

- + Patient matched guides as a new option for total ankle replacements
- + Designed to achieve a precise patient fit, with alignment cues and efficient instrumentation
- + Strengthens position in the Foot & Ankle market expected to grow at c.7% CAGR to 2031



Joint repair

- + Q-FIX[◇] KNOTLESS 510k clearance received
- + New version in Q-FIX family of suture anchors, used across shoulder, hip, foot & ankle and knee repair
- + Continues high pace of incremental innovation across joint repair portfolio



Clinical evidence

- + LEGION[◇] CONCELOC[◇] cementless knee evidence featured at the 2024 ISTA meeting
- + 153 patient study with 100% survivorship of tibial and femoral components at one year
- + Stable fixation achieved by 1 year, predictive of long-term stability



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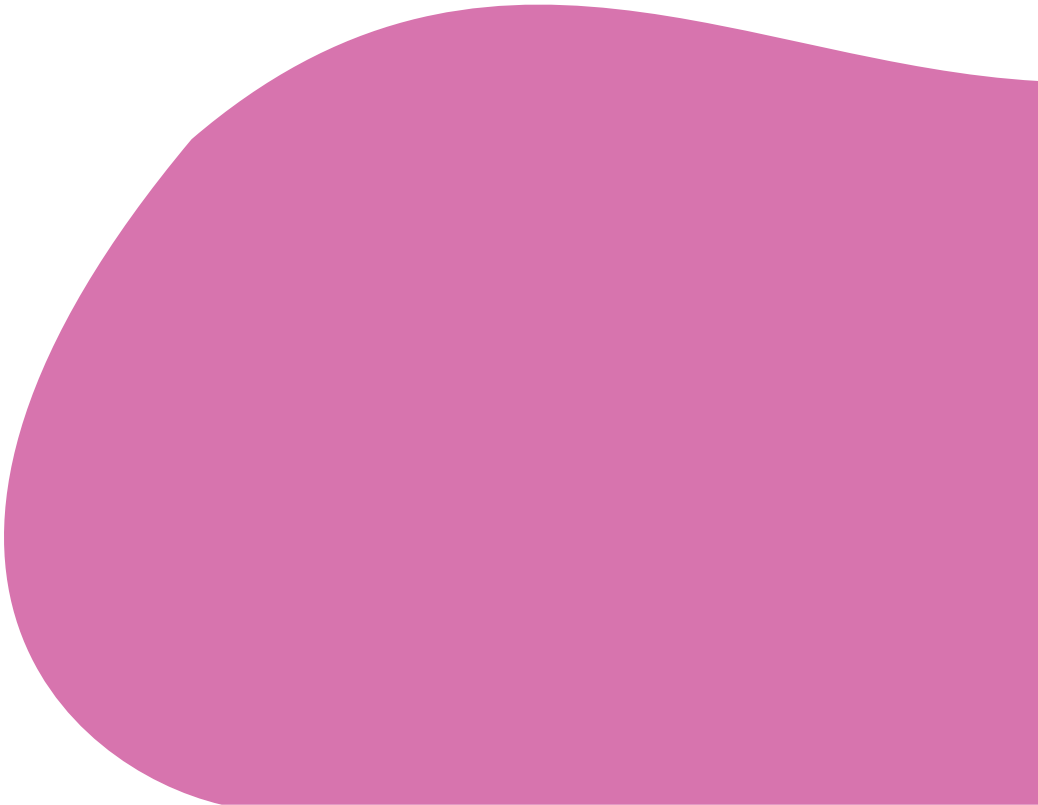
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Appendices



Technical guidance for FY 2024



	October 2024	
Foreign exchange and acquisitions		
Translational FX impact on revenue growth ⁽¹⁾	c. (0.4)%	
Acquisition impact on revenue growth	-	
Non-trading items		
Restructuring costs ⁽²⁾	c. \$95-100m	
Acquisition and integration	\$5-10m	
European Medical Device Regulation (MDR) compliance costs	\$10-15m	
Amortisation of acquisition intangibles & goodwill impairment	\$230-235m	
Other	Adjusted	Reported
Income/(loss) from associates ⁽³⁾	\$10-15m	\$(5)-(10)m
Net interest ⁽⁴⁾	c. \$125m	c. \$125m
Other finance costs	\$5-10m	\$20-25m
Tax rate on trading result	19-20%	

(1) Based on the foreign exchange rates prevailing on 25 October 2024

(2) Includes c.\$15m of costs expected to be recognised in 2025

(3) Based on analyst consensus forecasts for associate and considering management guidance issued on 6 August 2024

(4) Includes interest associated with IFRS 16 Leases

Revenue analysis by Business Unit



	2023					2024			
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q3 Revenue \$m
Orthopaedics	3.9	5.8	8.3	4.9	5.7	4.4	5.8	2.3	549
Knee Implants	5.0	7.8	5.7	3.6	5.5	1.7	2.1	(0.9)	222
Hip Implants	4.6	3.4	3.5	3.6	3.8	3.4	4.0	4.0	146
Other Reconstruction	19.7	21.0	58.5	19.0	28.0	18.0	17.8	13.7	33
Trauma & Extremities	(0.8)	2.5	10.4	5.8	4.4	7.8	11.8	3.3	148
Sports Medicine & ENT	10.0	12.0	11.1	7.1	10.0	5.5	7.6	3.9	441
Sports Medicine Joint Repair	7.3	12.5	11.3	8.8	9.9	7.7	6.0	0.1	232
Arthroscopic Enabling Technologies	9.1	4.6	1.7	3.7	4.7	1.0	8.7	15.0	154
ENT	30.8	38.9	40.2	10.7	29.8	9.0	11.6	(6.8)	55
Advanced Wound Management	7.9	6.2	3.6	7.8	6.4	(2.0)	3.3	6.5	422
Advanced Wound Care	1.0	2.7	3.2	1.4	2.1	(0.5)	3.0	3.4	190
Advanced Wound Bioactives	15.2	3.1	(4.8)	12.5	6.2	(9.8)	0.7	8.0	140
Advanced Wound Devices	12.9	21.4	21.3	14.9	17.6	8.7	8.0	11.0	92
Total	6.9	7.8	7.7	6.4	7.2	2.9	5.6	4.0	1,412

All revenue growth rates are on an underlying basis and without adjustment for number of selling days.

Revenue analysis by region



	2023					2024			
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q3 Revenue \$m
US	11.8	6.3	7.2	6.2	7.8	(0.6)	3.6	4.0	748
Other Established Markets ⁽¹⁾	7.0	8.5	7.8	6.1	7.3	4.8	6.9	6.8	414
Established Markets	10.0	7.1	7.4	6.2	7.6	1.3	4.8	5.0	1,162
Emerging Markets	(7.3)	11.0	9.2	7.6	5.1	11.6	9.5	(0.1)	250
Total	6.9	7.8	7.7	6.4	7.2	2.9	5.6	4.0	1,412

(1) Other Established Markets are Australia, Canada, Europe, Japan and New Zealand.
All revenue growth rates are on an underlying basis and without adjustment for number of selling days

Q3 consolidated revenue analysis by Business Unit



	Q3 2024 \$m	Q3 2023 \$m	Reported growth %	Underlying growth %	Acquisitions/ disposals %	Currency impact %
Orthopaedics	549	536	2.4	2.3	-	0.1
Knee Implants	222	223	(0.9)	(0.9)	-	0.0
Hip Implants	146	141	4.1	4.0	-	0.1
Other Reconstruction	33	29	13.8	13.7	-	0.1
Trauma & Extremities	148	143	3.5	3.3	-	0.2
Sports Medicine & ENT	441	425	3.7	3.9	-	(0.2)
Sports Medicine Joint Repair	232	232	(0.2)	0.1	-	(0.3)
Arthroscopic Enabling Technologies	154	134	15.0	15.0	-	0.0
ENT	55	59	(6.7)	(6.8)	-	0.1
Advanced Wound Management	422	396	6.5	6.5	-	0.0
Advanced Wound Care	190	183	3.5	3.4	-	0.1
Advanced Wound Bioactives	140	130	7.9	8.0	-	(0.1)
Advanced Wound Devices	92	83	11.0	11.0	-	0.0
Total	1,412	1,357	4.0	4.0	-	0.0

Trading days per quarter



	Q1	Q2	Q3	Q4	Full year
2021	64	64	63	60	251
2022	64	63	63	60	250
2023	64	63	63	60	250
2024	63	64	63	62	252
2025	62	63	63	63	251